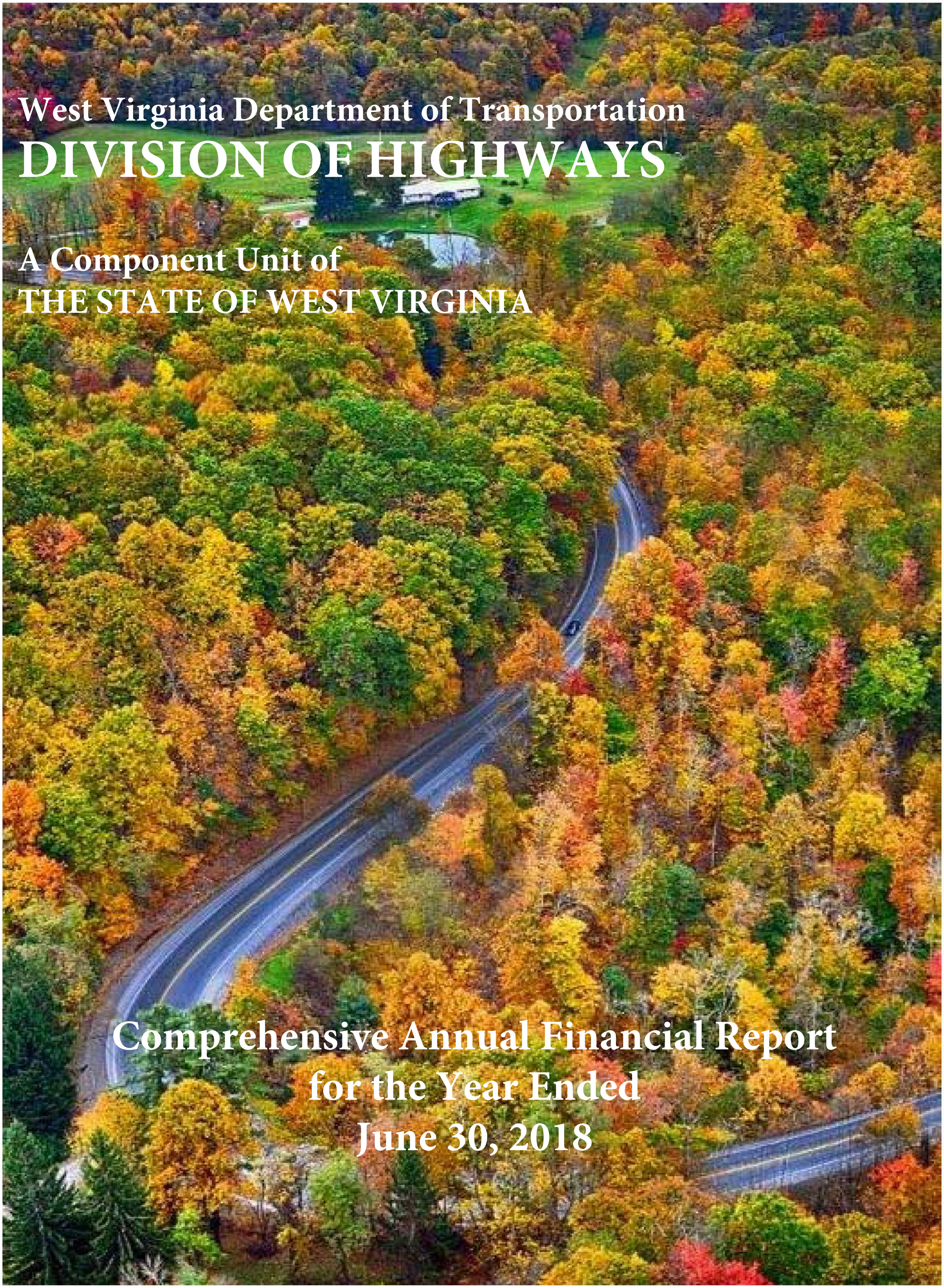

West Virginia Department of Transportation

DIVISION OF HIGHWAYS

A Component Unit of
THE STATE OF WEST VIRGINIA

Comprehensive Annual Financial Report for the Year Ended June 30, 2018

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION

DIVISION OF HIGHWAYS

COMPONENT UNIT OF THE STATE OF WEST VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2018

Prepared by:
Finance and Administration Division

WVDOH

DIVISION OF HIGHWAYS

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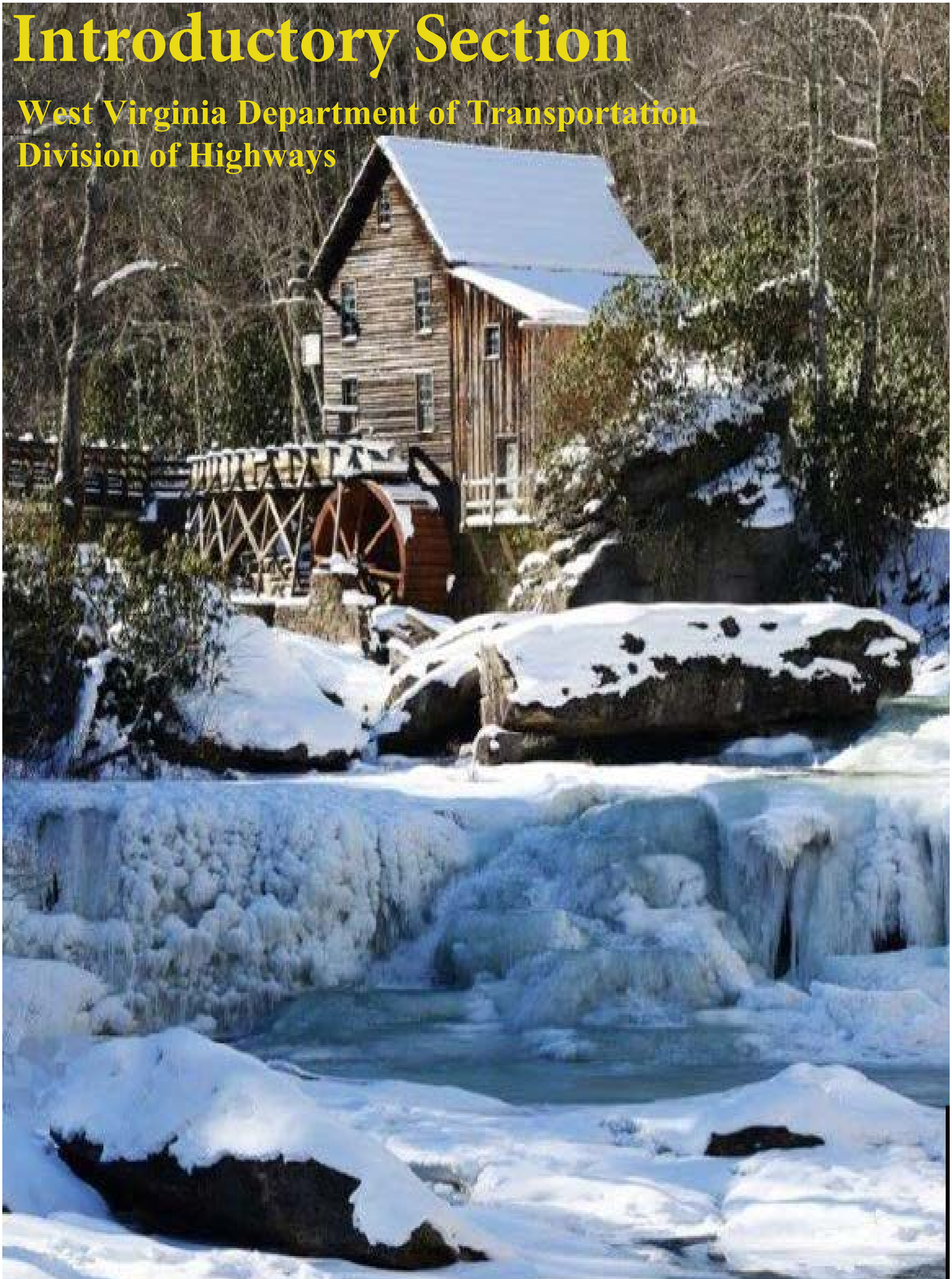
West Virginia Department of Transportation
Division of Highways



WEST VIRGINIA DEPARTMENT OF TRANSPORTATION

Division of Highways

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

Jim Justice
Governor

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

December 26, 2018

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

We are pleased to submit the Comprehensive Annual Financial Report of the West Virginia Department of Transportation, Division of Highways (the Division) for the fiscal year ended June 30, 2018. 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, 2018. 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, 2018 is available upon request.

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

PROFILE OF THE GOVERNMENT

The Division is an operating division of the state government of West Virginia (the State). The State Road Fund (the Division's general fund) is considered a special revenue fund of the State and represents separate funds of the State that are not a part of the State's General Fund. Effective July 1, 1989, the Department of Highways became the Division of Highways when the Department of Transportation was established as a result of legislation enacted by the West Virginia Legislature. It had been the Department of Highways since 1969 when the name was changed from the State Road Commission, which was established in 1917.

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

RELEVANT FINANCIAL POLICIES

The Division is dependent 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 2019*, published by the Bureau of Business and Economic Research at the College of Business and Economics, West Virginia University, "West Virginia's economy enjoyed its strongest year of growth in nearly a decade during 2017, emerging from several years of severe economic weakness. Most of the bounce back in the state's economy is connected to the energy sector, not only from the increased production of coal and natural gas but also as a result of a massive build-out of new natural gas pipeline infrastructure throughout the state. Growth has broadened to include more of the state's regions over the past year or so, but the overall magnitude of gains in jobs and output have remained concentrated in just a few areas as some portions of West Virginia continue to struggle with a range of weak economic fundamentals.

After losses of more than 26,000 jobs between early-2012 and late-2016, the state has seen employment growth of around 7,000 jobs since the recession's end. Job growth since late-2016 has been heavily concentrated in eight counties and has been largely driven by growth in the state's energy industries. The state's unemployment rate has increased slightly over the past year and currently stands in the low-five-percent range; however the increase has been driven by more individuals returning to the labor market to look for work. Only 53 percent of West Virginia's adult population is either working or looking for work. This is the lowest rate of labor force participation among all 50 states. This low rate of labor force participation represents a significant hurdle for long-run economic prosperity. Per capita personal income in West Virginia increased at a healthy pace in 2017, outpacing nearly all other states. Overall, per capita personal income in West Virginia stands at 75 percent on the national average. West Virginia's real GDP grew at a healthy pace in 2017, outpacing more than 40 other states. Growth was largely driven by energy-related developments. Export activity from West Virginia has been quite volatile over the past decade. Exports have increased at a healthy rate since late-2016. Promoting the state's export potential is of vital importance to economic development in West Virginia in the long run. 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.

Employment in West Virginia is estimated to increase 0.4 percent per year on average through 2023, compared to an expectation of 0.7 percent for the nation as a whole. We anticipate slightly positive growth overall in energy over the forecast horizon; this growth will be driven by the natural gas industry. Construction is expected to add jobs at the fastest rate going forward, with much of the job growth occurring early in the forecast horizon due to natural gas pipeline construction. In the middle part of the forecast horizon, construction employment growth will be driven in part by public infrastructure investments. Manufacturing is expected to add jobs at an above-average rate over the forecast horizon, in large part due to gains in chemicals, automotive components, and aerospace equipment. The state's unemployment rate is expected to improve slightly over the forecast horizon. Per capita personal income is expected to grow at an average annual rate of 1.4 percent over the next five years, somewhat less than the national rate. The fasted growing segment of income is non-wage income, such as Social Security benefits.

West Virginia's population has declined by more than 40,000 people since 2012. We project slight population losses in the coming five years, with larger losses expected in the long term. Economic development strategies should focus on ways to improve health, drug abuse, and education outcomes in the state to make West Virginia's work-force 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, 2018. All data is presented in thousands of dollars.

			Change from Prior Year	
	Amount	Percent of Total	Amount	Percent
Motor Fuel Excise Tax	$ 443,273	36%	$53,520	14%
Automobile privilege taxes	231,522	19%	28,117	14%
Motor vehicle registration and licenses	149,222	12%	44,299	42%
Special fees and permits	6,687	1%	1,111	20%
Federal aid	371,199	30%	(134,114)	(27%)
Investments and interest income	4,877	0%	3,890	394%
Intergovernmental	-	0%	(11,285)	(100%)
Miscellaneous	20,548	2%	(8,798)	(30%)
Total revenues	$1,227,328	100%	($23,260)	(2%)
Road construction and other road operations	$ 620,787	48%	($93,600)	(13%)
Road maintenance	460,849	36%	55,132	14%
Support and administrative operations	121,450	9%	21,407	21%
Debt Service	89,644	7%	65,939	278%
Total Expenditures	$1,292,730	100%	$48,878	4%

Overall, State tax and fee revenues in Fiscal Year 2018 increased by 18.06% from Fiscal Year 2017. Fiscal Year 2019 Registration fee collections are estimated to be consistent with Fiscal Year 2018. 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 decreased in Fiscal Year 2018 over Fiscal Year 2017. Investment and interest revenue increased significantly.

At June 30, 2018, the outstanding principal balance of long-term general obligation bonds was $935,175,000. Of this principal balance, $135,175,000 relates to bonds that 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. The remaining outstanding principal balance includes the issuance of $800,000,000 of bonds in June 2018 known as Roads to Prosperity Bonds. Total debt service payments for the Safe Road Bonds will remain around $23.2 million annually for fiscal years 2019-2025, while the debt service payments for the Road to Prosperity Bonds will be $55.4 million annually for fiscal years 2019-2043.

At June 30, 2018, the outstanding principal balance of the Grant Anticipation Revenue Vehicle (GARVEE) notes was $219,985,000. 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 February 2018, the 2016 Notes of $53,380,000 were defeased due to the cancellation of the project.

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 2018, the Division continued work on several of its major initiatives around the State including Corridor H, the Wellsburg Bridge, US 35, WV 10, and the East Beckley Bypass (to name a few). 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. With the increased funding available to the Division from the Roads To Prosperity Program, the Division authorized 1,213 of highway and bridge construction projects statewide. Rugged mountainous terrain and numerous streams and rivers characterize the topography of the State. Consequently, the State's road system includes 7,233 vehicular bridges, of which the Division is responsible for 7,004. The Division's bridge program, enhanced by an infusion of General Obligation and GARVEE Bond proceeds, in conjunction with a traditional state funded program that started in 1988, allowed for construction starts on 156 bridge initiatives ranging from full replacement to deck overlays. Some of the larger projects include, Tom Williams +3 in Kanawha County, the McDonalds/Upper Plaza Bridge in Marshall County, the Harmon Creek Bridge in Brooke County, Rock Cliff Drive Bridge in Berkeley County, and the Stuart Justice Bridge in Mingo County (to name a few). Other accomplishments during fiscal year ended June 30, 2018 included several stretches of major Interstate reconstruction across the State. The badly needed reconstruction projects were part of a larger statewide resurfacing initiative comprised of 600 resurfacing projects, which addressed nearly 1,843 miles of roadway at a cost of approximately $279 million.

The Division also continued to improve the operating efficiency of the heavy equipment road maintenance fleet through budgeting of approximately $15 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, 2017. This was the 26th consecutive year that the Division has achieved this prestigious award (1992-2017). 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 FY2018 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

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

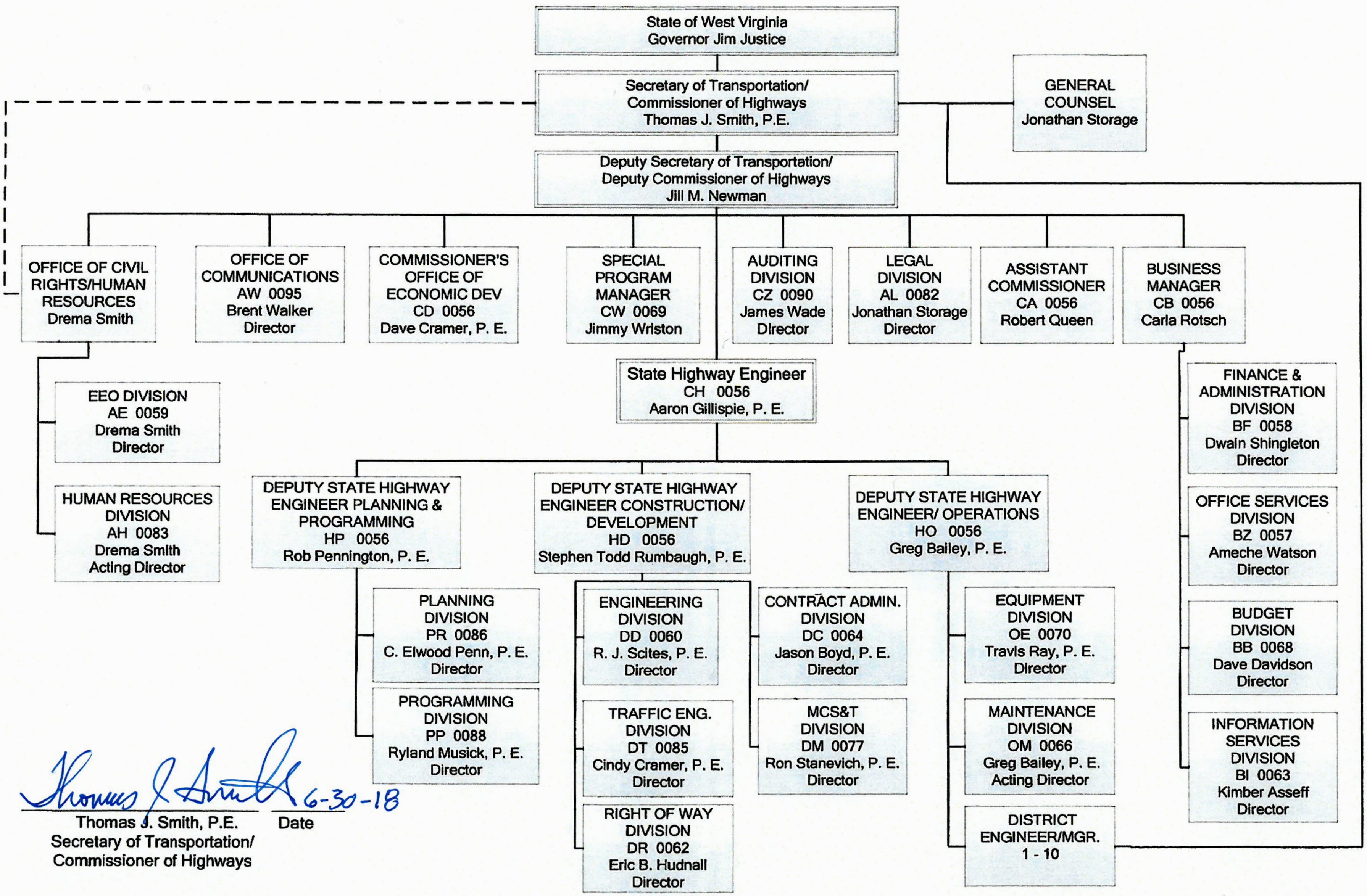
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

West Virginia Division of Highways Organizational Chart



Thomas J. Smith 6-30-18

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

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
LIST OF PRINCIPAL OFFICIALS
June 30, 2018

Thomas J. Smith, P.E.	Secretary of Transportation
Thomas J. Smith, P.E.	Commissioner of Highways
Jill M. Newman	Deputy Secretary DOT/Deputy Commissioner DOH
Aaron C. Gillispie	Assistant Secretary DOT/State Highway Engineer DOH
Robert E. Queen	Assistant Commissioner
Carla P. Rotsch	Deputy Secretary for Finance DOT/Business Manager DOH
Stephen T. Rumbaugh, P.E.	Deputy State Highway Engineer-Construction and Development
Gregory L. Bailey, P.E.	Deputy State Highway Engineer-Operations
Robert L. Pennington	Deputy State Highway Engineer-Planning and Programming
Marvin G. Murphy	Assistant Deputy Secretary-Executive Assistant to the Agency Head
David E. Cramer	Commissioner's Office of Economic Development
Robert L. Pennington	Highway Engineer Chief
Jimmy D. Wriston	Special Program Manager
Lorrie A. Hodges	Executive Assistant to the Commissioner
James R. Wade	Director, Auditing Division
David L. Davidson	Director, Budget Division
Brent H. Walker	Director, Communications
Jason M. Boyd	Director, Contract Administration Division
Raymond J. Scites	Director, Engineering Division
Drema L. Smith	Director, Equal Employment Opportunity Division
Travis L. Ray	Director, Equipment Division
Dwain W. Shingleton	Director, Finance and Administration Division
Drema L. Smith (Acting)	Director, Human Resources Division
Kimber L. Asseff	Director, Information Services Division
Jonathan T. Storage	Director, Legal Division
Gregory L. Bailey, P.E.	Director, Maintenance Division
Ronald L. Stanevich	Director, Materials Control Soil & Testing Division
Ameche L. Watson	Director, Office Services Division
C. Elwood Penn, P.E.	Director, Planning Division
Ryland W. Musick	Director, Programming Division
Eric B. Hudnall	Director, Right of Way Division
Cindy L. Cramer, P.E.	Director, Traffic Engineering Division
Susan M. Watkins	Correspondence & Central Files
Laura A. Conley-Rinehart	Assistant to State Highway Engineer
Gary K. Clayton	Regional Maintenance Engineer
Shawn A. Smith	Regional Construction Engineer

DISTRICT ENGINEERS/MANAGERS

District 1	Travis W. Knighton	Charleston
District 2	Raymond S. Eplin	Huntington
District 3	James R. Roten Jr.	Parkersburg
District 4	Donald L. Williams	Clarksburg
District 5	Lee J. Thorne	Burlington
District 6	Dave E. Brabham	Moundsville
District 7	Brian K. Cooper	Weston
District 8	James A. Rossi	Elkins
District 9	Steve B. Cole	Lewisburg
District 10	Dave W. Harper (Acting)	Princeton

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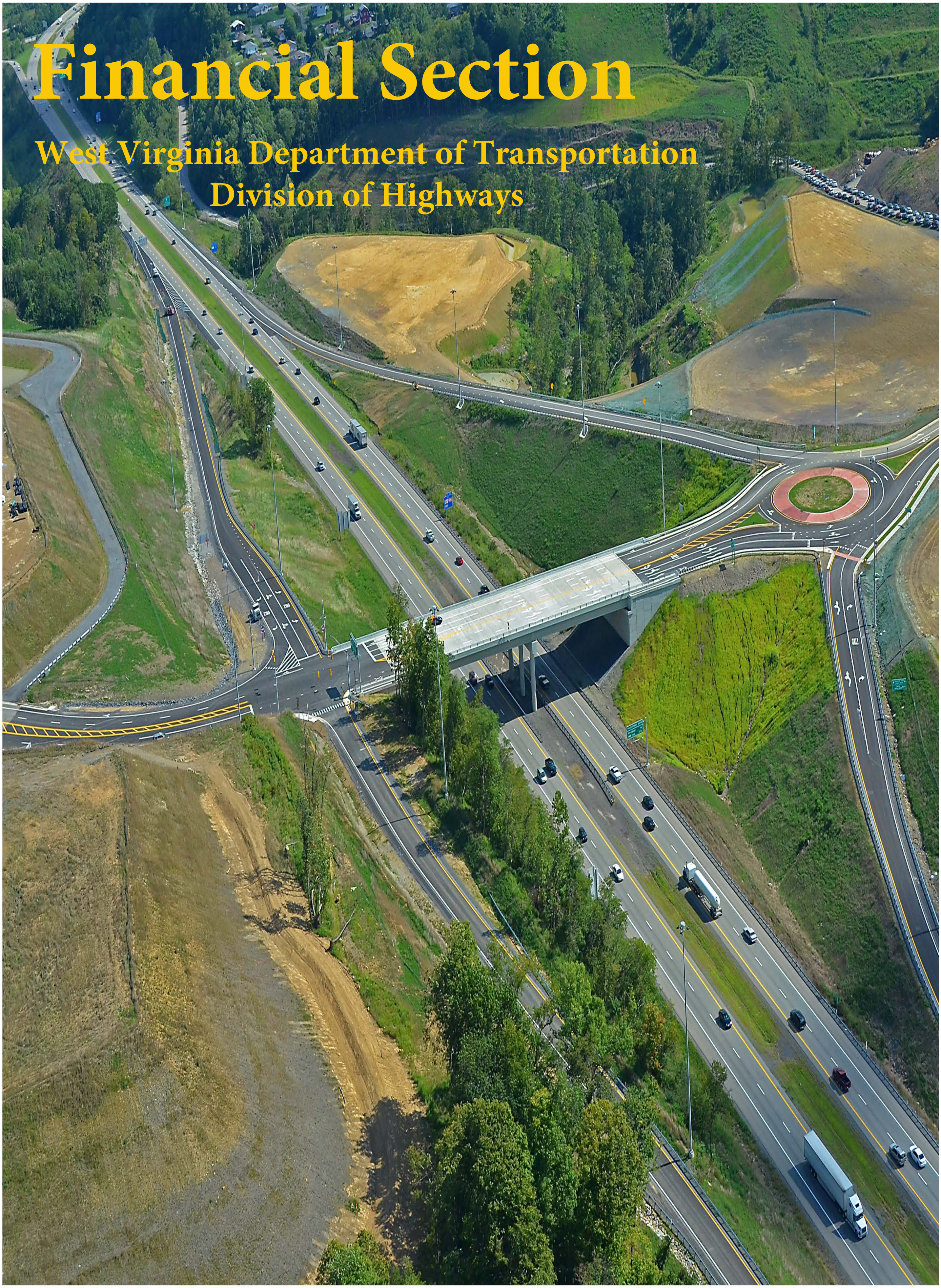
DIVISION OF HIGHWAYS

Financial Section

West Virginia Department of Transportation
Division of Highways



Suttle & Stalnaker PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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, 2018, 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, 2018, 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.

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Change in Accounting Principle

As described in Note 2 to the financial statements, in 2018, the Division adopted new accounting guidance, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

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, 2018, 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.

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, OPEB schedules and related notes on pages 62 through 67 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 is 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.

Suttle & Stalnaker, PLLC

Charleston, West Virginia
October 31, 2018

WVDOH

DIVISION OF HIGHWAYS

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of the West Virginia Department of Transportation, Division of Highways (Division) annual financial report presents our discussion and analysis of the Division's financial performance during the fiscal year that ended June 30, 2018. 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 2018.

Changes in Net Position - During the year the Division's net position increased by $97 million or 1.21%. This percentage is a decrease from the prior year, when net position increased $101 million or 1.29%.

Revenues and Expenses - Total revenues decreased by $21 million or 1.69%. Total expenses decreased $6 million or 0.48%. 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 2018, the Division's governmental funds reported combined total fund equity of $1.4 billion, an increase of $1.3 billion in comparison with the prior year.

Long-term Debt - The Division's total outstanding general obligation bonds, net of bond premiums, increased by $894 million during the current fiscal year. The Division's total outstanding special obligation notes, net of note premium, increased by $200 million during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Statements

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

Fund Financial Statements

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

CONDENSED FINANCIAL INFORMATION

Condensed Statement of Net Position

The following condensed financial information was derived from the government-wide statement of net position and summarizes the Division's net position as of June 30, 2018 and 2017 (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,

	2018	2017	% Change
Assets and deferred outflows of resources			
Current assets	$ 1,539,571	$ 399,114	285.75%
Capital assets	8,255,253	8,210,739	0.54%
Total assets	9,794,824	8,609,853	13.76%
Deferred outflows of resources	41,921	83,857	-50.01%
Total assets and deferred outflows of resources	9,836,745	8,693,710	13.15%
Liabilities and deferred inflows of resources			
Current liabilities	229,395	323,201	-29.02%
Long term liabilities	1,477,519	374,089	294.96%
Total liabilities	1,706,914	697,290	144.79%
Deferred inflows	56,930	20,247	181.18%
Total liabilities and deferred inflows of resources	1,763,844	717,537	145.82%
Net Position			
Net investment in capital assets	7,832,625	7,967,600	-1.69%
Restricted	19,285	12,737	51.41%
Unrestricted (Deficit)	220,991	(4,164)	5407.18%
Total net position	$ 8,072,901	$ 7,976,173	1.21%

Condensed Statement of Activities

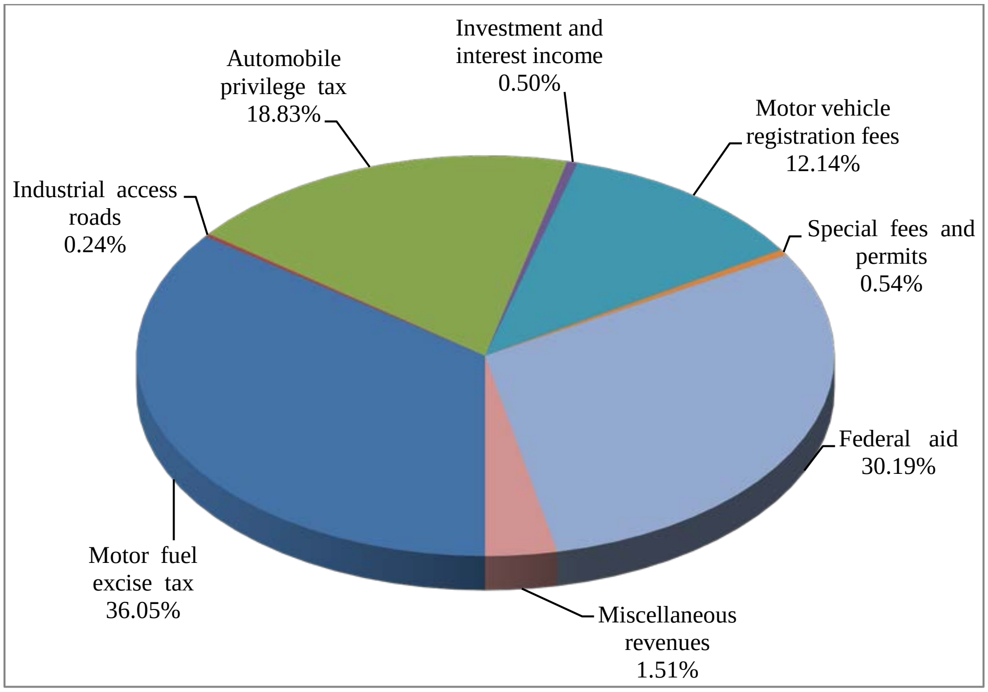
The following condensed financial information was derived from the government-wide statement of activities and reflects how the Division's net position changed during the fiscal year (amounts in thousands):

Condensed Statement of Activities
Years Ended June 30,

	2018	2017	% Change
Revenues			
Taxes	$ 674,795	$ 593,158	13.76%
Investment and interest income	6,169	987	525.03%
Intergovernmental	-	11,285	-100.00%
Miscellaneous revenues	18,364	26,346	-30.30%
Total general revenues	699,328	631,776	10.69%
Capital grants and contributions	374,199	508,313	-26.38%
Charges for service	155,909	110,499	41.10%
Total program revenues	530,108	618,812	-14.33%
Total revenues	1,229,436	1,250,588	-1.69%
Expenses			
Road maintenance	452,192	405,378	11.55%
Other road operations	592,081	672,424	-11.95%
General and administration	79,129	60,374	31.06%
Interest on long-term debt	14,422	5,087	183.51%
Unallocated depreciation	5,723	5,857	-2.29%
Total expenses	1,143,547	1,149,120	-0.48%
Change in net position before other revenues and expenses	85,889	101,468	15.35%
Payments on behalf	8,213	-	100.00%
Change in net position	94,102	101,468	-7.26%
Net position, beginning	7,976,173	7,874,705	1.29%
Cumulative effect of adoption of accounting principle	2,626	-	100.00%
Net position, beginning , as restated	7,978,799	7,874,705	1.32%
Net position, ending	$ 8,072,901	$ 7,976,173	1.21%

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 $97 million or 1.21%.

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



Total revenues decreased by approximately $21 million. Total tax revenues increased by approximately $126 million. Federal aid revenue decreased by approximately $134 million or 26.54%. The following summarizes revenues for the years ended June 30, 2018 and June 30, 2017 (amounts in thousands):

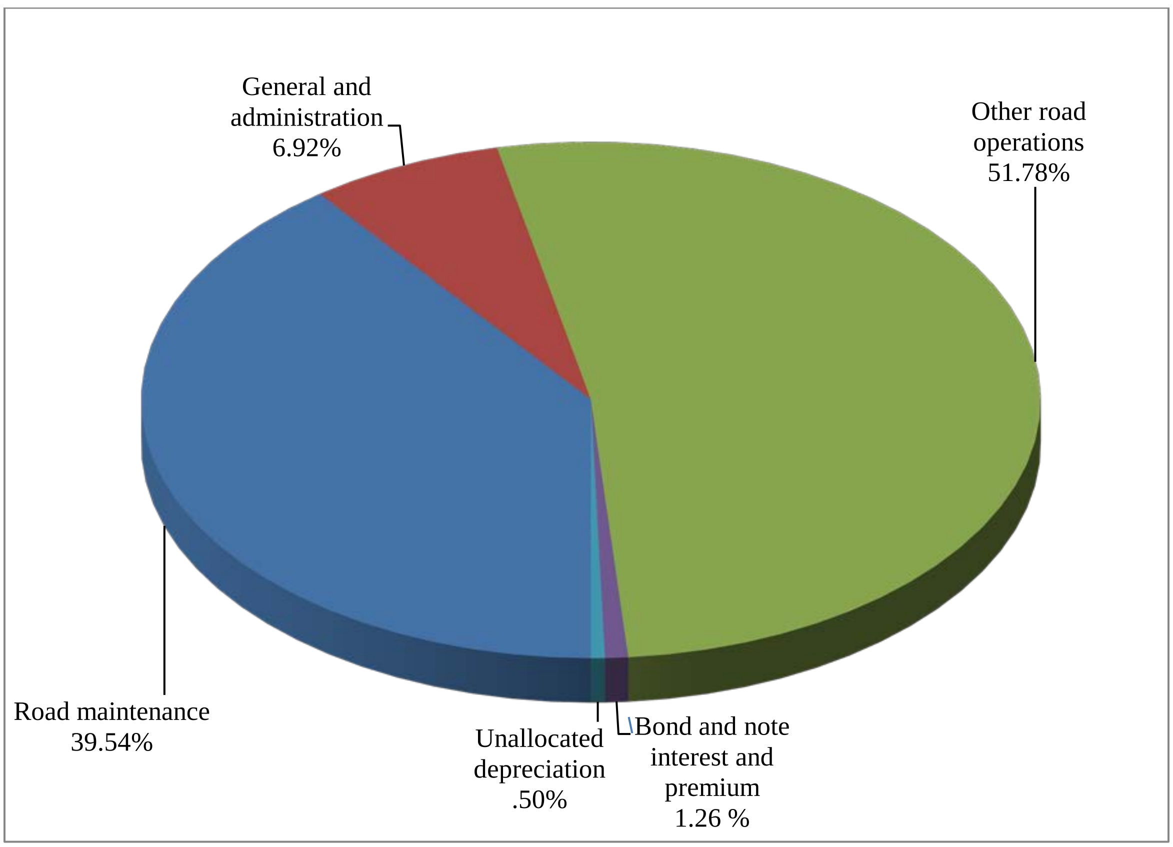
	2018	2017	Increase (Decrease)	% Increase (Decrease)
Motor fuel excise tax	$ 443,273	$ 389,753	$ 53,520	13.73%
Industrial access roads	3,000	3,000	-	0.00%
Automobile privilege tax	231,522	203,405	28,117	13.82%
Motor vehicle registration fees	149,222	104,923	44,299	42.22%
Special fees and permits	6,687	5,576	1,111	19.92%
Federal aid	371,199	505,313	(134,114)	-26.54%
Investment and interest income	6,169	987	5,182	525.03%
Intergovernmental	-	11,285	(11,285)	-100.00%
Miscellaneous revenues	18,364	26,346	(7,982)	-30.30%
	$ 1,229,436	$ 1,250,588	$ (21,152)	-1.69%

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 2018 tax collections reported on a cash basis increased by $105 million (15.25%) from fiscal year 2017 tax collections. Motor fuel tax collections were $15.7 million (-3.60%) below estimates and $38.3 million (10.06%) above fiscal year 2017 collections. Privilege tax collections were $4.1 million (-1.78%) below estimates but $23.3 million (11.42%) above fiscal year 2017 collections. Registration fee collections were $17.3 million (13.16%) above estimates and $44.2 million (42.35%) above fiscal year 2017 collections. In fiscal year 2019, motor fuel tax and privilege tax collections are projected to be higher than fiscal year 2018 actual collections. However, registration fee collections are estimated to be lower than fiscal year 2018 actual numbers. The projected increases are the result of the passage of West Virginia Senate Bill 1006. This bill provides for an increase in the Privilege tax collection, 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 $6 million or .48%. The following summarizes expenditures for the years ended June 30, 2018 and June 30, 2017 (amounts in thousands):

	2018	2017	% Increase (Decrease)
Road maintenance	$ 452,192	$ 405,378	11.55%
Other road operations	592,081	672,424	-11.95%
General and administration	79,129	60,374	31.06%
Interest on long-term debt	14,422	5,087	183.51%
Unallocated depreciation	5,723	5,857	-2.29%
Total expenses	$ 1,143,547	$ 1,149,120	-0.48%

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 2018, the agency continued its core maintenance plan, which emphasizes ditching, mowing, brush-cutting, and patching maintenance activities. County crews concentrate on these activities during all non-SRIC periods. The intent is to improve safety and perform maintenance that will extend the life of the highway system.

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

FINANCIAL ANALYSIS OF THE DIVISION'S MAJOR FUNDS

At June 30, 2018, the Division reported fund balances of approximately $1.4 billion. Of this total amount $412 million constitutes unassigned fund balance while $932 million is restricted for various purposes. The remainder of the fund balance is non-spendable and is not available for spending because it is comprised of inventories.

State Road Fund

The State Road Fund is the Division's General Fund. At the end of the 2018 fiscal year, unassigned fund balance of the General Fund was $412 million and non-spendable fund balance was $47 million while the restricted fund balance was $18 million. The total General Fund balance increased $357 million during the fiscal year primarily due to the implementation of GASB 75 and the sale of GARVEE bonds.

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) raised the average wholesale price for motor fuel. This 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 and as a result higher revenue in fiscal year 2018 were observed for these two revenue sources. While we still anticipate seeing higher revenues for motor fuel and privilege tax, we estimate registration fees to slightly decrease in fiscal year 2019. The following table summarizes tax and fee collections over the past two years (amounts in thousands):

	2018	2017	Increase (Decrease)	% Increase (Decrease)
Motor fuel excise	$ 443,273	$ 389,753	$ 53,520	13.73%
Motor vehicle registration	149,222	104,923	44,299	42.22%
Privilege tax	231,522	203,405	28,117	13.82%
	$ 824,017	$ 698,081	$ 125,936	18.04%

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

The Division's federal revenue, on a budgetary basis for fiscal year 2018 was $391,058, used primarily for design, right-of-way and construction of Corridor H, 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):

	2018	2017	Increase (Decrease)	% Increase (Decrease)
Federal reimbursement-Budgeted funds	$ 366,728	$ 464,864	$ (98,136)	-21.11%
Federal reimbursement-Surface Transportation	(513)	511	(1,024)	-200.39%
Federal reimbursement-Emergency funds	4,984	39,938	(34,954)	-87.52%
	$ 371,199	$ 505,313	$ (134,114)	-26.54%

It is anticipated that the state revenues will increase slightly in fiscal year 2019 when compared to fiscal year 2018. As a result of the passage of Senate Bill 1006 during the 2017 WV Legislative session, the Division has experienced an increase in motor fuel, privilege tax and registration fee revenues in fiscal year 2018. Management will continue to monitor and maintain a fiscally sound equity position. The approved fiscal year 2019 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 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. West Virginia's federal fiscal year 2018 apportionment was $454.4 million and the total obligation limitation was $489.1 million (due to additional funds provided through August 2018 redistribution of federal funds to the Division).

Capital Projects Fund

The Capital Projects Fund accounts for financial resources to be used for road construction financed by the sale of General Obligation bonds. On October 7, 2017 the citizens of West Virginia voted to pass a referendum which allows the Division to sell $1.6 billion dollars in General Obligation bonds. The Division sold $800 million (face value) in General Obligation bonds during the fiscal year ended June 30, 2018. These bonds will fund the construction of all or a portion of ten projects across the State. At June 30, 2018 the capital projects balance of approximately $915 million represented unexpended bond funds associated with the 2018 General Obligation bond issue.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2018, the Division had invested $8.3 billion, net of accumulated depreciation, in a range of capital assets (see note 8 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 $303 million in depreciation of the infrastructure. The Division expended $365 million dollars during the year ended June 30, 2018 for additions to capital assets. Of this amount, $337 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 $142 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, Coalfields Expressway in Wyoming County, 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, 2018, the Division had $935 million in outstanding bonds. The amount outstanding increased by $800 million 519% due to net principal payments and sale of general obligation bonds.

The Division has also been authorized to issue revenue notes in the amount of $500 million by constitutional amendment. The Division issued revenue notes in the amount of $53 million in December 2016, which were defeased in February 2018. In October 2017, the Division issued revenue notes in the amount of $220 million. The debt service payments on these notes will be funded through federal aid revenue. Issued notes increased by $167 million, 312% due to net principal payments, said defeasance and successive 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 Aa1 AA	$	35,135
Safe Roads 15A - Bonds maturing on or before June 1, 2025.	Fitch: Moody's: S&P:	AA+ Aa1 AA		100,040
Roads to Prosperity 18A, 18B T1, 18B T2 - Bonds maturing on or before June 1, 2043.	Fitch: Moody's: S&P:	AA Aa2 AA-		800,000
Surface Transportation Improvements Special Obligation Notes (GARVEE 2017A) - Notes maturing on or before September 1, 2029.	Moody's: S&P:	A2 AA		219,985
			$	1,155,160

More detailed information regarding capital asset and long-term debt activity is included in the notes 8 and 9, respectively to the financial statements.

Sale of Bonds

As fiscal year 2018 came to a close, the Division of Highways was in the process of issuing additional bonds which will be reflected in the fiscal year 2019 financial statements.

Series 2018A Bonds (GARVEE II) were sold in the amount of $79 million and issued on August 1, 2018. These proceeds will be utilized for various projects across the State.

Subsequently, the Parkways Authority issued bonds on July 31, 2018 and as a result deposited $172 million of proceeds into the State Road Construction account. The Division of Highways will use these funds to finance transportation construction costs for projects located not on the Turnpike, but in counties adjacent to the Turnpike.

Both of these bond sales are components of Governor Justice's Roads to Prosperity program. The intention going forward will be to issue additional bonds in the upcoming years, in order to continue the program.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
STATEMENT OF NET POSITION
JUNE 30, 2018
(amounts expressed in thousands)

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current assets	
Cash and cash equivalents	$ 1,313,125
Accounts receivable, net	77,484
Taxes receivable	99,007
Due from other State of West Virginia agencies	2,895
Inventories	47,060
Total current assets	1,539,571
Non-current assets	
Capital assets not being depreciated	
Land - non-infrastructure	24,380
Land - infrastructure	1,204,877
Construction in progress	907,787
Capital assets net of accumulated depreciation	
Land improvements	13,565
Buildings	108,019
Furniture and fixtures	356
Rolling stock	54,238
Scientific equipment	40
Shop equipment	123
Roads	3,465,639
Bridges	2,476,229
Total capital assets	8,255,253
Total assets	9,794,824
Deferred outflows of resources	
Deferred outflows of resources - pensions	30,762
Deferred outflows of resources - OPEB	11,159
Total deferred outflows of resources	41,921
Total assets and deferred outflows of resources	9,836,745
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Current liabilities	
Accounts payable	110,107
Retainages payable	1,036
Accrued payroll and related liabilities	16,694
Due to other State of West Virginia agencies	1,950
Due to Federal Highway Administration	13,275
Accrued interest payable	7,309
Unearned revenue	4,919
Current maturities of long term obligations	74,105
Total current liabilities	229,395
Non-current liabilities	
Claims and judgments	12,553
Compensated absences	6,497
Net pension liability	64,651
Net other postemployment benefits liability	130,248
Bonds and notes	1,263,570
Total non-current liabilities	1,477,519
Total liabilities	1,706,914
Deferred inflows of resources	
Deferred inflows of resources - pension	20,491
Deferred inflows of resources - OPEB	25,693
Deferred inflows of resources - gain on refunding	10,746
Total deferred inflows of resources	56,930
Total liabilities and deferred inflows of resources	1,763,844
NET POSITION	
Net investment in capital assets	7,832,625
Restricted	
Coal Resource	2,598
Waste Tire	5,853
Industrial Access	9,099
Capital projects	1,735
Unrestricted	220,991
Total net position	$ 8,072,901

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, 2018
(amounts expressed in thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Capital Grants and Contributions	Net Revenue (Expenses) and Changes in Net Position
Government activities				
Road maintenance				
Expressway, trunkline & feeder & SLS	$ 384,193	$ -	$ -	$ (384,193)
Contract paving & secondary roads	40,269	-	-	(40,269)
Small bridge repair & replacement	12,093	-	-	(12,093)
Litter control program	4,603	-	-	(4,603)
Depreciation	11,034	-	-	(11,034)
Other road operations				
Interstate highways	75,911	-	46,157	(29,754)
Appalachian highways	8,340	-	56,161	47,821
Other federal aid programs	192,506	-	268,881	76,375
Non federal aid improvements	11,145	-	-	(11,145)
Industrial access roads	1,005	-	3,000	1,995
Depreciation	303,174	-	-	(303,174)
General and administration				
Support and administrative operations	55,963	6,687	-	(49,276)
Claims	(15,963)	-	-	15,963
Costs associated with DMV	37,722	149,222	-	111,500
Costs associated with OAH	1,407	-	-	(1,407)
Interest on long-term debt	14,422	-	-	(14,422)
Unallocated depreciation	5,723	-	-	(5,723)
	$ 1,143,547	$ 155,909	$ 374,199	(613,439)

General revenues	
Taxes:	
Gasoline and motor carrier	443,273
Automobile privilege	231,522
Investment and interest income	6,169
Miscellaneous revenues	18,364
Total general revenues	699,328
Change in net position before other revenues and expenses	85,889
Payments on behalf	8,213
Change in net position	94,102
Net position, beginning	7,976,173
Net effect of change in accounting policy	2,626
Net position, beginning as restated	7,978,799
Net position, ending	$ 8,072,901

The Accompanying Notes Are An Integral Part Of These Financial Statements

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018
(amounts expressed in thousands)

	State Road (General)	Capital Projects	Total Governmental Funds
ASSETS			
Assets			
Cash and cash equivalents	$ 398,398	$ 914,727	$ 1,313,125
Receivables	77,484	-	77,484
Taxes receivable	99,007	-	99,007
Due from other State of West Virginia agencies	2,895	-	2,895
Inventories	47,060	-	47,060
Total assets	$ 624,844	$ 914,727	$ 1,539,571
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	$ 110,107	$ -	$ 110,107
Retainages payable	1,036	-	1,036
Accrued payroll and related liabilities	16,694	-	16,694
Due to other State of West Virginia agencies	1,950	-	1,950
Due to Federal Highway Administration	13,275	-	13,275
Unearned revenue	4,919	-	4,919
Total liabilities	147,981	-	147,981
Fund balances			
Non-spendable			
Inventories	47,060	-	47,060
Restricted			
Construction and maintenance of industrial access roads	9,099	-	9,099
Construction and maintenance of coal resource roads	2,598	-	2,598
Waste tire clean up and disposal	5,853	-	5,853
Capital projects	-	914,727	914,727
Unassigned	412,253	-	412,253
Total fund balances	476,863	914,727	1,391,590
Total liabilities and fund balances	$ 624,844	$ 914,727	$ 1,539,571

The Accompanying Notes Are An Integral Part Of These Financial Statements

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018
(amounts expressed in thousands)

Total fund balance - governmental funds		$ 1,391,590
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Capital assets not being depreciated		
Land - non-infrastructure	$ 24,380	
Land - infrastructure	1,204,877	
Construction in progress	907,787	
Capital assets net of accumulated depreciation		
Land improvements	13,565	
Buildings	108,019	
Furniture and fixtures	356	
Rolling stock	54,238	
Scientific equipment	40	
Shop equipment	123	
Roads	3,465,639	
Bridges	2,476,229	8,255,253
Deferrals of resources related to pensions that represent a consumption of net position that applies to a future period, and therefore, is reported as a deferred outflow of resources in the statement of net position:		30,762
Deferrals of resources related to OPEB that represent a consumption of net position that applies to a future period, and therefore, is reported as a deferred outflow of resources in the statement of net position:		11,159
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Net pension liability	(64,651)	
Net other postemployment benefit liability	(130,248)	
Accrued interest payable	(7,309)	
Claims and judgments	(12,961)	
Compensated absences	(18,888)	
General obligation bonds and revenue notes	(1,324,876)	(1,558,933)
Deferrals of resources related to pensions and OPEB and gain on refunding that represents an acqusition of net position that applies to a future period, and therefore, are reported as deferred inflows of resources in the statement of net position:		(56,930)
Net position of governmental activities		$ 8,072,901

The Accompanying Notes Are An Integral Part Of These Financial Statements

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018
(amounts expressed in thousands)

	State Road (General)	Capital Projects	Total Governmental Funds
Revenues			
Taxes			
Gasoline and motor carrier	$ 443,273	$ -	$ 443,273
Automobile privilege	231,522	-	231,522
Industrial access roads	3,000	-	3,000
License, fees and permits			
Motor vehicle registrations and licenses	149,222	-	149,222
Special fees and permits	6,687	-	6,687
Federal aid			
Interstate highways	46,157	-	46,157
Appalachian highways	56,161	-	56,161
Other federal aid programs	268,881	-	268,881
Investment and interest income, net of arbitrage rebate	4,877	1,292	6,169
Miscellaneous revenues	17,548	-	17,548
Total revenues	1,227,328	1,292	1,228,620
Expenditures			
Current			
Road maintenance			
Expressway, trunkline and feeder, state and local services	396,373	-	396,373
Contract paving and secondary roads	40,331	-	40,331
Small bridge repair and replacement	19,541	-	19,541
Litter control program	4,604	-	4,604
Support and administrative operations	81,765	-	81,765
Division of Motor Vehicles operations	37,722	-	37,722
Office of Administration Hearings operations	1,407	-	1,407
Claims	556	-	556
Capital outlay and other road operations			
Road construction and other road operations			
Interstate highways	102,773	-	102,773
Appalachian highways	86,001	-	86,001
Other federal aid programs	411,885	-	411,885
Nonfederal aid construction and road operations	19,123	-	19,123
Industrial access roads	1,005	-	1,005
Debt service			
Bond issuance costs	1,963	-	1,963
Principal	15,985	-	15,985
Interest	12,360	-	12,360
Defeasance of debt	59,336	-	59,336
Total expenditures	1,292,730	-	1,292,730
Deficiency of revenues over expenditures	(65,402)	1,292	(64,110)
Other financing sources (uses)			
Sale of Bonds	219,985	800,000	1,019,985
Premium on bonds	39,882	113,435	153,317
Proceeds of sale of assets	1,635	-	1,635
Payments on behalf	8,213	-	8,213
Total other sources (uses)	269,715	913,435	1,183,150
Net change in fund balances	204,313	914,727	1,119,040
Fund balances, beginning of year	119,821	-	119,821
Cumulative effect of adoption of accounting principle	152,729	-	152,729
Fund balances, beginning of year, as restated	272,550	-	272,550
Fund balances, end of year	$ 476,863	$ 914,727	$ 1,391,590

The Accompanying Notes Are An Integral Part Of These Financial Statements

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(amounts expressed in thousands)

Net change in fund balance - governmental funds	$ 1,119,040
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 $364,683 exceeded the depreciation of ($319,931) in the current period.	44,752
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.	(239)
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.	(1,099,532)
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 $16,519 and increase in compensated absences of ($2,384).	14,135
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 ($3,264), an increase in interest payable of ($5,819), write off of bond premium due to defeasance of $8,780, pension expense of $9,393, OPEB expense of $5,321, and amortized gain on bond refunding $1,535.	15,946
Change in net position of governmental activities	$ 94,102

The Accompanying Notes Are An Integral Part Of These Financial Statements

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION DIVISION OF HIGHWAYS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
(BUDGETARY BASIS) - STATE ROAD FUND
YEAR ENDED JUNE 30, 2018
(amounts expressed in thousands)

	Original Budget	Budget Amendments	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues					
Taxes					
Gasoline and motor carrier	$ 410,900	$ 24,400	$ 435,300	$ 419,644	$ 15,656
Automobile privilege	190,288	41,246	231,534	227,418	4,116
Litter control program	1,727	(8)	1,719	1,480	239
Motor vehicle registrations and licenses	123,652	-	123,652	148,546	(24,894)
Revenue transfer to Industrial Access Roads	3,000	-	3,000	3,000	-
Federal aid	477,240	43,460	520,700	391,058	129,642
Miscellaneous revenues	26,495	-	26,495	52,471	(25,976)
	1,233,302	109,098	1,342,400	1,243,617	98,783
Expenditures					
Road construction and other road operations					
Interstate highways	100,000	20,000	120,000	82,113	37,887
Appalachian highways	120,000	(20,000)	100,000	97,440	2,560
Other federal aid programs	362,000	53,000	415,000	386,715	28,285
Nonfederal aid construction	231,400	-	231,400	218,344	13,056
Road maintenance					
Maintenance	359,278	(40,000)	319,278	314,139	5,139
Contract paving and secondary roads	-	-	-	-	-
Small bridge repair and replacement	-	-	-	-	-
Litter control program	1,727	-	1,727	908	819
Support and administrative operations					
General operations	45,995	-	45,995	2,617	43,378
Equipment revolving	15,000	-	15,000	1,841	13,159
Inventory revolving	4,000	-	4,000	(18,522)	22,522
Debt service	24,000	5,000	29,000	24,961	4,039
Courtesy Patrol	5,000	-	5,000	3,633	1,367
Division of Motor Vehicles operations	43,379	-	43,379	39,348	4,031
Office of Administrative Hearings operations	1,952	-	1,952	1,430	522
Claims - DOH and DMV	1,500	-	1,500	556	944
Industrial Access Road	3,000	-	3,000	3,000	-
	1,318,231	18,000	1,336,231	1,158,523	177,708
Excess (deficiency) of revenues over expenditures	(84,929)	91,098	6,169	85,094	78,925
Fund balance, beginning of year	64,662	-	64,662	64,662	-
Fund balance, end of year	$ (20,267)	$ 91,098	$ 70,831	$ 149,756	$ 78,925

The Accompanying Notes Are An Integral Part Of These Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The financial statements of the Division are intended to present the financial position and the 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, 2018, 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.

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 $1,735 restricted assets, of which all is restricted by enabling legislation.

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, 2018, has been reported only in the government-wide financial statements.

- Division employees earn sick leave benefits, which accumulate, but do not vest. When separated from employment with the Division, an employee's sick leave benefits are considered ended and no reimbursement is provided. Any employee who retires, however, may convert any unused accumulated sick leave to increase service credits for retirement purposes. Additionally, certain employees may choose to apply any unused accumulated sick leave to pay a portion of the employee's postemployment health care insurance premium in lieu of increasing their service credits. Those employees cannot split their unused leave between the two options.

- Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in a debt service fund for transfer to the fiscal agent or for payment to be made early in the following year.

- Claims and judgments are recorded only when payment is due.

- Pension and other post employment benefits expense is recorded when contributions are due in the governmental fund financial statements and recorded when incurred in the government-wide financial statements.

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

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

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

(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Capital Projects Fund - This fund accounts for financial resources to be used for road construction financed by the proceeds from the sale of general obligation bonds.

INTERFUND ACTIVITY - As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges from the government's various functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. The Division processes certain routine payments, such as payroll through the State Road Fund and allocates those costs to the other governmental funds based on individual projects charged. The interfund balances at June 30, 2018 generally are a result of these routine payments and transfers.

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

The Division's State Road (General) Fund which includes the State Road Fund and A. James Manchin Fund has a legislatively approved budget. However, the Capital Projects Fund, Coal Resource Fund, Industrial Access Fund and certain monies reported within the State Road Fund in accordance with accounting principles generally accepted in the United States of America are not considered appropriated funds in accordance with the Division's budgetary reporting policy. Accordingly, these funds have not been reported in the Division's Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budgetary Basis) - State Road Fund. A reconciliation of the excess of revenues over expenditures and other financing uses for the year ended June 30, 2018, on the budgetary basis to the GAAP basis for the State Road fund follows:

Deficiency of revenues over expenditures - budgetary basis	$	85,094
Basis of accounting differences (budgetary to GAAP)		(94,868)
Unbudgeted funds		3,708
Excess of revenues over expenditures - GAAP basis	$	(6,066)

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 "Non-spendable" in the Government Fund Financial Statements.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

POSTEMPLOYMENT BENEFITS - For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by West Virginia Retiree Health Benefit Trust Fund (RHBT). For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 13 for further discussion.

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

PREMIUMS, DISCOUNTS AND ISSUANCE COSTS - In the government-wide financial statements long-term debt and other long-term obligations are presented in the columns for governmental activities. Where material, bond and note premiums and discounts are deferred and amortized over the life of the debt. Bonds and notes payable are reported net of the applicable bond premium or discount. In the governmental fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, other than bond insurance, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

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 $41,921 as deferred outflows of resources related to pensions and OPEB 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 $56,930 as deferred inflows of resources related to pensions and OPEB 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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, 2018.

Assigned fund balances are constrained by the Division's intent to use such funds for specific purposes, but are neither restricted nor committed. The specific purpose for which the funds are intended is expressed within the appropriation requests of the Division and approved by the State Budget Office, according to the West Virginia State Code. Assigned fund balances include all remaining amounts that are not classified as non-spendable and are neither restricted nor committed. The Division has no assigned fund balances at June 30, 2018.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Newly Adopted Statements Issued by the Governmental Accounting Standards Board

The Division implemented 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. See note 2 for a discussion of the effect and additional disclosures at note 12.

The Division implemented 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 adoption of GASB Statement No. 85 had no impact on the June 30, 2018 financial statements.

Recent Statements Issued by the Governmental Accounting Standards Board

The Governmental Accounting Standards Board has 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. 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.

The Governmental Accounting Standards Board has also issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, effective for fiscal years beginning after June 15, 2018. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. The Division has not yet determined the effect that the adoption of GASB Statement No. 88 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. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, effective for fiscal years beginning after December 15, 2019. The requirements of this Statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities. The Division has not yet determined the effect that the adoption of GASB Statement No. 89 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 90, *Major Equity Interests*, which is effective for fiscal years beginning after December 15, 2018. The requirements of this Statement will improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and will improve the relevance of financial statement information for certain component units. This Statement also provides guidance for reporting a component unit if a government acquires a 100% equity interest in that component unit. An equity interest is a financial interest in a legally separate organization evidenced by the ownership of shares of the organization's stock or by otherwise having an explicit, measureable right to the net resources of the organization that is usually based on an investment of financial or capital resources by a government. An equity interest is explicit and measureable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. The Division has not yet determined the effect that the adoption of GASB Statement No. 90 may have on its financial statements.

NOTE 2: CHANGE IN ACCOUNTING POLICY AND RESTATEMENT OF BEGINNING NET POSITION AND FUND BALANCE

The Division changed its method of accounting for the following items in order to comply with accounting principles generally accepted in the United States of America:

GASB 75 - As of July 1, 2017, the Division implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This statement reclassified some items previously reported as expenses as deferred outflows of resources and deferred inflows of resources. This statement also changed the valuation methodology used to record the net other postemployment benefits (OPEB) liability.

Employer contributions to the West Virginia Retiree Health Benefit Trust Fund (RHBT) made subsequent to the measurement date are recorded as deferred outflows of resources. For the fiscal year ended June 30, 2018, the Division reported $11,159 as deferred outflows of resources relating to these payments. Additionally, the net difference between the projected and actual investment earnings are required to be recorded as deferred inflows of resources or deferred outflows of resources and are amortized over 5 years. All other deferred outflows of resources and deferred inflows or resources relating to the OPEB liability are amortized over 4.71 years, the average expected remaining service life. For the fiscal year ended June 30, 2018, the Division reported deferred inflows of resources relating to these earnings of $25,693.

Net effect of the change in accounting policy on beginning:

	Fund balance	Net position
Net position at June 30, 2017, as previously stated	$ 119,821	$ 7,976,173
Net effect of change in accounting policy	152,729	2,626
Net position at June 30, 2018, restated	$ 272,550	$ 7,978,799

(amounts expressed in thousands)

NOTE 3: CASH AND CASH EQUIVALENTS

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

Cash on deposit with State Treasurer	$	41,033
Cash on deposit with State Treasurer in Debt Service Fund		57
Cash on deposit with State Treasurer invested in BTI WV Money Market Pool		356,610
Cash on deposit with State Treasurer invested in BTI WV Money Market Pool (Roads to Prosperity)		913,435
Cash on deposit with BNY Mellon Bank		1
Cash in transit		1,989
Total cash and cash equivalents	$	1,313,125

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.

The BTI limits the exposure to credit risk in the WV Money Market Pool by requiring all long-term corporate debt to be rated A+ or higher by Standard & Poor's (or its equivalent) and short-term corporate debt be rated at A-1 by Standard & Poor's (or its equivalent). The pool must have at least 15% of its assets in U.S. Treasury obligations or obligations guaranteed as to repayment of interest and principal by the United States of America. At June 30, 2018, the WV Money Market Pool investment had a total carrying value of $3,264,060 of which the Division's ownership represents 38.91%.

NOTE 3: CASH AND CASH EQUIVALENTS (Continued)

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:

Security Type	Carrying Value (In Thousands)	WAM (Days)
U.S. Treasury notes	$ 90,330	73
U.S. Treasury bills	252,084	69
Corporate bonds and notes	18,078	21
Commercial paper	1,868,900	36
Negotiable certificates of deposit	663,801	29
Repurchase agreements	227,800	3
Money market funds	143,067	3
	$ 3,264,060	34

Other Risks

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

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

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

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

(amounts expressed in thousands)

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018 consisted of the following:

Federal aid billed and not paid	$	20,938
Federal aid earned but not billed		51,179
Total federal aid receivable		72,117
Other receivables		5,968
Combined total receivables		78,085
Less: allowance for uncollectibles		(601)
Net accounts receivable	$	77,484

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 5: TAXES RECEIVABLE

Taxes receivable at June 30, 2018 consisted of the following:

Automobile privilege taxes	$	20,050
Motor fuel excise taxes		74,940
Registration fees		4,017
Total taxes receivable	$	99,007

NOTE 6: DUE FROM/TO OTHER STATE OF WEST VIRGINIA AGENCIES

Amounts due from other State of West Virginia agencies at June 30, 2018 consisted of the following:

The Department of Motor Vehicles	$	2,527
Other agencies		368
Total amounts due from other State of West Virginia agencies	$	2,895

Amounts due to other State of West Virginia agencies at June 30, 2018 consisted of the following:

Public Employee’s Insurance Agency	$	778
Public Employee’s Retirement		726
Other agencies		446
Total amounts due to other State of West Virginia agencies	$	1,950

(amounts expressed in thousands)

NOTE 7: INVENTORIES

Inventories at June 30, 2018 consisted of the following:

Material and supplies	$ 31,251
Equipment repair parts	12,411
Gas and lubrication supplies	3,398
Total inventories	$ 47,060

NOTE 8: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets not being depreciated:				
Land - non infrastructure	$ 24,398	$ -	$ 18	$ 24,380
Land - infrastructure	1,187,099	17,778	-	1,204,877
Construction-in-progress - buildings	7,407	12,868	1,116	19,159
Construction-in-progress - land improvements	492	3,616	3,561	547
Construction-in-progress - roads	599,519	228,956	71,989	756,486
Construction-in-progress - bridges	110,457	90,696	69,558	131,595
Total capital assets not being depreciated	1,929,372	353,914	146,242	2,137,044
Capital assets being depreciated:				
Buildings	177,588	1,116	367	178,337
Furniture and fixtures	4,095	252	180	4,167
Land improvements - non infrastructure	19,124	3,561	-	22,685
Rolling stock	275,356	10,460	7,498	278,318
Shop equipment	2,907	57	107	2,857
Scientific equipment	2,774	-	-	2,774
Infrastructure - roads	9,309,671	71,989	-	9,381,660
Infrastructure - bridges	3,322,901	69,558	-	3,392,459
Total capital assets being depreciated	13,114,416	156,993	8,152	13,263,257
Less accumulated depreciation:				
Buildings	66,185	4,467	334	70,318
Furniture and fixtures	3,733	254	176	3,811
Land improvements - non infrastructure	8,118	1,002	-	9,120
Rolling stock	220,429	10,973	7,322	224,080
Shop equipment	2,799	35	100	2,734
Scientific equipment	2,708	26	-	2,734
Infrastructure - roads	5,679,363	236,658	-	5,916,021
Infrastructure - bridges	849,714	66,516	-	916,230
Total accumulated depreciation	6,833,049	319,931	7,932	7,145,048
Total capital assets being depreciated, net	6,281,367	(162,938)	220	6,118,209
Governmental activities capital assets, net	$ 8,210,739	$ 190,976	$ 146,462	$ 8,255,253

(amounts expressed in thousands)

NOTE 8: CAPITAL ASSETS (Continued)

Current year depreciation totaling $314,208 was allocated as separate line items in the statement of activities under the major functions of the Division of Maintenance and Improvements. The remaining $5,723 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	Depreciation
Road Maintenance	
Rolling stock	$ 10,973
Shop equipment	35
Scientific equipment	26
Total road maintenance	11,034
Other Road Operations	
Infrastructure - roads	236,658
Infrastructure - bridges	66,516
Total other road operations	303,174
Total allocated depreciation expense	314,208
Unallocated	
Buildings and improvements	4,467
Furniture and fixtures	254
Land improvements	1,002
Total unallocated	5,723
Total depreciation expense	$ 319,931

(amounts expressed in thousands)

NOTE 9: LONG-TERM OBLIGATIONS

Long-term obligations at June 30, 2018, and changes for the fiscal year then ended are as follows:

	Issue Date	Interest Rates	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance
General obligation bonds payable from tax revenue:							
Safe road bonds	2010	4.00%	06/01/2023	$ 35,135	$ -	$ -	$ 35,135
Safe road bonds	2015	5.00%	06/01/2025	116,025	-	15,985	100,040
Roads to prosperity bonds	2018	2.00%-5.00%	06/01/2043	-	800,000	-	800,000
Total general obligation bonds				151,160	800,000	15,985	935,175
Bond premium safe road bonds				21,912	-	2,825	19,087
Bond premium roads to prosperity bonds				-	113,435	443	112,992
Total general obligation bonds payable net of premium				173,072	913,435	19,253	1,067,254
Revenue notes payable from federal aid revenue:							
Surface transportation improvements special notes (Garvee 2016A)	2016	5.00%	09/01/2022	53,380	-	53,380	-
special notes (Garvee 2017A)	2017	5.00%	09/01/2029	-	219,985	-	219,985
Total revenue notes payable				53,380	219,985	53,380	219,985
Note premium				4,406	39,882	6,651	37,637
Total revenue notes payable net of premium				57,786	259,867	60,031	257,622
Claims and judgments				29,480	1,461	17,980	12,961
Compensated absences				16,504	2,752	368	18,888
Net Pension liability				139,665	8,843	83,857	64,651
Net OPEB liability				-	130,248	-	130,248
Total long-term obligations				$ 416,507	$ 1,316,606	$ 181,489	$ 1,551,624

(amounts expressed in thousands)

NOTE 9: LONG-TERM OBLIGATIONS (Continued)

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

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

Debt service expenditures included interest of $12,360 for the year ended June 30, 2018. 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:

	2019	2020	2021	2022	2023	2024-2028	2029-2033	2034-2038	2039-2043	TOTAL
General obligation bonds payable from tax revenue:										
Safe road bonds	$ 23,192	$ 23,193	$ 23,193	$ 23,194	$ 23,196	$ 46,391	$ -	$ -	$ -	$ 162,359
Roads to prosperity bonds	55,419	55,425	55,423	55,425	55,424	277,106	277,112	277,101	277,105	1,385,540
Less: interest	44,131	43,208	41,585	40,079	38,240	162,712	126,672	84,727	31,370	612,724
Total principal	34,480	35,410	37,031	38,540	40,380	160,785	150,440	192,374	245,735	935,175
Bond Premium	8,145	8,145	8,145	8,145	8,126	31,579	26,598	21,835	11,361	132,079
Total principal and bond premium	$ 42,625	$ 43,555	$ 45,176	$ 46,685	$ 48,506	$ 192,364	$ 177,038	$ 214,209	$ 257,096	$ 1,067,254
Revenue notes payable due from federal aid revenue:										
Surface transportation special obligation notes	$ 25,926	$ 24,284	$ 24,260	$ 24,245	$ 24,221	$ 120,786	$ 48,134	$ -	$ -	$ 291,856
Less: interest	10,616	9,874	9,135	8,360	7,546	24,021	2,319	-	-	71,871
Total principal	15,310	14,410	15,125	15,885	16,675	96,765	45,815	-	-	219,985
Note premium	3,371	3,370	3,371	3,370	3,371	16,852	3,932	-	-	37,637
Total principal and note premium	$ 18,681	$ 17,780	$ 18,496	$ 19,255	$ 20,046	$ 113,617	$ 49,747	$ -	$ -	$ 257,622

(amounts expressed in thousands)

NOTE 9: LONG-TERM OBLIGATIONS (Continued)

During the year ended June 30, 2018, the State was authorized by constitutional amendment to issue general obligation bonds to fund highway and road construction projects known as Road to Prosperity Bonds and subsequent General Obligation State Road Refunding Bonds. These bonds will be repaid from revenues of the State Road Fund. Bonds of $800,000 were issued during June 2018.

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, and $219,985 were issued during October 2017.

The 2016 Notes of $53,380 were defeased due to the cancelation of the related project. During February 2018, the Division purchased U.S. Government State and Local Government Series securities and deposited those securities in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Notes. As a result, the Notes are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets. The reacquisition price exceeded the net carrying amount by $695.

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, net OPEB liability and general obligation bonds are as follows:

	Compensated Absences	Claims and Judgments	Net Pension Liability	Net OPEB Liability	General Obligation Bonds and Revenue Notes and Premium	Total
Current liabilities	$ 12,391	$ 408	$ -	$ -	$ 61,306	$ 74,105
Long-term liabiities	6,497	12,553	64,651	130,248	1,263,570	1,477,519
Totals	$ 18,888	$ 12,961	$ 64,651	$ 130,248	$ 1,324,876	$ 1,551,624

(amounts expressed in thousands)

NOTE 9: LONG-TERM OBLIGATIONS (Continued)

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

	Year Ended June 30, 2018	Year Ended June 30, 2017	Year Ended June 30, 2016
Estimated claims liability, July 1	$ 29,480	$ 67,183	$ 78,106
Additions for claims incurred during the year	408	1,500	983
Changes in estimates for claims of prior periods	1,053	(23,173)	(11,300)
Payments on claims	(17,980)	(16,030)	(606)
Estimated claims liability, June 30	$ 12,961	$ 29,480	$ 67,183

At June 30, 2018, approximately $12,553 of tort claims and $408 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 $12,961 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 $408. 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 10: RELATED PARTY TRANSACTIONS WITH THE STATE OF WEST VIRGINIA

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

The Division leases from the Department of Administration substantially all of State Office Building No. 5 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, 2021 for rental payments of approximately $2.3 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, 2018 the Division incurred payroll related expenditures of approximately $29,038 for employee health insurance benefits provided through the West Virginia Public Employees Insurance Agency, approximately $22,709 in employer matching contributions to the State Public Employees Retirement System and approximately $11,159 for employee OPEB benefits provided by the West Virginia Retiree Health Benefits Trust Fund.

NOTE 11: COMMITMENTS AND CONTINGENCIES

The amount of unexpended balances of highway design and construction contracts entered into by the Division with various contractors approximated $1,036,181 at June 30, 2018.

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

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

Various legal proceedings and claims related to condemnation and eminent domain cases are pending against the Division. At June 30, 2018, there were approximately 249 open cases. These cases involve the acquisitions of properties by the Division for right of way purposes. The Division has paid the applicable courts on behalf of the land grantors, estimated fair values of the properties acquired. The open cases may result in condemnation commissioners or jury verdicts awarding amounts in excess, of the previously paid estimated fair value amounts. In these situations, the excess award amount plus a statutory interest rate of 10% would be paid to the grantor. The interest amount would be calculated on the excess award amount from the date of the petition filing to the date of the excess payment amount to the court. Several of these cases relate to condemnations from the 1960s and 1970s. There is no estimate available as to the amount of monies needed to resolve these cases. Management is of the opinion, that any liability resulting from these claims would have no adverse effect on the financial position of the Division.

NOTE 12: RETIREMENT PLAN

Plan Description

The Division contributes to the West Virginia Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the West Virginia Consolidated Public Retirement Board (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.

NOTE 12: RETIREMENT PLAN (Continued)

Benefits Provided

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

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

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

Contributions

While contribution rates are legislatively determined, actuarial valuations are performed to assist PERS and the State Legislature in determining contribution rates. Current funding policy requires employer contributions of 11.0%, 12.0%, and 13.5% for the years ended June 30, 2018, 2017, and 2016, respectively. Effective July 1, 2018, a decrease in the contribution rate of 1.0%, will decrease the Division's contribution rate to 10.0%. The employee contribution rate is 4.5% and 6.0% for Tier I and Tier II employees, respectively.

During the years ended June 30, 2018, 2017, and 2016, the Division's contributions to PERS required and made were approximately $22,709, $24,853, and $28,273 respectively.

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

At June 30, 2018, the Division reported a liability of $64,651 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, rolled forward to the measurement date of June 30, 2017. 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, 2017. At June 30, 2017, the Division's proportion was 14.98%, which was a decrease of 0.22% from its proportion measured as of June 30, 2016.

(amounts expressed in thousands)

NOTE 12: RETIREMENT PLAN (Continued)

For the year ended June 30, 2018, the Division recognized pension expense of $13,296. At June 30, 2018, the Division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 15,718
Deferred difference in assumptions	-	3,354
Changes in proportion and differences between Division contributions and proportionate share of contributions	2,299	1,276
Division contributions made subsequent to the measurement date of June 30, 2017	22,709	-
Differences between expected and actual experience	5,754	143
Total	$ 30,762	$ 20,491

Deferred outflows of resources related to pensions of $22,709 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, 2019. 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,	
2019	$ (5,060)
2020	6,696
2021	(532)
2022	(13,542)
	$ (12,438)

Actuarial Assumptions and Methods

The total pension liability in the June 30, 2017 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 100% of RP-2000 Non-Annuitant, Scale AA fully generational for active members, 110% of RP-2000 Healthy Annuitant, Scale AA fully generational for retired healthy males, 101% of RP-2000 Healthy Annuitant, Scale AA fully generational for retired healthy females, 96% of RP-2000 Disabled Annuitant, Scale AA fully generational for disabled males, and 107% of RP-2000 Disabled Annuitant, Scale AA fully generational for disabled females.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2009 through June 30, 2014.

(amounts expressed in thousands)

NOTE 12: RETIREMENT PLAN (Continued)

Long-term Expected Rates of Return

The long-term rates of return on pension plan investments were determined using a building-block method in which estimates of expected 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 best estimates of long-term geometric rates of return are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Core fixed income	7.5%	2.7%
High yield fixed income	7.5%	5.5%
U.S. equity	27.5%	7.0%
International equity	27.5%	7.7%
Real estate	10.0%	7.0%
Private equity	10.0%	9.4%
Hedge funds	10.0%	4.7%
Total	100.0%	

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
The Division's proportionate share of the net pension liability (asset)	$ 178,983	$ 64,651	$ (32,015)

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.

(amounts expressed in thousands)

NOTE 13: OTHER-POST EMPLOYMENT BENEFITS

As related to the implementation of GASB 75, following are the Division's net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, revenues, and the OPEB expense and expenditures for the fiscal year ended June 30, 2018:

Net OPEB liability	$	130,248
Deferred outflows of resources		11,159
Deferred inflows of resources		25,693
Revenues		8,213
OPEB expense		13,587
Contributions made by the Division		11,159

Plan Description

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

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

RHBT is considered a component unit of the State of West Virginia for financial reporting purposes, and, as such, its financial report is also included in the State of West Virginia's Comprehensive Annual Financial Report. RHBT issues publicly available financial statements and required supplementary information for the OPEB plan. Details regarding this plan and a copy of the RHBT financial report may be obtained by contacting PEIA at 601 57th Street SE, Suite 2, Charleston, West Virginia 25304-2345, or by calling (888) 680-7342.

Benefits Provided

The Plan provides the following benefits:

- Medical and prescription drug insurance
- Life insurance

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

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

(amounts expressed in thousands)

NOTE 13: OTHER-POST EMPLOYMENT BENEFITS (Continued)

Contributions

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

Paygo premiums are established by the PEIA Finance Board annually. All participating employers are required by statute to contribute this premium to the RHBT at the established rate for every active policyholder per month. The paygo rates related to the measurement date of June 30, 2017 were:

	July 2016-December 2016 2017	January 2017-June 2017 2017
Paygo premium	$ 196	$ 135

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

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

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

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

The Division's contributions to the OPEB plan for the years ended June 30, 2018, 2017, and 2016, were $11,159, $10,880, and $11,089, respectively.

Assumptions

The total OPEB liability for financial reporting purposes was determined by an actuarial valuation as of July 1, 2016 and rolled forward to June 30, 2017. The following actuarial assumptions were used and applied to all periods included in the measurement, unless otherwise specified:

- Actuarial cost method: Entry age normal cost method.
- Asset valuation method: Investments are reported at fair (market) value.
- Amortization method: Level percentage of payroll over a 21 year closed period.
- Remaining amortization period: 21 years closed as of June 30, 2016.
- Investment rate of return: 7.15%, net of OPEB plan investment expense, including inflation.
- Healthcare cost trend rates: Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.50% and 9.75% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Excess trend rate of 0.14% and 0.29% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims cost beginning in 2020 to account for the Excise Tax.
- Projected salary increases: Dependent upon pension system ranging from 3.0-6.5%, including inflation.
- Inflation rate: 2.75%.
- Mortality rates based on RP-2000 Mortality Tables.

(amounts expressed in thousands)

NOTE 13: OTHER-POST EMPLOYMENT BENEFITS (Continued)

Experience studies are performed at least once in every five-year period. The most recent experience study covered the period from July 1, 2010 to June 30, 2015. These assumptions will remain in effect for valuation purposes until such time as the RHBT adopts revised assumptions.

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

The long-term expected rate of return of 7.15% on OPEB plan investments was determined by a combination of an expected long-term rate of return of 7.50% for long-term assets invested with the WV Investment Management Board and an expected short-term rate of return of 3.00% for assets invested with the BTI.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB 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 percentage and by adding expected inflation. Best estimates of the long-term geometric rates of return for each major asset class included in RHBT's target asset allocation as of June 30, 2017, are summarized below.

Asset Class	Target Allocation
Domestic equity	27.5%
International equity	27.5%
Fixed income	15.0%
Real estate	10.0%
Private equity	10.0%
Hedge funds	10.0%

(amounts expressed in thousands)

NOTE 13: OTHER-POST EMPLOYMENT BENEFITS (Continued)

Asset Class	Long-term Expected Real Rate of Return
Large cap domestic	17.0%
Non-large cap domestic	22.0%
International qualified	24.6%
International non-qualified	24.3%
International equity	26.2%
Short-term fixed	0.5%
Total return fixed income	6.7%
Core fixed income	0.1%
Hedge fund	5.7%
Private equity	19.6%
Real estate	8.3%
Opportunistic income	4.8%
Cash	0.0%

Discount rate. The discount rate used to measure the total OPEB liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that RHBT contributions will continue to follow the current funding policies. Based on those assumptions and that the OPEB plan is expected to be fully funded by the fiscal year ended June 30, 2036, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the Division's proportionate share of the net OPEB liability as of June 30, 2018 calculated using the discount rate of 7.15%, as well as what the Division's proportionate net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate.

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Net OPEB liability	$ 151,659	$ 130,248	$ 112,450

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate. The following presents the Division's proportionate share of the net OPEB liability as of June 30, 2018 calculated using the healthcare cost trend rate, as well as what the Division's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB liability	$ 109,410	$ 130,248	$ 155,734

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

The June 30, 2018 net OPEB liability was measured as of June 30, 2017, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to the measurement date of June 30, 2017.

At June 30, 2018, the Division's proportionate share of the net OPEB liability was $157,001. Of this amount, the Division recognized $130,248 as its proportionate share on the statement of net position. The remainder of $26,753 denotes the Division's proportionate share of net OPEB liability attributable to the special funding.

(amounts expressed in thousands)

NOTE 13: OTHER-POST EMPLOYMENT BENEFITS (Continued)

The allocation percentage assigned to each participating employer and non-employer contributing entity is based on its proportionate share of employer and non-employer contributions to OPEB for each of the fiscal years ended June 30, 2017 and 2016. Employer contributions are recognized when due. At the June 30, 2017 measurement date, the Division's proportion was 5.30%, a decrease of 1.18% from its proportion of 6.48% calculated as of June 30, 2016.

For the year ended June 30, 2018, the Division recognized OPEB expense of $13,587. Of this amount, $5,374 was recognized as the Division's proportionate share of OPEB expense and $8,213 as the amount of OPEB expense attributable to special funding from a non-employer contributing entity. The Division also recognized revenue of $8,213 for support provided by the State.

At June 30, 2018, deferred outflows of resources and deferred inflows of resources related to OPEB are as follows.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 436
Changes in proportion and difference between employer contributions and proportionate share of contributions	-	23,178
Net difference between projected and actual investment earnings	-	2,079
Contributions after the measurement date	11,159	-
Total	$ 11,159	$ 25,693

The Division will recognize the $11,159 reported as deferred outflows of resources resulting from OPEB contributions after the measurement date as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended June 30,	Amortization
2019	$ (6,423)
2020	(6,423)
2021	(6,423)
2022	(6,424)
	$ (25,693)

Payables to the OPEB Plan

The Division reported $194 and $559 as amounts payable for normal contributions to the OPEB plan as of June 30, 2018 and 2017, respectively.

NOTE 14: 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.

NOTE 14: RISK MANAGEMENT (Continued)

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 11, amounts of settlements have not exceeded insurance coverage in the past three years. The Division has evaluated this potential risk of loss as discussed in Note 9.

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

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 15: SUBSEQUENT EVENTS

The Division of Highways issued $78,810 of Surface Transportation Improvement Special Obligation Notes on August 1, 2018. 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.

On July 31, 2018, the Parkways Authority issued Senior Lien Turnpike Toll Revenue Bonds Series 2018 in the amount of $166.37 million and deposited $172 million to the State Road Construction account for the West Virginia Division of Highways. The proceeds will be used to finance the costs of construction by the Division of Highways of transportation projects located not on the Turnpike but in counties adjacent to the Turnpike. The projects are from a list of projects to be constructed by the Division of Highways under its Roads to Prosperity Program.

WVDOH

DIVISION OF HIGHWAYS

REQUIRED SUPPLEMENTARY INFORMATION

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2018

Last 10 Fiscal Years*
(In Thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Government's proportion of the net pension liability (asset) (percentage)	14.98%	15.20%	14.54%	14.48%						
Government's proportionate share of the net pension liability (asset)	$ 64,651	$ 139,665	$ 81,197	$ 53,405						
Government's covered payroll	$ 207,108	$ 209,422	$ 198,305	$ 193,990						
Government's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	31.22%	66.69%	40.95%	27.53%						
Plan fiduciary net position as a percentage of the total pension liability	93.67%	86.11%	91.29%	93.98%						

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

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
JUNE 30, 2018

Last 10 Fiscal Years
(In Thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily required contribution	$ 22,709	$ 24,853	$ 28,272	$ 27,693	$ 28,128	$ 27,797				
Contributions in relation to the statutorily required contribution	(22,709)	(24,853)	(28,272)	(27,693)	(28,128)	(27,797)				
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -				
Government's covered payroll	$ 206,445	$ 207,108	$ 209,422	$ 198,305	$ 193,990	$ 198,552				
Contributions as a percentage of covered payroll	11.00%	12.00%	13.50%	14.00%	14.50%	14.00%				

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
JUNE 30, 2018

Last 10 Fiscal Years*
(In Thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Government's proportion of the net OPEB liability (asset) (percentage)	5.30%									
Government's proportionate share of the net OPEB liability (asset)	$ 130,248									
State's proportionate share of the net OPEB liability (asset)	26,753									
Total proportionate share of the net OPEB liability (asset)	$ 157,001									
Government's payroll (1)	$ 195,322									
Government's proportionate share of the net OPEB liability (asset) as a percentage of its payroll (1)	66.68%									
Plan fiduciary net position as a percentage of the total OPEB liability	25.10%									

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

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

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS
JUNE 30, 2018

Last 10 Fiscal Years*
(In Thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily required contribution	$ 11,159	$ 10,880								
Contributions in relation to the statutorily required contribution	$ (11,159)	$ (10,880)								
Contribution deficiency (excess)	$ -	$ -								
Government's payroll (1)	$ 199,967	$ 195,322								
Contributions as a percentage of payroll (1)	5.58%	5.57%								

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

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

Actuarial Changes Pension Plan

An experience study, which was based on the years 2009 through 2014, was approved by the Consolidated Public Retirement Board. As a result, valuation assumptions were changed as of June 30, 2017 to reflect the most recent experience study:

	Projected Salary Increases				Withdrawal Rates		
	State	**Nonstate**	**Inflation rate**	**Mortality Rates**	**State**	**Nonstate**	**Disability Rates**
2017	3.00% - 4.6%	3.35% - 6.0%	3.00%	Active-100% of RP-2000 Non-Annuitant, Scale AA fully generational Retired healthy males-110% of RP-2000 Healthy Annuitant, Scale AA fully generational Retired healthy females-101% of RP-2000 Healthy Annuitant, Scale AA fully generational Disabled Males-96% of RP2000 Disabled Annuitant, Scale AA fully generational Disabled Females-107% of RP-2000 Disabled Annuitant, Scale AA fully generational	1.75-35.10%	2-35.88%	0.007-.675%
2016	3.00% - 4.6%	3.35% - 6.0%	3.00%	Active-100% of RP-2000 Non-Annuitant, Scale AA fully generational Retired healthy males-110% of RP-2000 Healthy Annuitant, Scale AA fully generational Retired healthy females-101 % of RP-2000 Healthy Annuitant, Scale AA fully generational Disabled Males-96% of RP2000 Disabled Annuitant, Scale AA fully generational Disabled Females-107% of RP-2000 Disabled Annuitant, Scale AA fully generational	1.75-35.10%	2-35.88%	0.007-.675%
2015	3.00% - 4.6%	3.35% - 6.0%	1.90%	Healthy males - 110% of RP-2000 Non-Annuitant, Scale AA; Healthy females - 101% of RP-2000 Non-Annuitant, Scale AA; Disabled males - 96% of RP-2000 Disabled Annuitant, Scale AA; Disabled females - 107% of RP-2000 Disabled Annuitant, Scale AA	1.75-35.1%	2-35.8%	0-.675%
2014	4.25% - 6.0%	4.25% - 6.0%	2.20%	Healthy males - 1983 GAM; Healthy females-1971; disabled males - 1971 GAM; Disabled females - Revenue ruling 96-7	1-26%	2-31.2%	0-.8%

Actuarial Changes Other Postemployment Benefits Plan

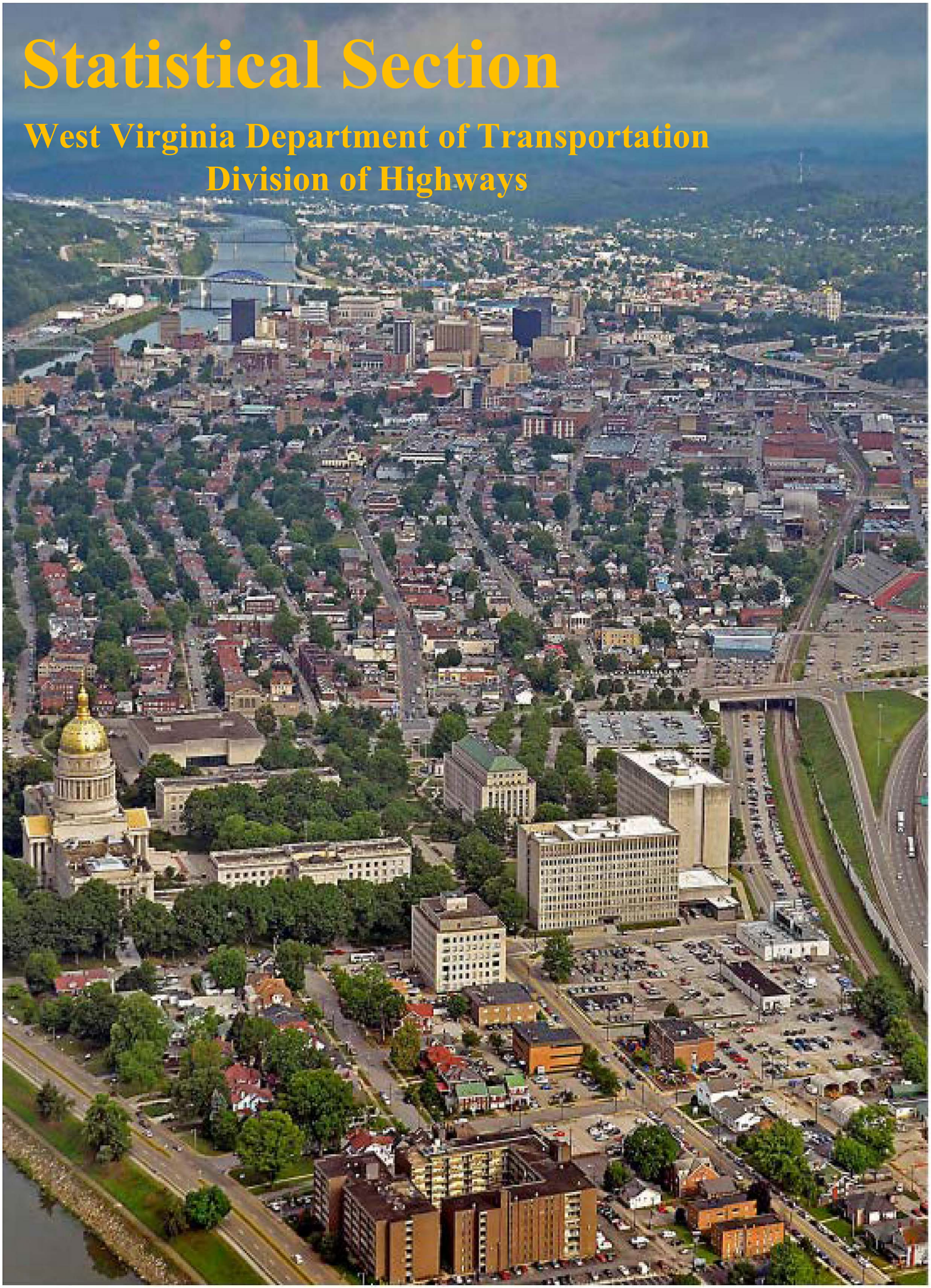
There are no other factors that affect trends in the amounts reported, such as a change of benefit terms, size or composition of the population covered by the benefit terms, or other assumptions. Additional information, if necessary, can be obtained from the RHBT audited Financial Statements, Required Supplementary Information, and Other Financial Information for the year ended June 30, 2017.

WVDOH

DIVISION OF HIGHWAYS

Statistical Section

West Virginia Department of Transportation
Division of Highways



WVDOH

DIVISION OF HIGHWAYS

Statistical Section Narrative and Table of Contents

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

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

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

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

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

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS

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

	Fiscal Year			
Governmental Activities	**2018**	**2017**	**2016**	**2015**
Net investment in capital assets	$ 7,832,625	$ 7,967,600	$ 7,969,214	$ 7,911,050
Restricted	19,285	12,737	12,031	12,968
Unrestricted	220,991	(4,164)	(106,540)	(90,098)
Total governmental activities net position	$ 8,072,901	$ 7,976,173	$ 7,874,705	$ 7,833,920

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

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

Fiscal Year											
	2014		**2013**		**2012**		**2011**		**2010**		**2009**
$	7,868,183	$	7,871,718	$	7,712,955	$	7,654,175	$	7,358,147	$	7,144,763
	14,224		11,077		17,350		14,584		17,035		18,119
	59,515		3,189		(25,347)		84,841		152,578		189,225
$	7,941,922	$	7,885,984	$	7,704,958	$	7,753,600	$	7,527,760	$	7,352,107

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS

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

	Fiscal Year 2018	2017	2016	2015
Revenues				
Governmental activities:				
General Revenues				
Motor fuel excise tax	$ 443,273	$ 389,753	$ 404,321	$ 432,642
Automobile privilege tax	231,522	203,405	201,082	204,994
Investment and interest income	6,169	987	420	156
Payments from primary government	-	11,285	12,492	9,480
Miscellaneous revenues	18,364	26,346	38,253	35,738
(Loss) gain on sale of assets	-	-	1,608	1,302
Total General Revenues	699,328	631,776	658,176	684,312
Program Revenues				
Capital grants and contributions:				
Federal aid	371,199	505,313	460,870	350,133
Industrial access roads	3,000	3,000	3,000	3,000
Charges for services:				
Motor vehicle registration fees	149,222	104,923	89,560	96,294
Special fees and permits	6,687	5,576	5,530	6,681
Total Program Revenues	530,108	618,812	558,960	456,108
Total governmental revenues	1,229,436	1,250,588	1,217,136	1,140,420
Expenses				
Governmental activities:				
Road maintenance				
Expressway, trunkline & feeder & SLS	384,193	329,786	332,765	330,656
Contract paving & secondary roads	40,269	41,259	60,643	64,339
Small bridge repair & replacement	12,093	15,960	17,516	16,385
Litter control program	4,603	4,138	5,674	555
Depreciation	11,034	14,235	16,945	19,111
Other road operations				
Interstate highways	75,911	52,200	77,180	61,373
Appalachian highways	8,340	18,796	22,785	12,607
Other federal aid programs	192,506	292,281	248,861	167,057
Non federal aid improvements	11,145	7,582	9,253	5,857
Industrial Access Roads	1,005	1,573	730	2,719
Depreciation	303,174	299,992	299,760	306,030
General and administration				
Support and administrative operations	55,963	57,053	48,170	45,485
Claims	(15,963)	(36,732)	(10,212)	56,901
Costs associated with DMV	37,722	38,574	36,148	35,943
Costs associated with OAH	1,407	1,479	1,533	1,538
Interest on long-term debt	14,422	5,087	3,473	9,446
Unallocated depreciation	5,723	5,857	5,127	5,199
Transfer out	-	-	-	-
Total governmental expenses	1,143,547	1,149,120	1,176,351	1,141,201
Change in net position before other revenues and expenses	85,889	101,468	40,785	(781)
Payments on behalf	8,213	-	-	-
Change in net position	94,102	101,468	40,785	(781)
Effect of adoption of accounting principle	2,626	-	-	(107,221)
Net position, beginning	7,976,173	7,874,705	7,833,920	7,941,922
Net position, ending	$ 8,072,901	$ 7,976,173	$ 7,874,705	$ 7,833,920

Fiscal Year					
2014	**2013**	**2012**	**2011**	**2010**	**2009**
$ 433,252	$ 417,571	$ 408,571	$ 406,347	$ 393,557	$ 391,903
195,737	188,197	186,300	168,602	147,466	141,930
98	87	209	517	(457)	1,919
11,951	11,340	28,078	14,171	41,318	27,924
31,629	36,351	34,695	31,945	25,012	28,647
(78)	985	2,149	1,673	-	-
672,589	654,531	660,002	623,255	606,896	592,323
451,710	462,329	497,814	534,602	532,020	460,780
3,000	3,000	3,000	3,000	3,000	3,010
96,983	90,062	89,741	91,475	87,600	87,255
6,333	7,676	8,380	7,083	5,793	5,958
558,026	563,067	598,935	636,160	628,413	557,003
1,230,615	1,217,598	1,258,937	1,259,415	1,235,309	1,149,326
333,336	337,436	380,283	334,484	319,219	306,686
54,642	57,386	66,721	65,809	62,542	108,779
13,885	20,628	22,794	12,199	10,416	29,880
555	1,880	1,682	1,699	1,688	1,692
20,852	21,037	19,564	19,714	17,951	17,046
91,832	26,404	105,899	12,497	86,148	39,292
24,586	714	51,584	4,462	5,482	7,567
193,458	159,235	212,896	142,964	129,913	87,618
15,119	14,021	9,561	2,760	5,500	465
2,055	2,651	1,583	355	3,121	2,776
304,103	300,195	290,728	285,612	292,602	287,969
49,484	34,179	81,441	95,358	55,956	47,692
4,307	2,147	6,540	(2,940)	11,172	(4,196)
36,066	36,702	33,838	33,222	31,990	30,358
1,607	1,793	1,578	1,064	-	-
11,780	15,728	17,136	20,041	22,514	22,730
5,405	4,436	3,751	4,275	3,442	3,364
11,605	-	-	-	-	-
1,174,677	1,036,572	1,307,579	1,033,575	1,059,656	989,718
55,938	181,026	(48,642)	225,840	175,653	159,608
-	-	-	-	-	-
55,938	181,026	(48,642)	225,840	175,653	159,608
-	-	-	-	-	-
7,885,984	7,704,958	7,753,600	7,527,760	7,352,107	7,192,499
$ 7,941,922	$ 7,885,984	$ 7,704,958	$ 7,753,600	$ 7,527,760	$ 7,352,107

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year			
	2018	**2017**	**2016**	**2015**
Revenues				
Taxes				
Gasoline and motor carrier	$ 443,273	$ 389,753	$ 404,321	$ 432,642
Automobile privilege	231,522	203,405	201,082	204,993
Industrial access roads	3,000	3,000	3,000	3,000
License, fees and permits				
Motor vehicle registrations and licenses	149,222	104,923	89,560	96,294
Special fees and permits	6,687	5,576	5,530	6,681
Federal aid				
Interstate highways	46,157	54,484	98,180	61,162
Appalachian highways	56,161	88,782	39,843	44,625
Other federal aid programs	268,881	362,047	322,847	244,346
Investment and interest income, net of arbitrage rebate	6,169	987	420	156
Intergovernmental	-	11,285	12,492	9,480
Miscellaneous revenues	17,548	26,346	38,253	35,738
Total Revenues	1,228,620	1,250,588	1,215,528	1,139,117
Expenditures				
Current				
Road maintenance				
Expressway, trunkline and feeder, sls	396,373	342,494	347,099	345,897
Contract paving and secondary roads	40,331	41,317	60,700	64,425
Small bridge repair and replacement	19,541	17,766	19,890	29,154
Litter control program	4,604	4,140	5,676	556
Support and administrative operations	81,765	59,019	75,468	73,957
Division of Motor Vehicles operations	37,722	38,574	37,437	37,550
Office of Administrative Hearings operations	1,407	1,479	1,626	1,673
Claims	556	971	710	607
Capital outlay and other road operations				
Road construction and other road operations				
Interstate highways	102,773	71,261	107,837	85,274
Appalachian highways	86,001	127,751	76,651	62,526
Other federal aid programs	411,885	495,221	476,115	365,263
Nonfederal aid construction and road op.	19,123	18,581	18,965	15,935
Industrial access roads	1,005	1,573	730	2,719
Debt service				
Bond issuance costs	1,963	1	1	613
Principal	15,985	15,225	29,335	51,740
Interest	12,360	8,479	9,360	12,499
Defeasance of debt	59,336	-	-	-
Total Expenditures	1,292,730	1,243,852	1,267,600	1,150,388
Excess (deficiency) of revenues over expenditures	(64,110)	6,736	(52,072)	(11,271)
Other financing sources (uses)				
Proceeds from issuance of debt	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Refunding bonds issued	-	-	-	133,710
Premium on refunding bonds	-	-	-	26,198
Payment to refunded bond escrow agent	-	-	-	(159,300)
Sale of Bonds	1,019,985	57,803	-	-
Premium on bonds	153,317	-	-	-
Proceeds from sale of assets	1,635	1,222	2,304	1,658
Payment on behalf	8,213	-	-	-
Total other financing sources (uses)	1,183,150	59,025	2,304	2,266
Prior period adjustment	152,729	-	-	-
Net change in fund balance	$ 1,271,769	$ 65,761	$ (49,768)	$ (9,005)
Debt Service as a percentage of noncapital expenditures	10%	3%	4%	8%

Fiscal Year 2014	2013	2012	2011	2010	2009
$ 433,252	$ 417,571	$ 408,571	$ 406,347	$ 393,557	$ 391,903
195,737	188,197	186,300	168,602	147,466	141,930
3,000	3,000	3,000	3,000	3,000	3,010
96,983	90,062	89,741	91,475	87,600	87,255
6,333	7,676	8,380	7,083	5,793	5,958
93,593	90,213	109,422	112,134	112,435	121,087
56,501	49,451	82,989	63,239	81,840	73,894
301,616	322,665	305,403	359,229	337,746	265,799
98	87	209	517	(457)	1,919
11,951	11,340	28,078	14,171	41,318	27,924
31,629	36,351	34,695	31,945	25,012	28,649
1,230,693	1,216,613	1,256,788	1,257,742	1,235,310	1,149,328
333,355	337,538	380,301	334,608	318,389	312,984
54,642	57,386	66,721	65,809	62,542	108,779
20,413	29,148	39,731	23,595	27,638	47,813
555	1,880	1,682	1,699	1,688	1,692
80,273	76,203	112,652	129,104	96,251	67,340
36,066	36,702	33,838	33,222	31,990	30,358
1,607	1,793	1,578	1,064	-	-
744	2,092	2,327	1,563	497	724
109,529	108,503	129,221	128,278	125,499	144,799
73,637	68,957	108,798	84,470	102,626	104,017
363,658	396,979	387,429	444,804	426,980	361,965
17,282	21,500	19,908	27,717	26,714	33,448
2,055	2,651	1,583	355	3,121	2,776
1	4	3	442	4	5
49,315	48,600	57,290	52,980	52,435	40,635
14,961	17,349	20,078	22,829	25,134	24,110
-	-	-	-	-	-
1,158,093	1,207,285	1,363,140	1,352,539	1,301,508	1,281,445
72,600	9,328	(106,352)	(94,797)	(66,198)	(132,117)
-	-	-	-	-	80,964
-	-	-	-	-	-
(11,605)	-	-	-	-	-
-	-	-	35,135	-	-
-	-	-	2,913	-	-
-	-	-	(37,730)	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,734	1,185	2,446	2,506	-	-
-	-	-	-	-	-
(9,871)	1,185	2,446	2,824	-	80,964
-	-	-	-	(14,100)	-
$ 62,729	$ 10,513	$ (103,906)	$ (91,973)	$ (80,298)	$ (51,153)
7%	9%	7%	10%	10%	9%

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS

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

	Fiscal Year		
	2018	**2017**	**2016**
General Fund			
Nonspendable			
Inventories	$ 47,060	$ 51,145	$ 48,113
Restricted			
Construction and maintenance of coal resource roads	2,598	1,141	3,710
Construction and maintenance of industrial access roads	9,099	7,104	5,676
Waste tire clean-up	5,853	4,492	2,645
Unassigned	412,253	55,939	(6,084)
Reserved for inventories	-	-	-
Unreserved	-	-	-
Total General Fund	$ 476,863	$ 119,821	$ 54,060
All Other Governmental Funds			
Restricted, capital projects fund	$ 914,727	$ -	$ -
Reserved, capital projects fund	-	-	-
Total all funds	$ 1,391,590	$ 119,821	$ 54,060

The fund balance information for 2009 was not restated from the previously reported reserved and unreserved to the new classifications required by GASB 54, which was implemented July 1, 2009.

Fiscal Year

2015	2014	2013	2012	2011	2010	2009
$ 46,984	$ 36,087	$ 42,950	$ 45,765	$ 38,779	$ 37,157	$ -
4,584	7,786	2,189	4,739	3,266	-	-
4,039	3,758	6,283	10,240	8,823	-	-
4,345	2,680	2,605	2,371	2,495	-	-
43,876	62,522	(3,923)	(23,524)	90,134	180,285	-
-	-	-	-	-	-	39,881
-	-	-	-	-	-	218,945
$ 103,828	$ 112,833	$ 50,104	$ 39,591	$ 143,497	$ 217,442	$ 258,826
$ -	$ -	$ -	$ -	$ -	$ 18,028	$ -
-	-	-	-	-	-	56,942
$ 103,828	$ 112,833	$ 50,104	$ 39,591	$ 143,497	$ 235,470	$ 315,768

DIVISION OF HIGHWAYS

TAX AND LICENSE FEE REVENUE BY SOURCE (1)

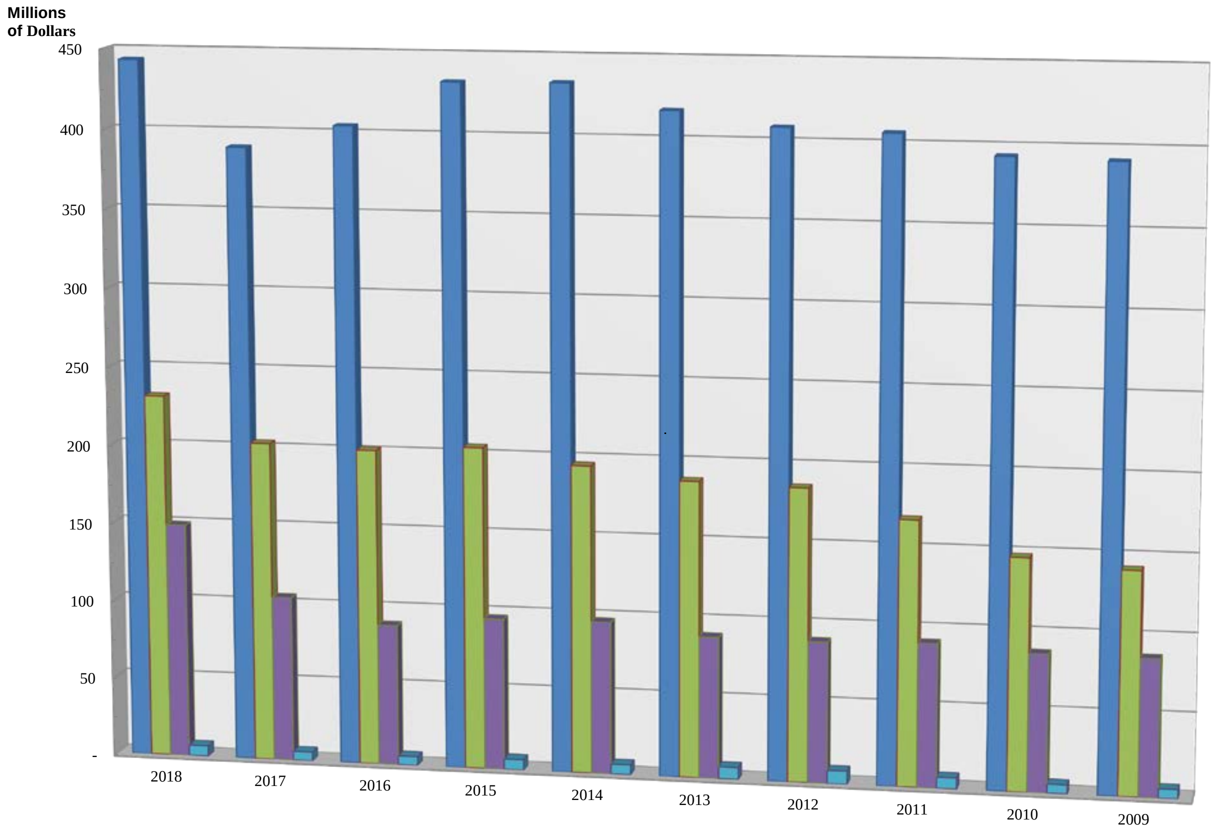
Last Ten Fiscal Years

(Amount expressed in thousands)

Fiscal Year	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Gasoline/Motor Carrier	$443,273	$389,753	$404,321	$432,642	$433,252	$417,571	$408,571	$406,347	$393,557	$391,903
Automobile Privilege	231,522	203,405	201,082	204,994	195,737	188,197	186,300	168,602	147,466	141,930
Registration/ License Fees	149,222	104,923	89,560	96,294	96,983	90,062	89,741	91,475	87,600	87,255
Special Fees & Permits	6,687	5,576	5,530	6,681	6,333	7,676	8,380	7,083	5,793	5,958
Total	$830,704	$703,657	$700,493	$740,611	$732,305	$703,506	$692,992	$673,507	$634,416	$627,046

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

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

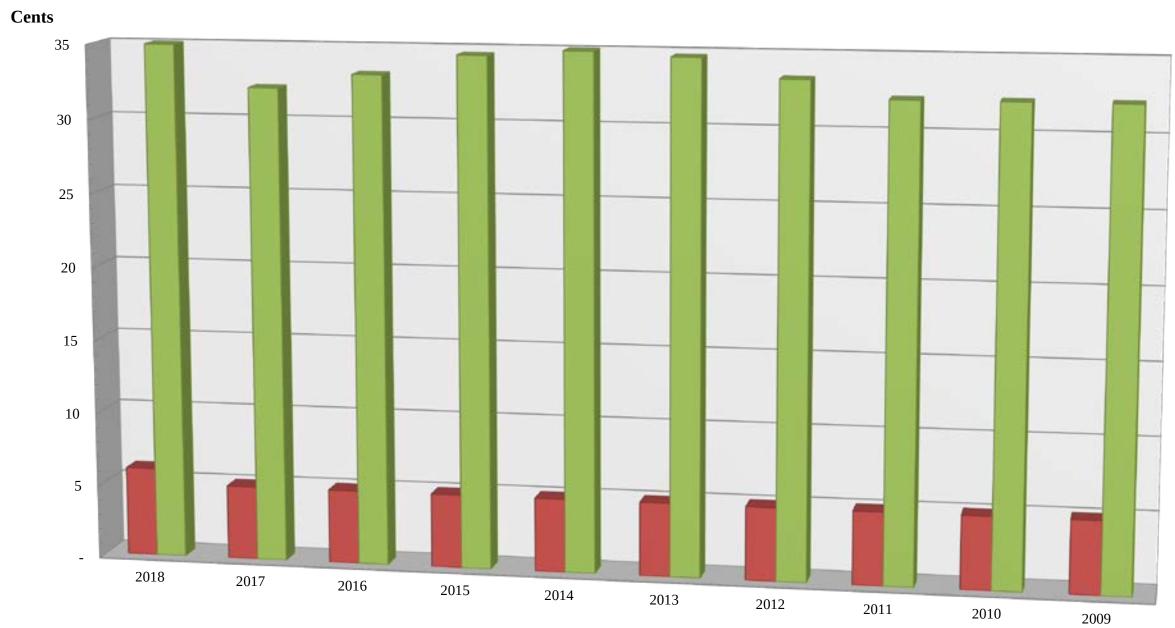


DIVISION OF HIGHWAYS
FUEL AND PRIVILEGE TAX RATES
Last Ten Fiscal Years

Fiscal Year		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Automobile Privilege(2) (cents per dollar)		6	5	5	5	5	5	5	5	5	5
Motor Fuel Excise Tax(1) (cents per gallon)		35.7	32.2	33.2	34.6	35.7	34.7	33.4	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 15.20 cents per invoiced gallon as of July 1, 2018.

(2) A tax equal to six percent of the value of said motor vehicle at the time of certification.



WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)

	Primary Government - Debt				
Fiscal Year	General Obligation Bonds	Revenue Notes	Total Primary Government	Percentage of Personal Income*	Per Capita*
2018	$ 1,067,254	$ 257,622	$ 1,324,876	1.90%	729.61
2017	173,072	57,786	230,858	0.34%	126.08
2016	191,122	-	191,122	0.28%	103.64
2015	196,405	27,896	224,301	0.34%	121.22
2014	238,979	54,565	293,544	0.45%	158.30
2013	265,541	80,059	345,600	0.54%	186.27
2012	292,497	104,448	396,945	0.64%	213.94
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

	Government Activities Tax and Fee Income				
Fiscal Year	Gasoline and Motor Carrier	Automoblie Privilege	Motor Vehicle Registrations and Licenses	Special Fees and Permits	Total
2018	$ 443,273	$ 231,522	$ 149,222	$ 6,687	$ 830,704
2017	389,753	203,405	104,923	5,576	703,657
2016	404,321	201,082	89,560	5,530	700,493
2015	432,642	204,994	96,294	6,681	740,611
2014	433,252	195,737	96,983	6,333	732,305
2013	417,571	188,197	90,062	7,676	703,506
2012	408,571	186,300	89,741	8,380	692,992
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

	General Obligation Bond Debt Ratio			
Fiscal Year	General Obligation Bonds	Percentage of Tax and Fee Income	Percentage of Personal Income*	Per Capita*
2018	$ 1,067,254	128.48%	1.53%	587.74
2017	173,072	24.60%	0.26%	94.52
2016	191,122	27.28%	0.28%	103.64
2015	196,405	26.52%	0.29%	106.15
2014	238,979	32.63%	0.36%	128.88
2013	265,541	37.75%	0.42%	143.12
2012	292,497	42.21%	0.47%	157.65
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

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

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS

Demographic Statistics of West Virginia
Last Ten Calendar Years

Calendar Year	Total Population	Total Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate	Median Age
2017	1,815,857	69,872,741	38,479	5.3%	42.4
2016	1,831,102	67,061,987	36,624	5.0%	42.3
2015	1,844,128	67,787,227	36,758	6.0%	42.2
2014	1,850,326	66,857,000	36,132	7.6%	41.9
2013	1,854,304	65,889,000	35,533	6.6%	41.3
2012	1,855,413	63,968,000	34,477	7.3%	41.3
2011	1,855,364	62,178,000	33,513	8.0%	41.1
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

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

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS

Principal Employers
Current Year and Ten Years Ago

	Largest Employer Rank			
	2018	2017	2016	2015
WVU Medicine	1	1	1	2
Wal-Mart Associates, Inc.	2	2	2	1
Charleston Area Medical Center, Inc.	3	3	3	3
Kroger	4	4	4	4
Cabell Huntington Hospital	5	8	8	9
Mylan Pharmaceuticals, Inc.	6	5	5	5
Lowe's Home Centers, Inc.	7	6	6	8
St. Mary's Medical Center, Inc.	8	7	7	7
Wheeling Hospital, Inc	9	9	9	-
Res-Care, Inc.	10	10	10	10
Murray American Energy, Inc.	-	-	-	6
American Electric Power	-	-	-	-
Mentor Management, Inc (Mentor Network, The)	-	-	-	-
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 Rank					
2014	2013	2012	2011	2010	2009
2	2	2	2	2	2
1	1	1	1	1	1
3	3	3	3	3	3
4	4	4	4	4	4
-	-	-	-	-	-
5	6	7	6	10	-
8	7	6	7	7	10
7	8	9	8	8	7
-	-	-	-	9	-
10	10	-	-	-	-
6	-	8	10	-	-
-	-	10	9	5	5
9	9	5	5	6	9
-	5	-	-	-	-
-	-	-	-	-	6
-	-	-	-	-	8

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS

Employees by Program
Last Ten Fiscal Years

	Employees as of June 30			
Program	**2018**	**2017**	**2016**	**2015**
Maintenance	3,211	3,382	3,317	3,383
Construction	917	966	948	966
General and administration	459	483	474	483
Total	4,587	4,831	4,739	4,832

Source: Division of Highways Budget Office.

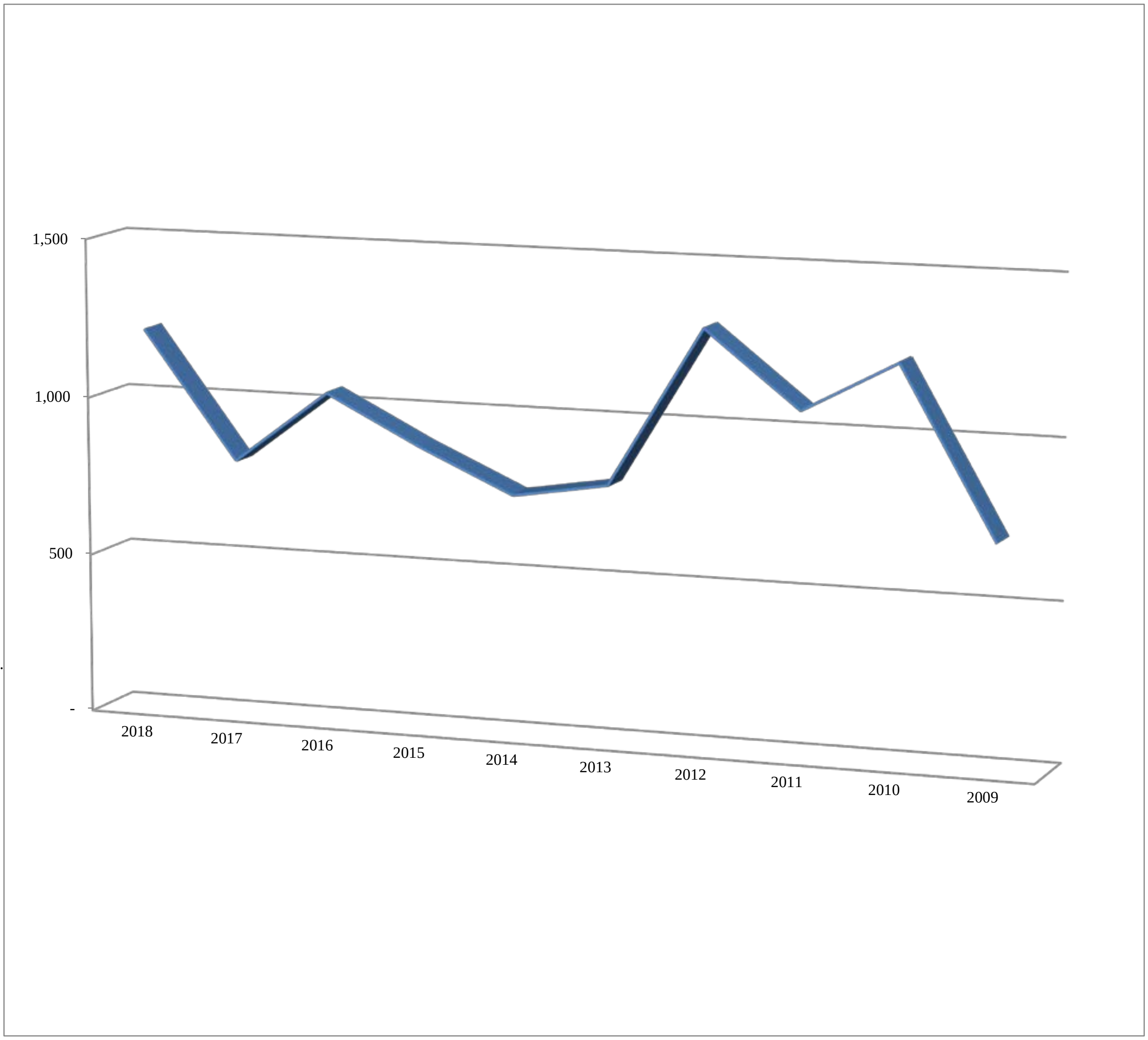
Employees as of June 30					
2014	**2013**	**2012**	**2011**	**2010**	**2009**
3,404	3,401	3,466	3,547	3,534	3,539
973	973	853	950	927	898
486	486	520	309	298	306
4,863	4,860	4,839	4,806	4,759	4,743

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

Fiscal Year		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	Total Projects
Projects		1,213	813	1,042	891	757	806	1,305	1,070	1,231	702	9,830

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)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Interstate Construction	**13**	**2**	**3**	**7**	**6**	**7**	**5**	**7**	**6**	**5**
Interstate Renovation	**47**	**21**	**22**	**24**	**14**	**24**	**24**	**19**	**20**	**16**
Interstate Expansion	**0**	**0**	**1**	**0**	**0**	**0**	**0**	**1**	**0**	**0**
Non-Interstate Other	**108**	**56**	**35**	**68**	**64**	**71**	**99**	**75**	**44**	**2**
ARRA	**0**	**0**	**0**	**0**	**0**	**0**	**1**	**8**	**70**	**73**
Appalachian Development	**12**	**20**	**24**	**15**	**14**	**17**	**14**	**30**	**16**	**19**
Other Bridge	**58**	**22**	**29**	**41**	**35**	**40**	**43**	**50**	**51**	**27**
Miscellaneous	**157**	**238**	**399**	**179**	**194**	**143**	**131**	**201**	**205**	**194**
Total	**395**	**359**	**513**	**334**	**327**	**302**	**317**	**391**	**412**	**336**

Non-Federal Aid

(Number of Projects)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Maintenance	**230**	**206**	**261**	**320**	**178**	**220**	**378**	**276**	**415**	**50**
Bridge Replacement and Renovation	**22**	**28**	**17**	**31**	**34**	**23**	**31**	**28**	**26**	**37**
Miscellaneous Bridge Work	**69**	**34**	**62**	**34**	**29**	**45**	**45**	**70**	**63**	**20**
Industrial Access Roads	**2**	**4**	**1**	**5**	**4**	**4**	**10**	**4**	**8**	**4**
Roadway Renovation and Improvement	**495**	**182**	**188**	**167**	**185**	**212**	**524**	**301**	**307**	**255**
Total	**818**	**454**	**529**	**557**	**430**	**504**	**988**	**679**	**819**	**366**
Grand Total	**1,213**	**813**	**1,042**	**891**	**757**	**806**	**1,305**	**1,070**	**1,231**	**702**

TOTAL AUTHORIZED PROJECTS = 9,830

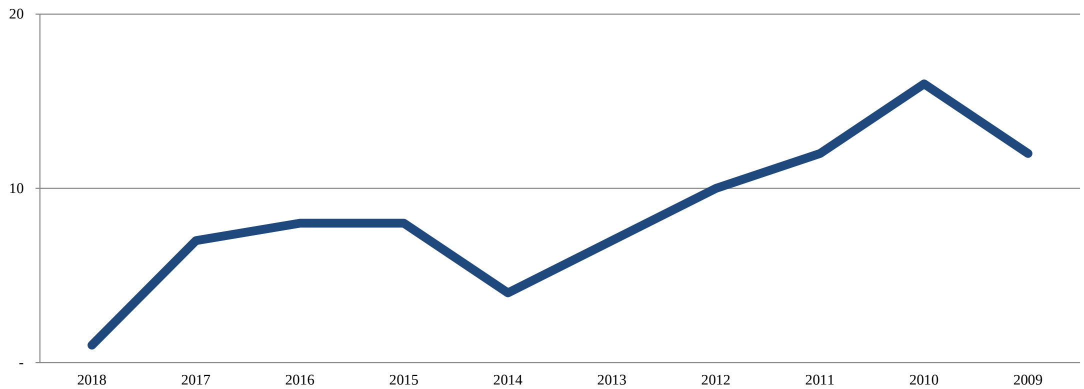
Source: Division of Highways Program Planning & Administration Division

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

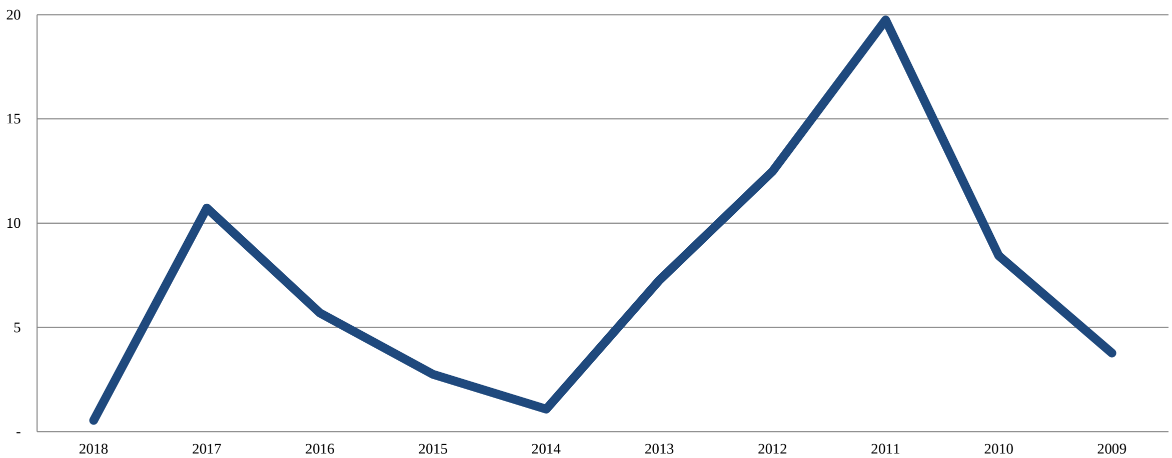
Fiscal Year	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Number of Projects	1	7	8	8	4	7	10	12	16	12
Number of Miles	0.54	10.73	5.69	2.75	1.08	7.26	12.49	19.75	8.44	3.77

Source: Division of Highways Program Planning & Administration Division

Number of Projects:



Number of Miles:

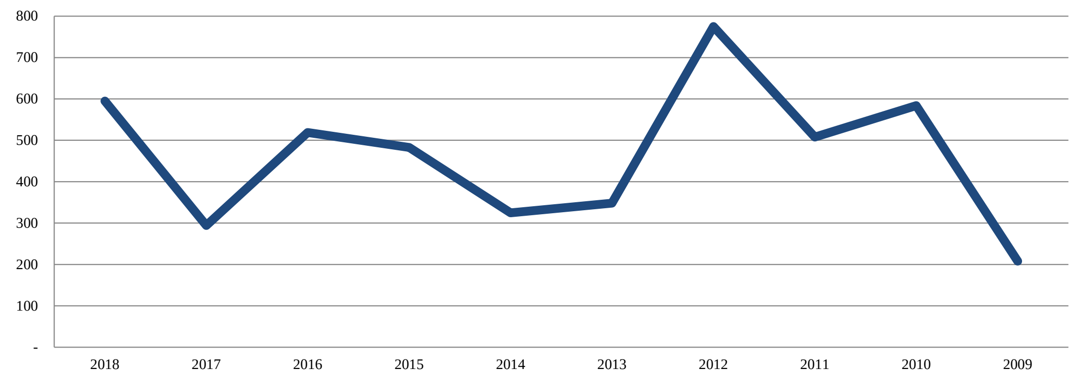


DIVISION OF HIGHWAYS
ROADWAY RESURFACING PROJECTS
Last Ten Fiscal Years

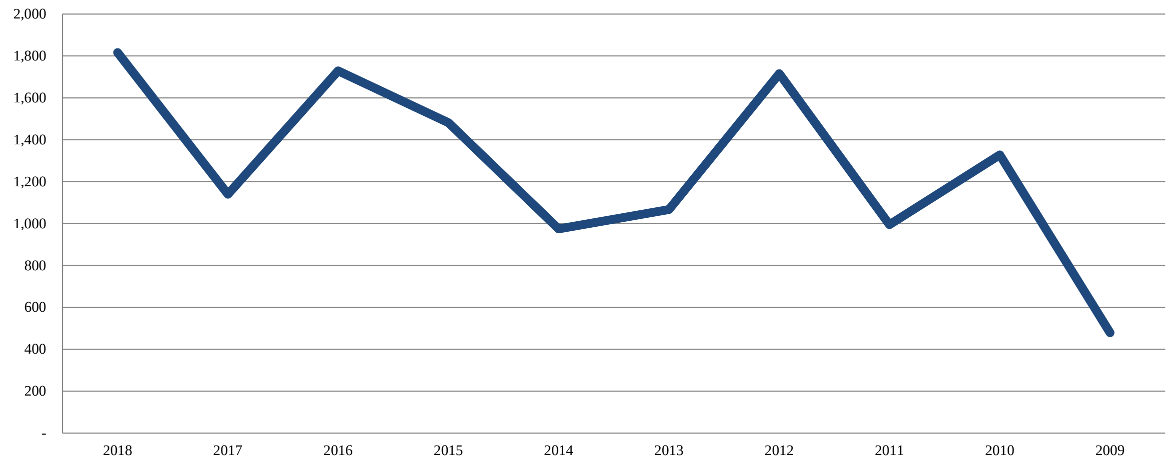
Fiscal Year	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Number of Projects	595	294	519	483	325	348	775	508	584	208
Number of Miles	1,816	1,140	1,729	1,481	975	1,067	1,716	995	1,328	479

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	1,829
W.V. Routes	3,681
County Routes	28,869
Other (Parks, Forests, HARP)	1,077
Total Road System Miles	35,924

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

Federal Aid Routes

	Rural Miles	Urban Miles
Interstate Highways including 86 Turnpike Miles (Part of National Highway System)	319 *	235 **
Other National Highway System	1,017	414
Other Federal-Aid Highways	6,871	1,621
Sub-total miles	8,207	2,270
Total Federal Aid Routes Miles	10,477	

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

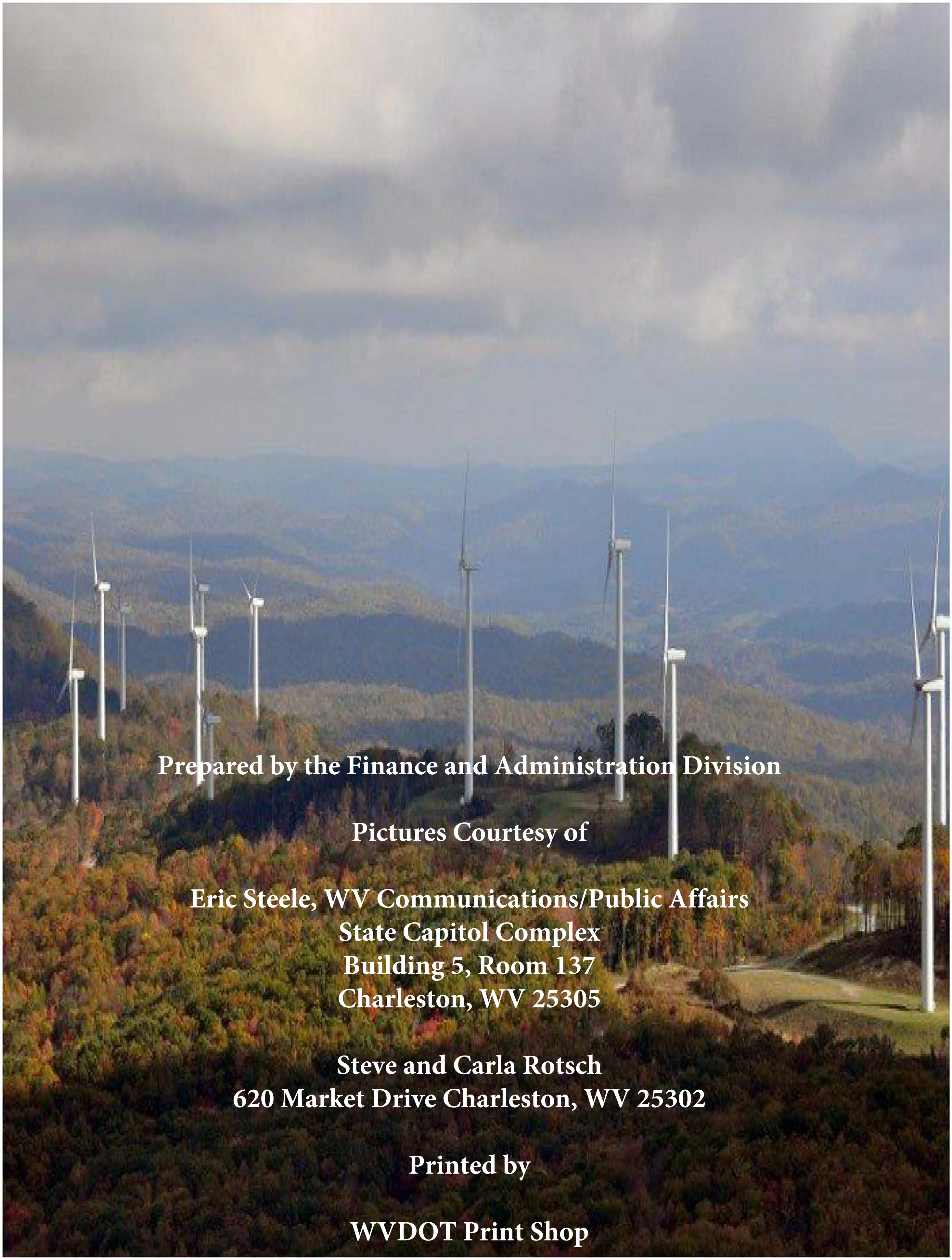
* Includes 4 miles of one way connecting ramps

** Includes 1 mile of one way connecting ramps

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

Other Federal-Aid Highways: All other roads on which Federal Highway funds may be expended including Federal Aid Non-State (FANS) roads.

Source: 2017 Public Certified Mileage



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