



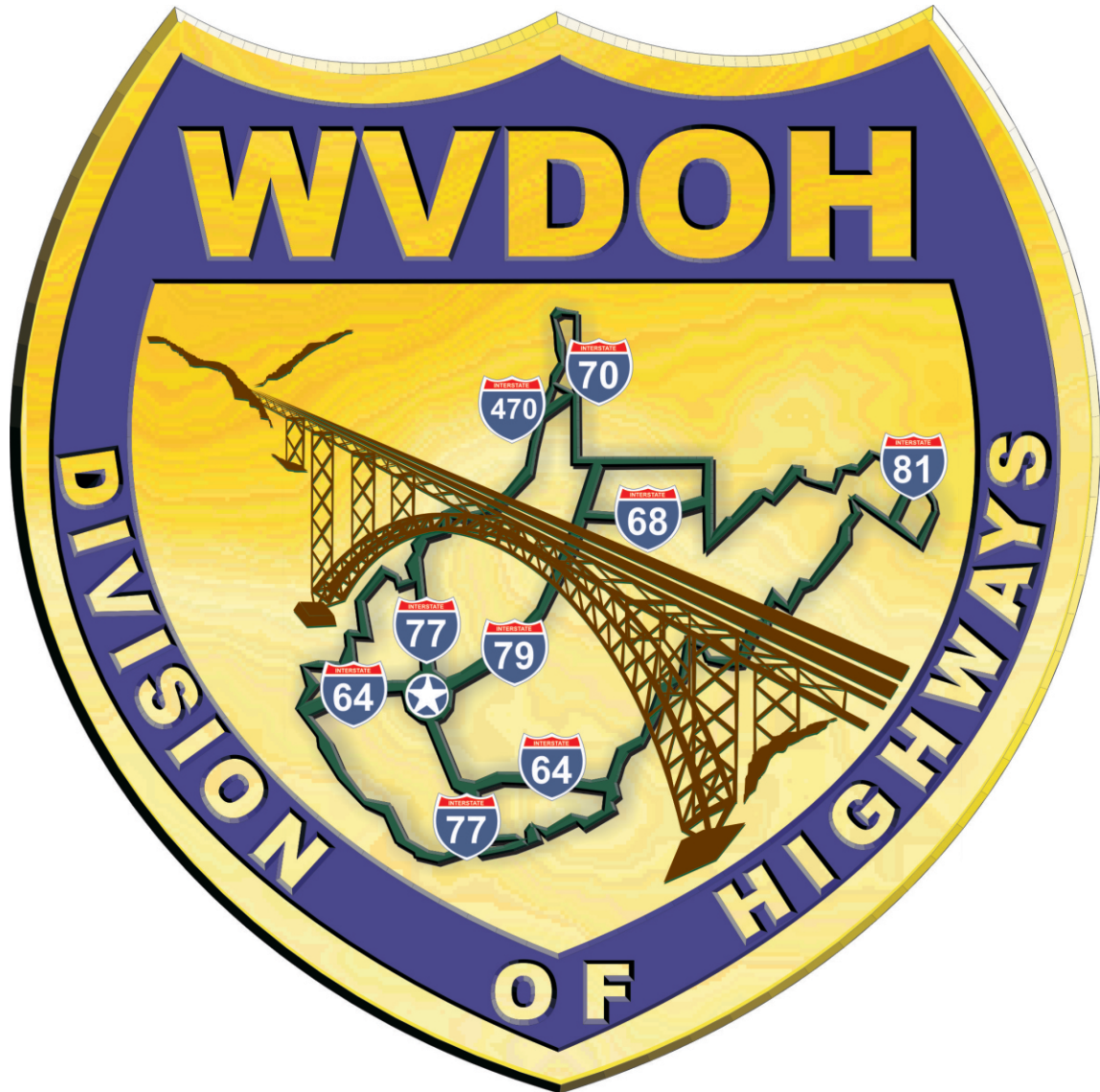
**West Virginia Department of Transportation
DIVISION OF HIGHWAYS**

A Component Unit of THE STATE OF WEST VIRGINIA

**Comprehensive Annual Financial Report
for the Year Ended
June 30, 2020**

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS

COMPONENT UNIT OF THE STATE OF WEST VIRGINIA



**COMPREHENSIVE
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2020**

Prepared by:
Finance and Administration Division

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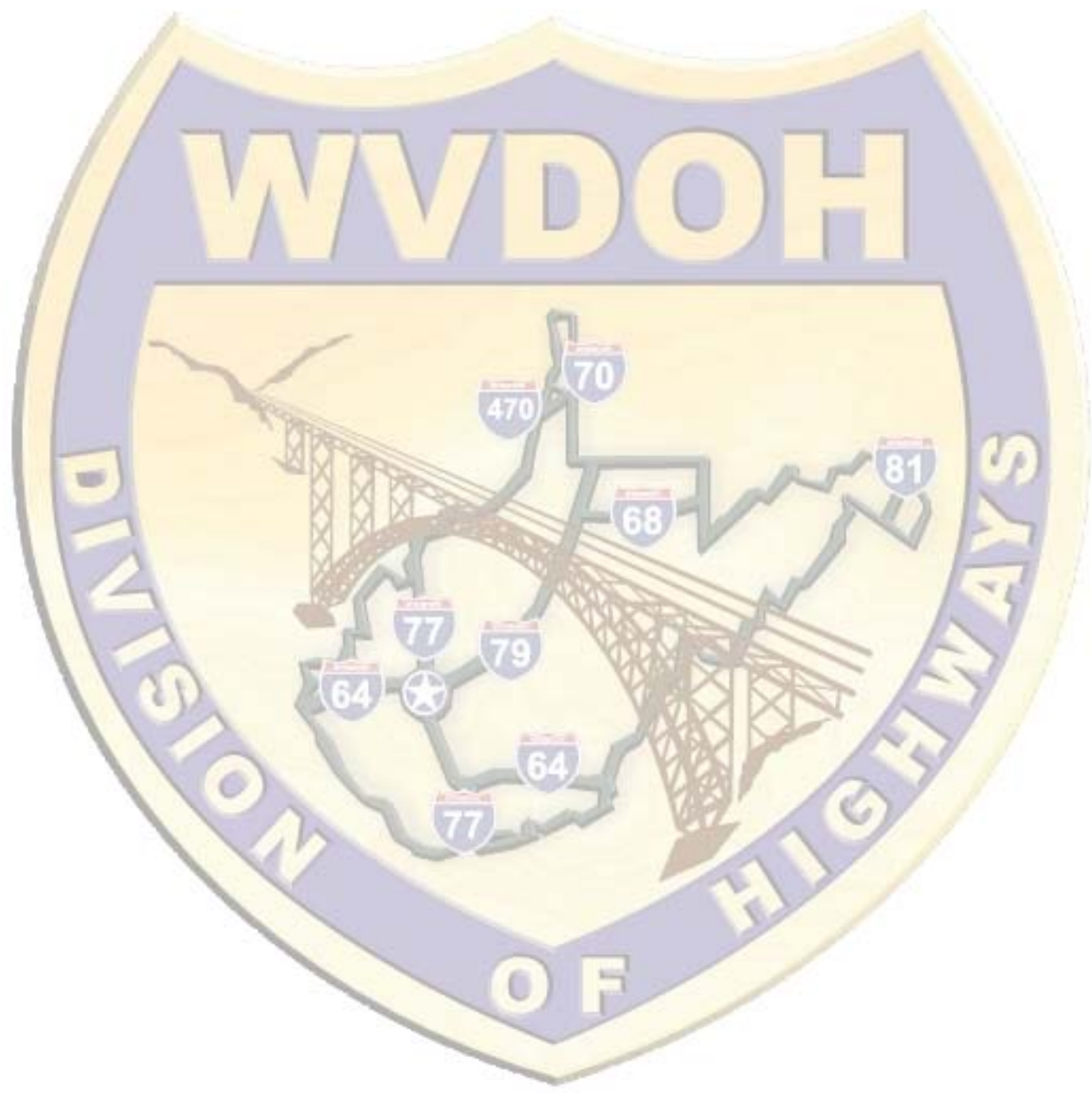
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Introductory Section

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**

**Byrd E. White, III
Secretary of Transportation/
Commissioner of Highways**

December 22, 2020

**Jimmy Wriston, P. E.
Deputy Secretary/
Deputy Commissioner**

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, 2020. 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, 2020. 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, 2020 is available upon request.

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

PROFILE OF THE GOVERNMENT

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

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

RELEVANT FINANCIAL POLICIES

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

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

Long-term goals and policies for the Division are outlined in a number of federally required plans, such as the Multi-Modal Statewide Transportation Plan for 2010 – 2034 (which is in the process of being updated), the Transportation Asset Management Plan (TAMP), the State Freight Plan and the State Highway Safety Plan. These plans discuss in broad terms the long-range goals, objectives and performance of various elements of the State's transportation network. Since needs always exceed resources, not all needs of the network can be addressed. The various plans provide a framework for setting priorities, understanding the tradeoffs associated with competing needs and tying investments to performance.

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

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

ECONOMIC CONDITIONS AND OUTLOOK

According to the *West Virginia Economic Outlook 2021-2025*, published by the Bureau of Business and Economic Research at John Chambers College of Business & Economics, West Virginia University, “West Virginia’s economy continues to recover from the initial response to the COVID-19 pandemic, when shelter-in-place orders and broad shutdowns caused state employers to shed jobs at a dramatic pace between mid-February and mid-April 2020. As shelter-in-place orders ended and businesses could re-open at various levels of maximum capacity (depending upon their sectors), employers managed to bring back more than half of the jobs they had previously eliminated by mid-August. Although the state has shown some economic resiliency since March and April, West Virginia’s economy was on somewhat shaky ground before the pandemic started. Payrolls fell during much of 2019 as pipeline construction projects were completed or delayed by legal challenges and few sectors or regions registered enough growth to pick up the slack caused by abrupt loss in economic activity.

After losing nearly 94,000 jobs (13 percent) between mid-February and mid-April, employment in the state rebounded by 57,000 over the mid-April to mid-August time period. Sectors most affected by social distancing requirements, namely retail and leisure and hospitality, have experienced the most volatility since the pandemic began. Healthcare services also saw some disruption as providers delayed non-emergent care and routine appointments to limit spread of the virus and allow hospitals to surge bed and ICU capacity. The state’s unemployment rate surged to nearly 16 percent mid-April (rising from just under 5 percent), but has quickly reversed course in the months since, falling to just below 9 percent in mid-August. Only 55 percent of West Virginia’s adult population is either working or looking for work. Though an improvement from recent years, this remains the lowest rate of labor force participation among all 50 states and represents a major obstacle to future economic prosperity. Per capita personal income in West Virginia increased 3.5 percent in 2019, making an appreciable slowdown from the 5.9 rate of growth observed in 2018. Per capita personal income in West Virginia stands at 76 percent or so of the national average. West Virginia’s real GDP rose 1 percent in 2019, a more than one percentage point drop in the rate of real output growth observed in 2018. The state’s economic volatility in recent years has been driven largely by natural gas pipeline construction and energy extraction. Exports from West Virginia declined in 2019 as global demand for coal, the state’s chief export commodity, weakened significantly as the year progressed. Given the global impact of the COVID-19 pandemic on economic activity, exports fell even more sharply in the first half of 2020. Expanding and diversifying the state’s export portfolio is of vital importance to economic development in West Virginia over the long run.

Employment in West Virginia is expected to reach pre-pandemic levels by late-2022; overall, job growth is forecast to increase nearly 1 percent per year on average through 2025, compared to an expectation of 2 percent for the nation. We anticipate growth to occur in energy extraction activity over the forecast horizon; however, despite the likely uptick in coal output over the middle portion of the outlook period, natural gas will account for most of these gains. The construction sector will experience some volatility during the outlook period as most of the growth will be tied to public spending on big infrastructure projects. Legal and regulatory challenges remain a downside risk for completion of the Mountain Valley Pipeline and a handful of proposed pipeline projects. Manufacturing will trail broader job growth over the five-year forecast horizon, but among the major subsectors, aerospace, automotive equipment and chemicals will be the leaders in job growth going forward. The state’s unemployment rate is expected to fall sharply during the first few years of the outlook period before settling in the mid-5 percent range in late-2023. After excluding the extraordinary levels of transfer payments in 2020 associated with the federal government’s pandemic support programs, real per capita personal income is expected to grow nearly 1 percent annually between 2021 and 2025.

West Virginia’s population has declined by nearly 65,000 since 2012. We project a slower rate of population losses over the next couple of years that will pick back up over the longer term as the state’s economy lags broader regional averages. Economic development strategies should focus on ways to improve health outcomes, lower drug abuse, and advance educational and vocational training opportunities in the state to make West Virginia’s workforce more attractive to potential businesses.”

LONG-TERM FINANCIAL PLANNING

The schedule that follows presents summary revenue and expenditure information for the State Road (General) Fund for the year ended June 30, 2020. All data is presented in thousands of dollars.

	<u>Amount</u>	<u>Percent of Total</u>	<u>Change from Prior Year</u>	
			<u>Amount</u>	<u>Percent</u>
Motor fuel excise tax	\$ 410,901	36%	\$ (33,674)	-8%
Automobile privilege taxes	270,001	23%	32,245	14%
Motor vehicle registration and licenses	116,251	10%	(52,827)	-31%
Special fees and permits	7,997	1%	(388)	-5%
Federal aid	322,585	28%	(153,162)	-32%
Investments and interest income	4,973	0%	(6,126)	-55%
Intergovernmental	5,543	1%	(279,060)	-98%
Miscellaneous	16,271	1%	(25,549)	-61%
Total revenues	\$ 1,154,522	100%	\$ (518,541)	-31%
Road construction and other road operations	\$ 679,544	43%	\$ (131,717)	-16%
Road maintenance	597,763	38%	35,396	6%
Support and administrative operations	178,893	11%	47,423	36%
Debt Service	126,123	8%	18,231	17%
Total Expenditures	\$ 1,582,323	100%	\$ (30,667)	-2%

Overall, State tax and fee revenues in Fiscal Year 2020 decreased by 6.36% from Fiscal Year 2019. Federal-Aid reimbursements, and investment and interest revenue also decreased in Fiscal Year 2020 compared to Fiscal Year 2019.

At June 30, 2020, the outstanding principal balance of long-term general obligation (GO) bonds was \$1,465,285,000. Of this principal balance, \$100,830,000 relates to bonds that were issued between 2010 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 of \$1,364,455,000 is the issuance of GO bonds also known as the Roads to Prosperity Bonds from 2018 and 2019. Total debt service payments for the Safe Road Bonds will remain around \$23.2 million annually for fiscal years 2021-2025, while the debt service payments for the currently issued Roads to Prosperity Bonds will be \$85.4 million annually for fiscal years 2021-2022, \$100.7 million annually for fiscal years 2023-2043, and then, final payment of \$45.3 million in 2044. This Division anticipates issuing the remaining \$200 million in GO Bonds by June 30, 2021.

At June 30, 2020, the outstanding principal balance of the Grant Anticipation Revenue Vehicle (GARVEE) notes was \$265,720,000. The notes were issued as a debt-financing instrument authorized to receive federal reimbursement of debt service and related financing costs under Section 122 of Title 23, United States Code. In October 2017, the Division issued \$219,985,000 of GARVEE notes to fund bridge replacement and interstate rehabilitation projects and \$78,810,000 GARVEE notes were issued in August 2018. These provide funding for repairs and capital improvement to any roadway or bridge. GARVEE Notes of \$53,380,000 issued in 2016 were defeased in February 2018 due to cancellation of the related project. At June 30, 2020, \$28,220,000 of the defeased debt remained outstanding. In general, projects funded with the proceeds of a GARVEE debt instrument are subject to the same requirements as other federal-aid projects. The exception is the reimbursement process; reimbursement of GARVEE project costs occurs when debt service is due rather than when construction costs are incurred. Under terms of the Memorandum of Agreement between the Federal Highway Administration and the Division of Highways, the yearly debt service must be the first obligation in the federal fiscal year. The Division usually tries to obligate funds in the previous year to eliminate this restriction.

MAJOR INITIATIVES

During Fiscal Year 2020, the Division continued work on several of its major initiatives around the State including new construction of Corridor H, the new construction of the Wellsburg Bridge, upgrade of US 35, upgrade of WV 10 and the new construction of John Nash Boulevard as a portion of the King Coal Highway. As a result of increased funding available to the Division from the Roads To Prosperity initiative in conjunction with major transfers of State General Revenue to the State Road Fund, the Division was able to direct additional resources toward secondary road and bridge preservation and renovation programs. During Fiscal Year 2020, the Division authorized 1,094 highway and bridge construction projects statewide. Rugged mountainous terrain and numerous streams and rivers characterize the topography of the State; consequently, West Virginia's road system includes 7,233 vehicular bridges, of which the Division is responsible for 7,004. The Division's bridge program in Fiscal Year 2020, 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 145 bridge initiatives ranging from full replacement to deck overlays. Some of the larger projects include the Wheeling Suspension Bridge in Ohio County, Col. Ruby Bradley Bridge in Roane County, Trumbo Ford Bridge in Hardy County, and 5th St Ritter Park Bridge in Cabell County. Other accomplishments this year include several stretches of major Interstate reconstruction across the State. These include I-64 in Cabell County, I-70 in Ohio County, I-79 in Marion County, I-81 in Berkeley County, and I-77 Turnpike in Raleigh County. The badly needed reconstruction projects were part of a larger statewide resurfacing initiative comprised of 217 resurfacing projects, which addressed nearly 718 miles of roadway at a cost of approximately \$184 million.

The Division has continued to improve operating efficiency with the heavy equipment road maintenance fleet. In Fiscal Year 2020 the Division purchased \$42.6 million in new equipment. This was a vast increase from Fiscal Year 2019 where there was only a total of \$16.1 million in equipment replacement. The increase in purchased equipment was a result of the Governor's secondary roadway innovation program and to continue to give priority to replacing equipment that is 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, 2019. This was the 28th consecutive year that the Division has achieved this prestigious award (1992-2019). In order to be awarded the Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Division believes its Fiscal Year 2020 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
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

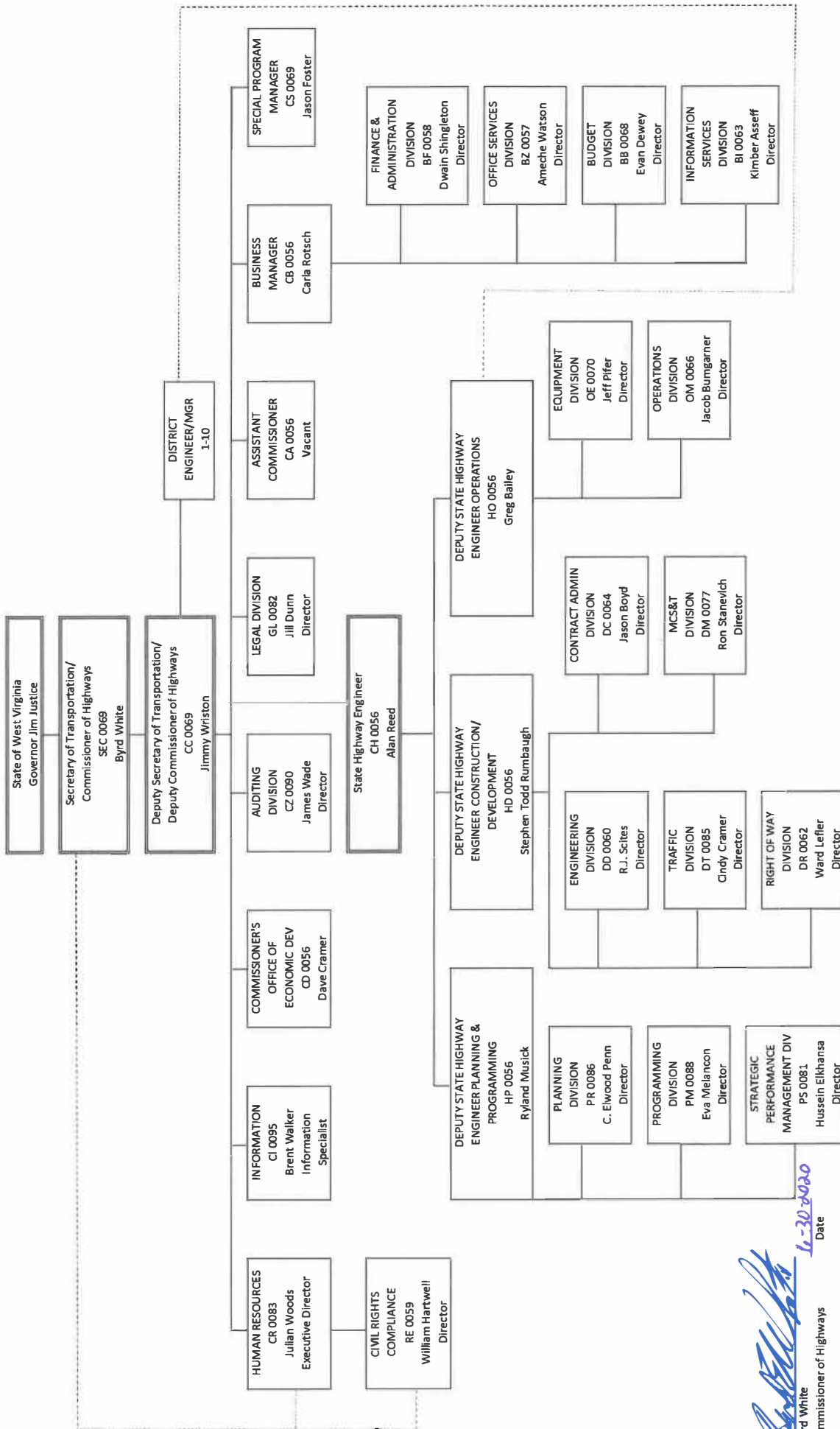
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morrill

Executive Director/CEO

West Virginia Division of Highways Organizational Chart



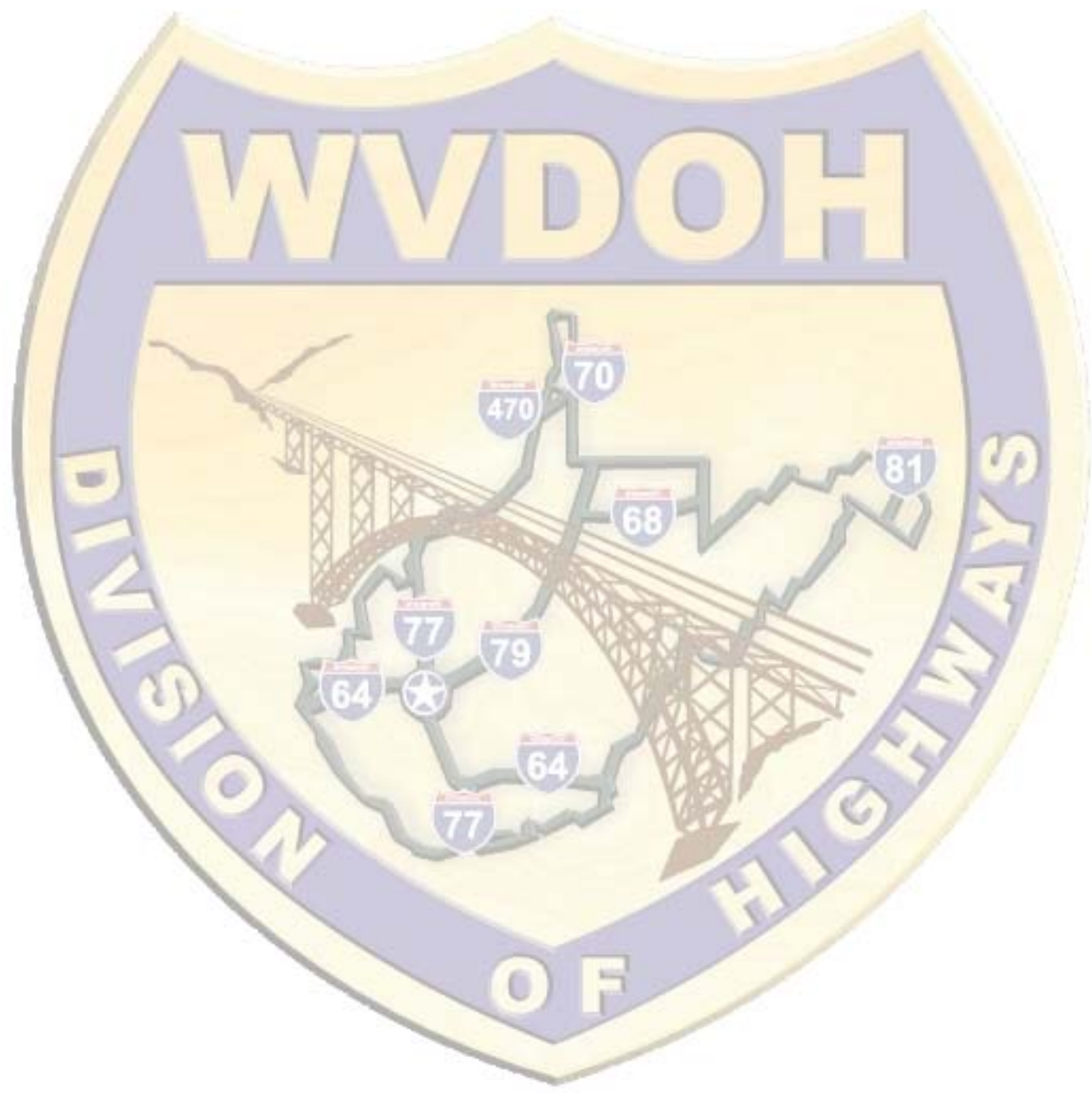

 Byrd White
 Commissioner of Highways
 Date 11-30-2020

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
 DIVISION OF HIGHWAYS
 LIST OF PRINCIPAL OFFICIALS
 June 30, 2020

Byrd E. White, III	Secretary of Transportation
Jimmy Wriston, P.E.	Deputy Secretary DOT/Commissioner DOH
Nate Tawney	General Council
Vacant	Assistant Commissioner
Carla P. Rotsch	Business Manager
Alan Reed, P.E.	State Highway Engineer
Stephen T. Rumbaugh, P.E.	Deputy State Highway Engineer-Construction and Development
Gregory L. Bailey, P.E.	Deputy State Highway Engineer-Operations
Ryland Musick, Ph.D., P.E.	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
Jason Foster	Special Program Manager
Lorrie A. Hodges	Executive Assistant to the Commissioner
James R. Wade	Director, Auditing Division
Evan Dewey	Director, Budget Division
Brent H. Walker	Director, Communications
Jason M. Boyd	Director, Contract Administration Division
Raymond J. Scites	Director, Engineering Division
William Hartwell	Director, Equal Employment Opportunity Division
Jeff Pifer	Director, Equipment Division
Dwain W. Shingleton	Director, Finance and Administration Division
H. Julian Woods	Director, Human Resources Division
Kimber L. Asseff	Director, Information Services Division
Jill Dunn	Director, Legal Division
Jake Bumgarner	Director, Operations Division
Ronald L. Stanevich	Director, Materials Control Soil & Testing Division
Ameche L. Watson	Director, Office Services Division
C. Elwood Penn, P.E.	Director, Planning Division
Eva Melancon	Director, Programming Division
Ward Lefler	Director, Right of Way Division
Cindy L. Cramer, P.E.	Director, Traffic Engineering Division
Vacant	Correspondence & Central Files
Laura A. Conley-Rinehart	Assistant to State Highway Engineer
Gary K. Clayton	Regional Maintenance Engineer
Shawn A. Smith	Regional Construction Engineer
Kathy Rushworth	Regional Engineer
Jeremiah Gaston	Regional Engineer
Dave Brabbon	Regional Engineer
Darren Bennett	Regional Engineer
Sara Runyon	Regional Engineer

DISTRICT ENGINEERS/MANAGERS

District 1	Travis W. Knighton	Charleston
District 2	Raymond S. Eplin	Huntington
District 3	Justin Smith	Parkersburg
District 4	Darby Clayton	Clarksburg
District 5	Lee J. Thorne	Burlington
District 6	Tony Clark	Moundsville
District 7	Brian K. Cooper	Weston
District 8	James A. Rossi	Elkins
District 9	Steve B. Cole	Lewisburg
District 10	Joe Pack	Princeton



Financial Section

West Virginia Department of Transportation

Division of Highways





INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the West Virginia Department of Transportation, Division of Highways (the Division), a component unit of the State of West Virginia and the State of West Virginia Department of Transportation, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Division's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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cpa@suttlecpas.com

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Division as of June 30, 2020, and the respective changes in financial position and the budgetary comparison for the State Road (General) Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 23, the schedule of proportionate share of the net pension liability, the schedule of pension contributions, the schedule of proportionate share of the net OPEB liability, the schedule of OPEB contributions, and related notes on pages 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 on pages 2 through 9 and statistical section on pages 71 through 92 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Division are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and each major fund of the State of West Virginia and the West Virginia Department of Transportation that is attributable to the transactions of the Division. They do not purport to, and do not present fairly the financial position of the State of West Virginia and West Virginia Department of Transportation, as of June 30, 2020, or the changes in its financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.



Charleston, West Virginia
October 14, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

This section of the West Virginia Department of Transportation, Division of Highways (Division) annual financial report presents our discussion and analysis of the Division's financial performance during the fiscal year that ended June 30, 2020. 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 \$8.1 billion at the close of fiscal year 2020.

Changes in Net Position - During the year the Division's net position decreased by \$232 million or 2.76%. During fiscal year 2019, net position increased by \$307 million or 3.81%.

Revenues and Expenses - Total revenues decreased by \$522 million or 30.78%. Total expenses increased \$17 million or 1.22%. 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 2020, the Division's governmental funds reported combined total fund equity of \$1.6 billion, an increase of \$47 million in comparison with the prior year.

Long-term Debt - The Division's total outstanding general obligation bonds, net of bond premiums, increased by \$699 million during the current fiscal year. The Division's total outstanding special obligation notes, net of note premium, decreased by \$22 million during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Statements

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

Fund Financial Statements

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

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

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

Notes to the Financial Statements

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

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

Required Supplementary Information

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

CONDENSED FINANCIAL INFORMATION

Condensed Statement of Net Position

The following condensed financial information was derived from the government-wide statement of net position and summarizes the Division's net position as of June 30, 2020 and 2019 (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,**

	2020	2019	% Change
Assets and deferred outflows of resources			
Current assets	\$ 1,842,323	\$ 1,747,838	5.41%
Capital assets	8,821,407	8,430,756	4.63%
Total assets	10,663,730	10,178,594	4.77%
Deferred outflows of resources	43,144	41,606	3.70%
Total assets and deferred outflows of resources	10,706,874	10,220,200	4.76%
Liabilities and deferred inflows of resources			
Current liabilities	363,491	305,427	19.01%
Long term liabilities	2,122,012	1,468,946	44.46%
Total liabilities	2,485,503	1,774,373	40.08%
Deferred inflows	72,807	65,714	10.79%
Total liabilities and deferred inflows of resources	2,558,310	1,840,087	39.03%
Net Position			
Net investment in capital assets	8,195,263	8,095,231	1.24%
Restricted	109,560	188,310	-41.82%
Unrestricted	(156,259)	96,572	-261.81%
Total net position	\$ 8,148,564	\$ 8,380,113	-2.76%

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

Condensed Statement of Activities

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

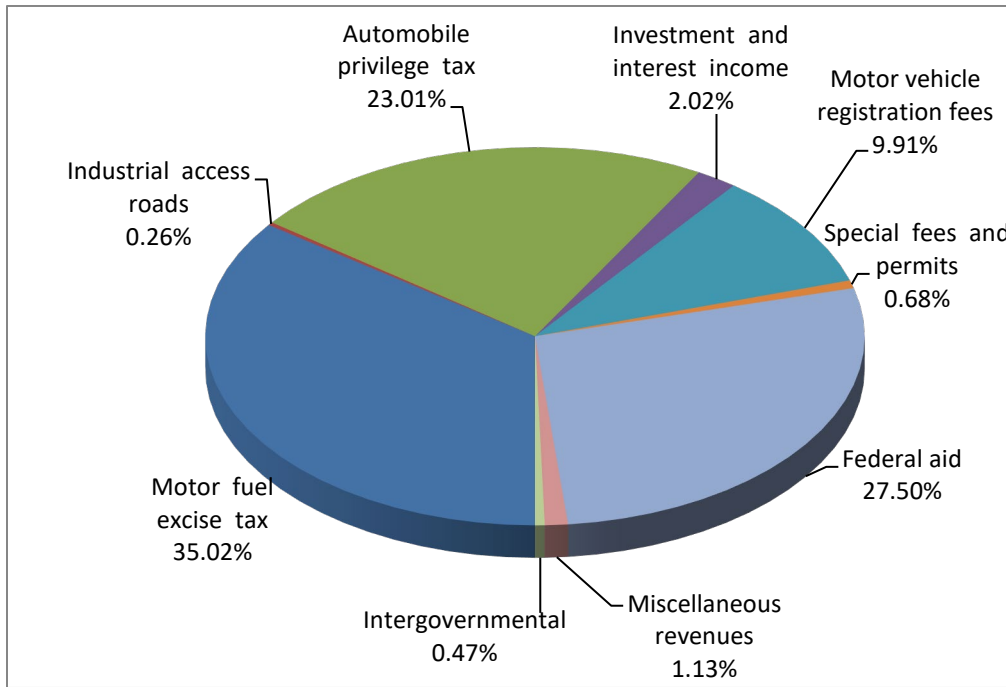
**Condensed Statement of Activities
 Years Ended June 30,**

	2020	2019	% Change
Revenues			
Taxes	\$ 680,902	\$ 682,331	-0.21%
Investment and interest income	23,693	33,046	-28.30%
Intergovernmental	5,543	112,603	-95.08%
Miscellaneous revenues	13,271	38,820	-65.81%
Total general revenues	<u>723,409</u>	<u>866,800</u>	-16.54%
Capital grants and contributions	325,585	650,747	-49.97%
Charges for service	124,248	177,463	-29.99%
Total program revenues	<u>449,833</u>	<u>828,210</u>	-45.69%
Total revenues	<u>1,173,242</u>	<u>1,695,010</u>	-30.78%
Expenses			
Road maintenance	580,615	553,558	4.89%
Road construction and other road operations	578,040	675,117	-14.38%
General and administration	182,750	108,297	68.75%
Interest on long-term debt	57,459	45,352	26.70%
Unallocated depreciation	5,927	5,474	8.28%
Total expenses	<u>1,404,791</u>	<u>1,387,798</u>	1.22%
Change in net position	(231,549)	307,212	-175.37%
Net position, beginning	<u>8,380,113</u>	<u>8,072,901</u>	3.81%
Net position, ending	<u>\$ 8,148,564</u>	<u>\$ 8,380,113</u>	-2.76%

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 decreased by \$232 million or 2.76%.

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

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



Total revenues decreased by approximately \$522 million. Intergovernmental revenues decreased by approximately \$279 million. Federal aid revenue decreased by approximately \$153 million. Large components of non-recurring Intergovernmental revenue for 2019 included 1) legally authorized appropriations under West Virginia State Code by the West Virginia Legislature (\$104 million) and 2) an allocation from the Parkways Authority to be used for the construction of the Division's transportation projects located in counties adjacent to the Turnpike (\$172 million). Other revenue categories for 2020 were significantly impacted by the Coronavirus Pandemic. The following summarizes revenues for the years ended June 30, 2020 and June 30, 2019 (amounts in thousands):

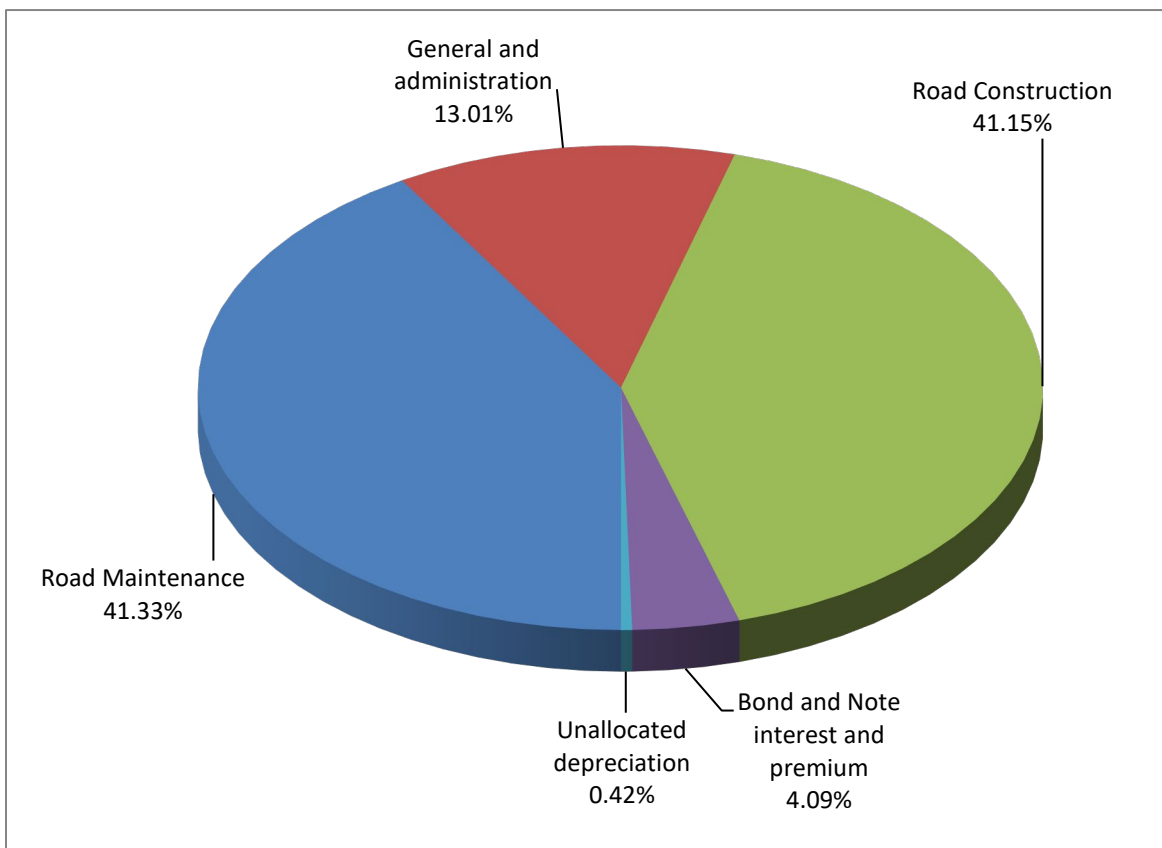
	2020	2019	% Change
Motor fuel excise tax	\$ 410,901	\$ 444,575	-7.57%
Industrial access roads	3,000	3,000	0.00%
Automotive privilege tax	270,001	237,756	13.56%
Motor vehicle registration fees	116,251	169,078	-31.24%
Special fees and permits	7,997	8,385	-4.63%
Federal aid	322,585	475,747	-32.19%
Investment and interest income	23,693	33,046	-28.30%
Intergovernmental	5,543	284,603	-98.05%
Miscellaneous revenues	13,271	38,820	-65.81%
Total revenues	1,173,242	1,695,010	-30.78%

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

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

The Division also relies on federal funds as a source of revenue. The federal aid is obtained in the form of reimbursable grants. Federal transportation legislation and special spending authorizations provide funds that are available for obligation by the Federal Government in specific years, and the Division expects to continue to fully obligate available funds, thus ensuring that it captures all federal dollars. Revenue under these grants is recognized when expenditures occur and the Division requests reimbursement on specific projects that have qualified for federal participation. On December 4, 2015, the President signed into law the "Fixing America's Surface Transportation Act," or FAST Act which is a five-year surface transportation program authorizing funding for highway and public transportation investments. The FAST Act was the first long-term transportation legislation to pass Congress in ten years and provided stability to the Division in planning its transportation investments. The FAST Act, which was originally set to expire on September 30, 2020, was recently extended to September 30, 2021.

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



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

Total expenses increased by approximately \$17 million or 1.22%. The following summarizes expenses for the years ended June 30, 2020 and June 30, 2019 (amounts in thousands):

	2020	2019	% Increase (Decrease)
Road maintenance	\$ 580,615	\$ 553,558	4.89%
Road construction and other road operations	578,040	675,117	-14.38%
General and administration	182,750	108,297	68.75%
Interest on long-term debt	57,459	45,352	26.70%
Unallocated depreciation	5,927	5,474	8.28%
Total expenses	<u>\$ 1,404,791</u>	<u>\$ 1,387,798</u>	1.22%

The maintenance expenses of the Division are comprised primarily of Annual Plan routine maintenance as well as maintenance-related capital improvements including small bridge repair, contract paving, and various types of renovation such as guardrail, slides, and drainage. For State fiscal year 2020, Governor Justice, understanding the critical needs of the roadway network in West Virginia, requested funds from the General Fund be transferred to the State Road Fund in order to take care of the critical paving and drainage needs that plague the system. These funds were received in 2019. This afforded the Division of Highways a wonderful opportunity to gain ground in this area.

Operating units are allocated yearly amounts of funding for routine maintenance. What the routine maintenance expenses are spent on is dependent, to a degree, on the level of snow removal and ice control (SRIC) that is required in a given year. In State fiscal year 2020, the agency continued and enhanced its core maintenance plan, which emphasizes ditching, mowing, brush-cutting, and patching maintenance activities, also with distinct emphasis placed on these activities by the Governor personally. County crews concentrate on these activities during all non-SRIC periods. The intent is to improve safety and perform maintenance that will extend the life of the highway system.

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, 2020, the Division reported fund balances of approximately \$1.6 billion. Of this total amount (\$109) thousand constitutes unassigned fund balance while \$1.5 billion is restricted for various purposes. The remainder of the fund balance is non-spendable and is not available for spending because it is comprised of inventories.

State Road Fund

The State Road Fund is the Division's General Fund. At the end of the 2020 fiscal year, unassigned fund balance of the General Fund was (\$109) thousand and non-spendable fund balance was \$59 million while the restricted fund balance was \$142 million. The total General Fund balance decreased \$428 million during the fiscal year primarily due to 1) the spend down of funds received in prior years related to the sale of GARVEE Notes and the intergovernmental allocations from the Parkways Authority and State of West Virginia described above, 2) revenue declines resulting from the Coronavirus Pandemic, and 3) increases in the estimated payback liability to FHWA.

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

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 passage of legislation (WV Senate Bill 1006) raised the average wholesale price for motor fuel. 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 2019 were observed for these two revenue sources. Fiscal year 2020 revenue was on track to be similar to fiscal year 2019, however, the Coronavirus Pandemic had a major negative impact on fourth quarter collections. The following table summarizes tax and fee collections (cash basis) over the past two years (amounts in thousands):

	2020	2019	Increase (Decrease)	% Increase (Decrease)
Motor fuel excise and wholesale fuel	\$ 427,273	\$ 443,428	\$ (16,155)	-3.64%
Motor vehicle registration	122,724	168,785	(46,061)	-27.29%
Privilege tax	265,516	236,137	29,379	12.44%
	<u>\$ 815,513</u>	<u>\$ 848,350</u>	<u>\$ (32,837)</u>	-3.87%

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

Fiscal year 2020 tax collections reported on a cash basis decreased by \$32.8 million (3.87%) from fiscal year 2019 tax collections. Motor fuel tax collections were \$22.7 million (-5.05%) below estimate for the year, and \$16.2 million (-3.64%) below fiscal year 2019 collections. Registration fee collections were \$30 million (-14.59%) below estimates and \$46.1 million (-27.29%) below fiscal year 2019 collections. Privilege tax collections were \$34.5 million (14.91%) above estimates and \$29.4 million (12.44%) above fiscal year 2019 collections. In fiscal year 2021, motor fuel tax and registration fee collections are projected to be slightly higher than fiscal year 2020 actual collections. Privilege tax collections are estimated to be lower than fiscal year 2020 actual numbers.

The Division's federal revenue, on a budgetary basis for fiscal year 2020 was \$405.5 million, used primarily for the design, right-of-way, and construction of Corridor H, US 35, Coalfields Expressway and numerous system preservation projects on other federal-aid highways. As previously discussed, the recognition of revenue under these grants occur when expenditures occur on specific projects that have qualified for federal participation and the Division requests reimbursement. The budgeted amounts for federal revenue and expenditures are based on projects that have been approved and estimates of the timing of each phase of the project. Since the timing of such expenditures 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.

It is anticipated that the state revenues will increase slightly in fiscal year 2021 when compared to fiscal year 2020. Regardless of current and future events, management will continue to monitor and maintain a fiscally sound equity position. The approved fiscal year 2021 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.

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

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, 2021. West Virginia's federal fiscal year 2020 apportionment was \$481.4 million and the total obligation limitation was \$493.4 million (due to additional funds provided through August 2020 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 and \$600 million (face value) in General Obligation bonds during the fiscal year ended June 30, 2020. These bonds will fund the construction of all or a portion of projects across the State. At June 30, 2020 the capital projects fund balance of approximately \$1.4 billion represented unexpended bond funds associated with the above referenced issuances.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2020, the Division had invested \$8.8 billion, net of accumulated depreciation, in a range of capital assets (see note 7 for additional details). Depreciation charges for the fiscal year totaled \$320 million.

As the Division continues to expand the state road system, these expansions are focused primarily on upgrading existing roadways and the completion of Appalachian Highway Corridor H. While these are significant construction projects, the additions are offset by \$304 million in depreciation of the infrastructure. The Division expended \$711 million dollars during the year ended June 30, 2020 for additions to capital assets. Of this amount, \$662 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 \$102 million were reclassified from construction in process to roads and bridges. Major construction expenditures during the year included continued construction related to US 35 in Putnam County, the Coalfields Expressway in Wyoming County, Corridor H in Randolph County, and continued environmental studies on various projects in process.

Long-term Debt

The Division has been authorized to issue bonds by constitutional amendments and all bonds are general obligation bonds of the State of West Virginia. The taxpayers have authorized the Division to issue another \$200 million in fiscal year 2021 per house concurrent resolution 105.

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

The Division has also been authorized to issue revenue notes in the amount of \$500 million by constitutional amendment. The Division issued revenue notes in the amount of \$53 million in December 2016, which were defeased in February 2018. In October 2017, the Division issued revenue notes in the amount of \$220 million. In August 2018, the Division issued revenue notes in the amount of \$79 million. The debt service payments on these notes will be funded through federal aid revenue. The outstanding balance of issued special notes was \$266 million at June 30, 2020.

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: AA Moody's: Aa1 S&P: AA	\$ 21,905
Safe Roads 15A - Bonds maturing on or before June 1, 2025.	Fitch: AA+ Moody's: Aa1 S&P: AA	78,925
Roads to Prosperity 18A, 18B T1, 18B T2 - Bonds maturing on or before June 1, 2043.	Fitch: AA Moody's: Aa2 S&P: AA-	764,455
Roads to Prosperity 19A-1, 19A-2 - Bonds maturing on or before June 1, 2044.	Fitch: AA Moody's: Aa2 S&P: AA-	600,000
Surface Transportation Improvements Special Obligation Notes (GARVEE 2017A) - Notes maturing on or before September 1, 2029.	Moody's: A2 S&P: AA	190,265
Surface Transportation Improvements Special Obligation Notes (GARVEE 2018A) - Notes maturing on or before September 1, 2033.	Moody's: A2 S&P: AA	75,455
		<u>\$ 1,731,005</u>

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

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
STATEMENT OF NET POSITION
JUNE 30, 2020
(amounts expressed in thousands)

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current assets	
Cash and cash equivalents	\$ 1,615,095
Accounts receivable, net	83,782
Taxes receivable	81,860
Due from other State of West Virginia agencies	2,114
Inventories	59,472
Total current assets	1,842,323
Non-current assets	
Capital assets not being depreciated	
Land - non-infrastructure	25,166
Land - infrastructure	1,244,134
Construction in progress	1,690,845
Capital assets net of accumulated depreciation	
Land improvements	13,668
Buildings	134,155
Furniture and fixtures	756
Rolling stock	92,787
Scientific equipment	26
Shop equipment	241
Roads	3,176,333
Bridges	2,443,296
Total capital assets	8,821,407
Total assets	10,663,730
Deferred outflows of resources	
Deferred outflows of resources - pensions	29,064
Deferred outflows of resources - OPEB	14,080
Total deferred outflows of resources	43,144
Total assets and deferred outflows of resources	10,706,874
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Current liabilities	
Accounts payable	133,009
Retainages payable	1,155
Accrued payroll and related liabilities	22,521
Due to other State of West Virginia agencies	8,572
Due to Federal Highway Administration	90,837
Accrued interest payable	10,413
Unearned revenue	4,689
Current maturities of long term obligations	92,295
Total current liabilities	363,491
Non-current liabilities	
Claims and judgments	33,549
Compensated absences	7,769
Net pension liability	33,914
Net other postemployment benefits liability	91,431
Bonds and notes	1,955,349
Total non-current liabilities	2,122,012
Total liabilities	2,485,503
Deferred inflows of resources	
Deferred inflows of resources - pension	21,804
Deferred inflows of resources - OPEB	43,327
Deferred inflows of resources - gain on refunding	7,676
Total deferred inflows of resources	72,807
Total liabilities and deferred inflows of resources	2,558,310
NET POSITION	
Net investment in capital assets	8,195,263
Restricted	
Coal Resource	184
Waste Tire	2,978
Industrial Access	2,638
Capital projects	103,760
Unrestricted	(156,259)
Total net position	\$ 8,148,564

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, 2020
(amounts expressed in thousands)

Functions/Programs	Expenses	Program Revenues		Net Revenue (Expenses) and Changes in Net Position
		Charges for Services	Capital Grants and Contributions	
Government activities				
Road maintenance				
Operations	\$ 566,052	\$ -	\$ -	\$ (566,052)
Litter control program	4,387	-	-	(4,387)
Depreciation	10,176	-	-	(10,176)
Road construction				
Interstate highways	27,599	-	79,544	51,945
Appalachian highways	5,268	-	95,742	90,474
Other federal aid programs	202,765	-	147,299	(55,466)
Industrial access roads	3,167	-	3,000	(167)
Construction on behalf of Parkways Authority	35,421	-	-	(35,421)
Depreciation	303,820	-	-	(303,820)
General and administration				
Support and administrative operations	124,707	7,997	-	(116,710)
Claims	16,918	-	-	(16,918)
Costs associated with DMV	39,613	116,251	-	76,638
Costs associated with OAH	1,512	-	-	(1,512)
Interest on long-term debt	57,459	-	-	(57,459)
Unallocated depreciation	5,927	-	-	(5,927)
	<u>\$ 1,404,791</u>	<u>\$ 124,248</u>	<u>\$ 325,585</u>	<u>(954,958)</u>
General revenues				
Taxes:				
Gasoline and motor carrier				410,901
Automobile privilege				270,001
Investment and interest income				23,693
Intergovernmental				5,543
Miscellaneous revenues				13,271
Total general revenues				<u>723,409</u>
Change in net position				(231,549)
Net position, beginning				<u>8,380,113</u>
Net position, ending				<u>\$ 8,148,564</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020
(amounts expressed in thousands)

	State Road (General)	Capital Projects	Total Governmental Funds
ASSETS			
Assets			
Cash and cash equivalents	\$ 206,172	\$ 1,408,923	\$ 1,615,095
Receivables	83,782	-	83,782
Taxes receivable	81,860	-	81,860
Due from other funds	93	-	93
Due from other State of West Virginia agencies	2,114	-	2,114
Inventories	59,472	-	59,472
Total assets	\$ 433,493	\$ 1,408,923	\$ 1,842,416
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 104,199	\$ 28,810	\$ 133,009
Retainages payable	1,155	-	1,155
Accrued payroll and related liabilities	22,521	-	22,521
Due to other funds	-	93	93
Due to other State of West Virginia agencies	8,572	-	8,572
Due to Federal Highway Administration	90,837	-	90,837
Unearned revenue	4,689	-	4,689
Total liabilities	231,973	28,903	260,876
Fund balances			
Non-spendable			
Inventories	59,472	-	59,472
Restricted			
Construction and maintenance of industrial access roads	2,638	-	2,638
Construction and maintenance of coal resource roads	184	-	184
Waste tire clean up and disposal	2,978	-	2,978
Capital projects	136,357	1,380,020	1,516,377
Unassigned	(109)	-	(109)
Total fund balances	201,520	1,380,020	1,581,540
Total liabilities and fund balances	\$ 433,493	\$ 1,408,923	\$ 1,842,416

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, 2020
(amounts expressed in thousands)

Total fund balance - governmental funds \$ 1,581,540

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

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

Capital assets not being depreciated		
Land - non-infrastructure	\$ 25,166	
Land - infrastructure	1,244,134	
Construction in progress	1,690,845	
Capital assets net of accumulated depreciation		
Land improvements	13,668	
Buildings	134,155	
Furniture and fixtures	756	
Rolling stock	92,787	
Scientific equipment	26	
Shop equipment	241	
Roads	3,176,333	
Bridges	<u>2,443,296</u>	8,821,407

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. 29,064

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. 14,080

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	(33,914)	
Net other postemployment benefits liability	(91,431)	
Accrued interest payable	(10,413)	
Claims and judgments	(36,158)	
Compensated absences	(21,718)	
General obligation bonds and revenue notes	<u>(2,031,086)</u>	(2,224,720)

Deferrals of resources related to pensions and OPEB and gain on refunding that represents an acquisition of net position that applies to a future period, and therefore, are reported as deferred inflows of resources in the statement of net position. (72,807)

Net position of governmental activities \$ 8,148,564

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, 2020
(amounts expressed in thousands)

	State Road (General)	Capital Projects	Total Governmental Funds
Revenues			
Taxes			
Gasoline and motor carrier	\$ 410,901	\$ -	\$ 410,901
Automobile privilege	270,001	-	270,001
Industrial access roads	3,000	-	3,000
License, fees and permits			
Motor vehicle registrations and licenses	116,251	-	116,251
Special fees and permits	7,997	-	7,997
Federal aid			
Interstate highways	79,544	-	79,544
Appalachian highways	95,742	-	95,742
Other federal aid programs	147,299	-	147,299
Intergovernmental			
State aid and other agencies	5,543	-	5,543
Investment and interest income, net of arbitrage rebate	4,973	18,720	23,693
Miscellaneous revenues	13,271	-	13,271
Total revenues	<u>1,154,522</u>	<u>18,720</u>	<u>1,173,242</u>
Expenditures			
Current			
Road maintenance			
Operations	593,300	59,440	652,740
Litter control program	4,463	-	4,463
Support and administrative operations	134,447	-	134,447
Division of Motor Vehicles operations	40,305	-	40,305
Office of Administration Hearings operations	1,538	-	1,538
Claims	2,603	-	2,603
Capital outlay - Road construction and other road operations			
Interstate highways	164,595	166,999	331,594
Appalachian highways	55,463	16,983	72,446
Other federal aid programs	456,264	46,812	503,076
Industrial access roads	3,222	-	3,222
Debt service			
Bond issuance costs	2,343	-	2,343
Principal	53,175	-	53,175
Interest	70,605	-	70,605
Total expenditures	<u>1,582,323</u>	<u>290,234</u>	<u>1,872,557</u>
Excess (deficiency) of revenues over expenditures	(427,801)	(271,514)	(699,315)
Other financing sources (uses)			
Sale of Bonds	-	600,000	600,000
Premium on bonds	-	146,576	146,576
Total other sources (uses)	<u>-</u>	<u>746,576</u>	<u>746,576</u>
Net change in fund balances	(427,801)	475,062	47,261
Fund balances, beginning of year	<u>629,321</u>	<u>904,958</u>	<u>1,534,279</u>
Fund balances, end of year	<u>\$ 201,520</u>	<u>\$ 1,380,020</u>	<u>\$ 1,581,540</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
 DIVISION OF HIGHWAYS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2020
 (amounts expressed in thousands)

Net change in fund balance - governmental funds	\$	47,261
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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 (\$711,084) exceeded depreciation (\$319,923) in the current period.		391,161
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In the statement of activities only the loss on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus the change in the net position differs from the change in fund balance by the depreciated cost of the assets sold.		(509)
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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.		(693,401)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This is the change in claims and compensated absences in the current period.		(15,496)
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Some expenses do not require the use of current financial resources and, therefore, are not reported in governmental funds. This is the amount of amortization of bond premium, change in interest payable, pension expense, OPEB expense, and amortization of gain on bond refunding.		<u>39,435</u>
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Change in net position of governmental activities	\$	<u><u>(231,549)</u></u>
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WEST VIRGINIA DEPARTMENT OF TRANSPORTATION DIVISION OF HIGHWAYS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
(BUDGETARY BASIS) - STATE ROAD (GENERAL) FUND
YEAR ENDED JUNE 30, 2020
(amounts expressed in thousands)

	Original Budget	Budget Amendments	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues					
Taxes					
Gasoline and motor carrier	\$ 450,000	\$ -	\$ 450,000	\$ 427,273	\$ (22,727)
Automobile privilege	231,061	-	231,061	265,516	34,455
Litter Control Program	1,719	-	1,719	1,483	(236)
Motor vehicle registrations and licenses	143,682	-	143,682	122,724	(20,958)
Revenue transfer to Industrial Access Roads	3,000	-	3,000	3,000	-
Federal aid	467,400	-	467,400	405,496	(61,904)
Intergovernmental	-	-	-	-	-
Miscellaneous revenues	28,995	-	28,995	33,860	4,865
	<u>1,325,857</u>	<u>-</u>	<u>1,325,857</u>	<u>1,259,352</u>	<u>(66,505)</u>
Expenditures					
Road construction and other road operations					
Interstate highways	90,000	26,000	116,000	109,210	6,790
Appalachian highways	100,000	(26,000)	74,000	60,305	13,695
Other federal aid programs	370,000	-	370,000	335,005	34,995
Nonfederal aid construction	224,047	(224,047)	-	49	(49)
Road maintenance					
Maintenance	336,386	299,248	635,634	623,527	12,107
Litter control program	1,719	-	1,719	762	957
Support and administrative operations					
General operations	91,663	-	91,663	93,122	(1,459)
Equipment revolving	22,500	13,500	36,000	14,198	21,802
Inventory revolving	4,000	-	4,000	1,145	2,855
Debt service	89,000	15,500	104,500	94,197	10,303
Courtesy Patrol	5,000	-	5,000	3,049	1,951
Division of Motor Vehicles operations	46,078	-	46,078	39,405	6,673
Office of Administrative Hearings operations	2,066	-	2,066	1,513	553
Claims - DOH and DMV	4,250	(1,640)	2,610	2,603	7
Industrial Access Road	3,000	-	3,000	3,000	-
	<u>1,389,709</u>	<u>102,561</u>	<u>1,492,270</u>	<u>1,381,090</u>	<u>111,180</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (63,852)</u>	<u>\$ (102,561)</u>	<u>\$ (166,413)</u>	<u>\$ (121,738)</u>	<u>\$ 44,675</u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020
(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The financial statements of the Division are intended to present the financial position and the 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, 2020, or the changes in its financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

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

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

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

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020
(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION -

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

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

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

- Employees' vested annual leave is recorded as expenditures when utilized. The amount of accumulated annual leave unpaid at June 30, 2020, 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 accounted for in another fund. The State Road Fund is funded primarily by dedicated highway user taxes and fees and matching federal highway funds.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
 DIVISION OF HIGHWAYS
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2020
 (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, 2020 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, 2020, on the budgetary basis to the GAAP basis for the State Road fund follows:

Excess (deficiency) of revenues over expenditures - budgetary basis	\$	(121,738)
Basis of accounting differences (budgetary to GAAP)		(136,278)
Unbudgeted funds		<u>(169,785)</u>
Excess (deficiency) of revenues over expenditures - GAAP basis	\$	<u>(427,801)</u>

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.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020
(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

- Machinery and equipment: 5 - 20 years
- Buildings: 40 years
- Furniture and fixtures: 3 - 20 years
- Rolling stock: 3 - 20 years
- Scientific equipment: 3 - 25 years
- Infrastructure: roads: 30 years
- Infrastructure: bridges: 50 years

Costs incurred to construct capital assets that will not be maintained by the Division are contributed to the state agency that will own and maintain the asset. During fiscal year 2020, \$35,421 of capital assets constructed by the Division were contributed to the West Virginia Parkways Authority and are reported as construction on behalf of Parkways Authority on the government-wide statement of activities.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020
(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

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

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

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

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

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020
(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

DEFERRED OUTFLOWS OF RESOURCES/DEFERRED INFLOWS OF RESOURCES - The statement of net position reports a separate financial statement element called *deferred outflows of resources*. This financial statement element represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense) until that time. The Division reports \$43,144 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 \$72,807 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 primarily represents 1) legally authorized appropriations under West Virginia State Code by the West Virginia Legislature (no appropriations in fiscal year 2020), and 2) payments on behalf related to the OPEB special funding situation described in Note 12 (\$5,543).

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

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

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

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

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

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

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

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020
(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Committed fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by appropriation legislation passed by the West Virginia State Legislature, which is the highest level of decision making authority for the State. Those committed amounts cannot be used for any other purpose unless the West Virginia State Legislature passes new legislation concerning those amounts. The Division has no committed fund balances at June 30, 2020.

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, 2020.

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

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

Newly Adopted Statements Issued by the Governmental Accounting Standards Board

The Division implemented GASB Statement No. 90, *Majority Equity Interests*, which is effective for fiscal years beginning after December 15, 2019. 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, measurable 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 measurable 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 adoption of GASB Statement No. 90 had no impact on the June 30, 2020 financial statements.

The Division implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which is effective immediately. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing for one year the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. Providing governments with sufficient time to apply the authoritative guidance addressed in this Statement will help to safeguard the reliability of their financial statements, which in turn will benefit the users of those financial statements. The adoption of GASB Statement No. 95 by the Division extended the implementation date of all statements through GASB Statement No. 94.

Recent Statements Issued by the Governmental Accounting Standards Board

GASB has issued Statement No. 84, *Fiduciary Activities*, effective for fiscal years beginning after December 15, 2019. 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.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020
(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB has also issued Statement No. 87, *Leases*, effective for fiscal years beginning after June 15, 2021. 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.

GASB 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, 2020. 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.

GASB has also issued Statement No. 91, *Conduit Debt Obligations*, which is effective for fiscal years beginning after December 15, 2021. The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations. The Division has not yet determined the effect that the adoption of GASB Statement No. 91 may have on its financial statements.

GASB has also issued Statement No. 92, *Omnibus 2020*, which is effective for fiscal years beginning after June 15, 2021. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements. The Division has not yet determined the effect that the adoption of GASB Statement No. 92 may have on its financial statements.

GASB has also issued Statement No. 93, *Replacement of Interbank Offered Rates*. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements. The Division has not yet determined the effect that the adoption of GASB Statement No. 93 may have on its financial statements.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
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(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB has also issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is effective for fiscal years beginning after June 15, 2023. The requirements of this Statement will improve financial reporting by establishing the definitions of Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs) and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs. The Division has not yet determined the effect that the adoption of GASB Statement No. 94 may have on its financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB has also issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, which is effective for fiscal years beginning after June 15, 2022. The requirements of this Statement will improve financial reporting by establishing a definition for Subscription-Based Information Technology Arrangements (SBITA) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs. The Division has not yet determined the effect that the adoption of GASB Statement No. 96 may have on its financial statements.

GASB has also issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, which is effective immediately for some provisions, and for other provisions, is effective for reporting periods beginning after June 15, 2021. The requirements of this Statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The requirements also will enhance the relevance, consistency, and comparability of (1) the information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans. The portion of GASB Statement No. 97 that was implemented during the current fiscal year had no impact on the June 30, 2020 financial statements. The Division has not yet determined the effect that the adoption of the remaining portions of GASB Statement No. 97 may have on its financial statements.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
 DIVISION OF HIGHWAYS
 NOTES TO THE FINANCIAL STATEMENTS
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 (amounts expressed in thousands)

NOTE 2: CASH AND CASH EQUIVALENTS

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

Cash on deposit with State Treasurer	\$ 29,695
Cash on deposit with State Treasurer in Debt Service Fund	119
Cash on deposit with State Treasurer invested in BTI	
WV Money Market Pool	176,351
Cash on deposit with State Treasurer invested in BTI	
WV Money Market Pool (Roads to Prosperity)	1,408,274
Cash on deposit with BNY Mellon Bank	2
Cash in transit	654
Total cash and cash equivalents	\$ 1,615,095

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. Neither the BTI itself nor any of the other Consolidated Fund pools or accounts has been rated for credit risk by any organization. The WV Money Market Pool is subject to credit risk.

The BTI limits the exposure to credit risk in the WV Money Market Pool by requiring all long-term corporate debt to be rated A+ or higher by Standard & Poor’s (or its equivalent) and short-term corporate debt be rated at A-1 by Standard & Poor’s (or its equivalent). The pool must have at least 15% of its assets in U.S. Treasury obligations or obligations guaranteed as to repayment of interest and principal by the United States of America. At June 30, 2020, the WV Money Market Pool investment had a total carrying value of \$5,149,351 of which the Division’s ownership represents 30.77%.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
 DIVISION OF HIGHWAYS
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NOTE 2: 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 bills	\$ 1,017,343	37
Commercial paper	2,695,856	52
Negotiable certificates of deposit	771,849	58
Repurchase agreements	445,700	1
Money market funds	218,603	1
	<u>\$ 5,149,351</u>	44

Other Risks

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

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

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

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

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2020 consisted of the following:

Federal aid earned but not billed	\$ 79,442
Other receivables	4,841
Combined total receivables	<u>84,283</u>
Less: allowance for uncollectibles	<u>(501)</u>
Net accounts receivable	<u>\$ 83,782</u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
 DIVISION OF HIGHWAYS
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 (amounts expressed in thousands)

NOTE 3: ACCOUNTS RECEIVABLE (Continued)

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

NOTE 4: TAXES RECEIVABLE

Taxes receivable at June 30, 2020 consisted of the following:

Automobile privilege taxes	\$	28,030
Motor fuel excise taxes		53,734
Registration fees		96
Total taxes receivable	\$	81,860

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

Amounts due from other State of West Virginia agencies at June 30, 2020 consisted of the following:

The Department of Motor Vehicles	\$	1,533
Other agencies		581
Total amounts due from other State of West Virginia agencies	\$	2,114

Amounts due to other State of West Virginia agencies at June 30, 2020 consisted of the following:

Public Employee's Insurance Agency	\$	2,331
Public Employee's Retirement		1,912
Other agencies		4,329
Total amounts due to other State of West Virginia agencies	\$	8,572

NOTE 6: INVENTORIES

Inventories at June 30, 2020 consisted of the following:

Material and supplies	\$	41,607
Equipment repair parts		15,065
Gas and lubrication supplies		2,800
Total inventories	\$	59,472

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
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NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020
Capital assets not being depreciated:				
Land - non infrastructure	\$ 25,166	\$ -	\$ -	\$ 25,166
Land - infrastructure	1,226,804	17,346	16	1,244,134
Construction-in-progress - buildings	14,901	6,907	20,398	1,410
Construction-in-progress - land improvements	195	1,327	1,077	445
Construction-in-progress - roads	941,334	408,131	62,128	1,287,337
Construction-in-progress - bridges	207,437	234,386	40,170	401,653
Total capital assets not being depreciated	2,415,837	668,097	123,789	2,960,145
Capital assets being depreciated:				
Buildings	193,114	20,398	566	212,946
Furniture and fixtures	4,583	293	-	4,876
Land improvements - non infrastructure	23,787	1,077	-	24,864
Rolling stock	286,207	42,632	11,159	317,680
Shop equipment	2,933	77	-	3,010
Scientific equipment	2,731	-	-	2,731
Infrastructure - roads	9,499,599	62,128	-	9,561,727
Infrastructure - bridges	3,456,448	40,170	-	3,496,618
Total capital assets being depreciated	13,469,402	166,775	11,725	13,624,452
Less accumulated depreciation:				
Buildings	74,463	4,650	322	78,791
Furniture and fixtures	3,897	223	-	4,120
Land improvements - non infrastructure	10,142	1,054	-	11,196
Rolling stock	225,674	10,113	10,894	224,893
Shop equipment	2,713	56	-	2,769
Scientific equipment	2,698	7	-	2,705
Infrastructure - roads	6,150,760	234,634	-	6,385,394
Infrastructure - bridges	984,136	69,186	-	1,053,322
Total accumulated depreciation	7,454,483	319,923	11,216	7,763,190
Total capital assets being depreciated, net	6,014,919	(153,148)	509	5,861,262
Governmental activities capital assets, net	\$ 8,430,756	\$ 514,949	\$ 124,298	\$ 8,821,407

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
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NOTE 7: CAPITAL ASSETS (Continued)

Current year depreciation totaling \$313,996 was allocated as separate line items in the statement of activities under the major functions of the Division of Maintenance and Improvements. The remaining \$5,927 unallocated depreciation expense is included as a separate line item in the statement of activities. Infrastructure depreciation is primarily related to construction type activities; depreciation of shop and rolling stock assets is primarily related to maintenance type activities; and depreciation of buildings and improvements and furniture and fixtures support all of the various activities of the Division.

A summary of depreciation on each capital asset type follows:

<u>Asset Type</u>	<u>Depreciation</u>
Road Maintenance	
Rolling stock	\$ 10,113
Shop equipment	56
Scientific equipment	7
Total road maintenance	<u>10,176</u>
Other Road Operations	
Infrastructure - roads	234,634
Infrastructure - bridges	69,186
Total other road operations	<u>303,820</u>
Total allocated depreciation expense	<u>313,996</u>
Unallocated	
Buildings and improvements	4,650
Furniture and fixtures	223
Land improvements	1,054
Total unallocated	<u>5,927</u>
Total depreciation expense	<u>\$ 319,923</u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 8: LONG-TERM OBLIGATIONS

Long-term obligations at June 30, 2020, 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	\$ 28,650	\$ -	\$ 6,745	\$ 21,905
Safe road bonds	2015	5.00%	06/01/2025	89,740	-	10,815	78,925
Roads to prosperity bonds	2018	2.00%-5.00%	06/01/2043	782,305	-	17,850	764,455
Roads to prosperity bonds	2019	5.00%	06/01/2044	-	600,000	-	600,000
Total general obligation bonds				900,695	600,000	35,410	1,465,285
Bond premium safe road bonds				16,261	-	2,824	13,437
Bond premium roads to prosperity bonds				107,672	146,576	9,028	245,220
Total general obligation bonds payable net of premium				1,024,628	746,576	47,262	1,723,942
Revenue notes payable from federal aid revenue:							
Surface transportation improvements special notes (Garvee 2017A)	2017	5.00%	09/01/2029	204,675	-	14,410	190,265
special notes (Garvee 2018A)	2018	5.00%	09/01/2033	78,810	-	3,355	75,455
Total revenue notes payable				283,485	-	17,765	265,720
Note premium				45,594	-	4,170	41,424
Total revenue notes payable net of premium				329,079	-	21,935	307,144
Claims and judgments				21,843	16,918	2,603	36,158
Compensated absences				20,538	14,964	13,784	21,718
Net Pension liability				39,215	18,204	23,505	33,914
Net OPEB liability				117,167	652	26,388	91,431
Total long-term obligations				\$ 1,552,470	\$ 797,314	\$ 135,477	\$ 2,214,307

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
 DIVISION OF HIGHWAYS
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NOTE 8: LONG-TERM OBLIGATIONS (Continued)

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

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

Debt service expenditures included interest of \$70,605 for the year ended June 30, 2020. 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:

	2021	2022	2023	2024	2025	2026- 2030	2031- 2035	2036- 2040	2041- 2044	Total
General obligation bonds payable from tax revenue:										
Safe road bonds	\$ 23,193	\$ 23,194	\$ 23,196	\$ 23,197	\$ 23,194	\$ -	\$ -	\$ -	\$ -	\$ 115,974
Roads to prosperity bonds	85,423	85,425	100,703	100,700	100,690	503,502	503,482	503,488	347,364	2,330,777
Less: interest	71,585	70,079	68,048	65,329	62,381	274,418	210,513	128,568	30,545	981,466
Total principal	37,031	38,540	55,851	58,568	61,503	229,084	292,969	374,920	316,819	1,465,285
Bond Premium	15,562	15,562	15,543	15,335	15,119	63,680	63,680	36,506	17,670	258,657
Total principal and bond premium	<u>\$ 52,593</u>	<u>\$ 54,102</u>	<u>\$ 71,394</u>	<u>\$ 73,903</u>	<u>\$ 76,622</u>	<u>\$ 292,764</u>	<u>\$ 356,649</u>	<u>\$ 411,426</u>	<u>\$ 334,489</u>	<u>\$ 1,723,942</u>
Revenue notes payable due from federal aid revenue:										
Surface transportation special obligation notes	\$ 31,787	\$ 31,769	\$ 31,738	\$ 31,711	\$ 31,690	\$ 157,968	\$ 29,816	\$ -	\$ -	\$ 346,479
Less: interest	12,812	11,839	10,818	9,746	8,620	24,138	2,786	-	-	80,759
Total principal	18,975	19,930	20,920	21,965	23,070	133,830	27,030	-	-	265,720
Note premium	4,170	4,170	4,170	4,170	4,170	18,042	2,532	-	-	41,424
Total principal and note premium	<u>\$ 23,145</u>	<u>\$ 24,100</u>	<u>\$ 25,090</u>	<u>\$ 26,135</u>	<u>\$ 27,240</u>	<u>\$ 151,872</u>	<u>\$ 29,562</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 307,144</u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
 DIVISION OF HIGHWAYS
 NOTES TO THE FINANCIAL STATEMENTS
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 (amounts expressed in thousands)

NOTE 8: LONG-TERM OBLIGATIONS (Continued)

General Obligation Bonds

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

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

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

The State was authorized by constitutional amendment to issue general obligation bonds to fund highway and road construction projects known as Road to Prosperity Bonds and subsequent General Obligation State Road Refunding Bonds. Bonds of \$800,000 were issued during June of 2018, resulting in proceeds of \$913,435. Bonds of \$600,000 were issued during December of 2019, resulting in proceeds of \$746,576.

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

Revenue Notes

The State was authorized by constitutional amendment to issue \$500,000 of Surface Transportation Improvements Special Obligation Notes (GARVEE Notes) to fund highway and road construction projects. These notes will be repaid from future federal highway revenues.

GARVEE Notes of \$219,985 were issued during October 2017, resulting in proceeds of \$259,867. GARVEE Notes of \$78,810 were issued on August 1, 2018, resulting in proceeds of \$90,870.

In 2016, GARVEE Notes of \$53,380 were defeased due to the cancelation of the related project. At June 30, 2020 \$28,220 of the defeased debt remained outstanding.

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

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	\$ 13,949	\$ 2,609	\$ -	\$ -	\$ 75,737	\$ 92,295
Long-term liabilities	7,769	33,549	33,914	91,431	1,955,349	2,122,012
Totals	<u>\$ 21,718</u>	<u>\$ 36,158</u>	<u>\$ 33,914</u>	<u>\$ 91,431</u>	<u>\$ 2,031,086</u>	<u>\$ 2,214,307</u>

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NOTE 8: LONG-TERM OBLIGATIONS (Continued)

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

	<u>Year Ended June 30, 2020</u>	<u>Year Ended June 30, 2019</u>	<u>Year Ended June 30, 2018</u>
Estimated claims liability, July 1	\$ 21,843	\$ 12,961	\$ 29,480
Additions for claims incurred during the year	2,609	4,250	408
Changes in estimates for claims of prior periods	14,309	5,040	1,053
Payments on claims	<u>(2,603)</u>	<u>(408)</u>	<u>(17,980)</u>
Estimated claims liability, June 30	<u>\$ 36,158</u>	<u>\$ 21,843</u>	<u>\$ 12,961</u>

At June 30, 2020, approximately \$60 million of claims were pending against the Division in the West Virginia Court of Claims. Related to these claims, the Division has an estimated obligation of \$36,158 (\$31,658 of tort claims and \$4,500 in environmental claims) recorded in the government-wide Statement of Net Position, based on management's evaluation of the nature of such claims and consideration of historical loss experience for the respective types of action. Such claims will be recognized primarily as expenditures of the State Road Fund if, and when, they are approved for payment by the Legislature in accordance with legal statutes. Also included in claims are claims that have been settled in the court of claims and approved for payment through legislative action. These amounts total approximately \$2,609. During the normal course of operations, the Division may become subject to other litigation. No provision has been made in the financial statements for liabilities, if any, from such litigation.

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

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

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

The Division leases from the Department of Administration substantially all of State Office Building No. 5 which is owned by the State Building Commission. The Division may be released from its obligation only at the option of the lessor. The Division is obligated under the operating leases, which expire June 30, 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, 2020 the Division incurred payroll related expenditures of approximately \$26,535 for employee health insurance benefits provided through the West Virginia Public Employees Insurance Agency, approximately \$25,368 in employer matching contributions to the State Public Employees Retirement System and approximately \$10,783 for employee OPEB benefits provided by the West Virginia Retiree Health Benefits Trust Fund.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
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(amounts expressed in thousands)

NOTE 10: COMMITMENTS AND CONTINGENCIES

The amount of unexpended balances of highway design and construction contracts entered into by the Division with various contractors approximated \$274,728 at June 30, 2020.

The Division participates in several federal programs which are subject to audit by the federal awarding agency. Any disallowed claims, including amounts already collected by the Division, may constitute a liability to the federal awarding agency of the applicable funds. The Division reports a liability related to costs incurred on federally funded projects outside of project end dates. These amounts may be re-appropriated to other Federal Highway Administration grants. The Division expects other such amounts, if any, to be immaterial to the financial position of the Division. The Division records these disallowed costs in the period the audit is finalized.

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

Various legal proceedings and claims related to condemnation and eminent domain cases are pending against the Division. At June 30, 2020, there were approximately 289 open cases. These cases involve the acquisitions of properties by the Division for right of way purposes. The Division has paid the applicable courts on behalf of the land grantors, estimated fair values of the properties acquired. The open cases may result in condemnation commissioners or jury verdicts awarding amounts in excess, of the previously paid estimated fair value amounts. In these situations, the excess award amount plus a statutory interest rate of 10% would be paid to the grantor. The interest amount would be calculated on the excess award amount from the date of the petition filing to the date of the excess payment amount to the court. Several of these cases relate to condemnations from the 1960s and 1970s. There is no estimate available as to the amount of monies needed to resolve these cases. Management is of the opinion, that any liability resulting from these claims would have no material adverse effect on the financial position of the Division.

NOTE 11: RETIREMENT PLAN

Plan Description

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

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NOTE 11: 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. The funding policy required employer contributions of 10.0%, 10.0%, and 11.0% for the years ended June 30, 2020, 2019, and 2018, respectively. The contribution rate for fiscal year 2021 remained at 10.0%. The employee contribution rate is 4.5% and 6.0% for Tier I and Tier II employees, respectively.

During the years ended June 30, 2020, 2019, and 2018, the Division's contributions to PERS required and made were approximately \$25,368, \$23,167, and \$22,709 respectively.

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

At June 30, 2020, the Division reported a liability of \$33,914 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018, rolled forward to the measurement date of June 30, 2019. 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, 2019. At June 30, 2019, the Division's proportion was 15.77%, which was an increase of 0.59% from its proportion measured as of June 30, 2018.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
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NOTE 11: RETIREMENT PLAN (Continued)

For the year ended June 30, 2020, the Division recognized pension expense of \$16,091. At June 30, 2020, 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	\$ -	\$ 12,258
Deferred difference in assumptions	-	6,226
Changes in proportion and differences between Division contributions and proportionate share of contributions	2,383	358
Division contributions made subsequent to the measurement date of June 30, 2019	25,368	-
Differences between expected and actual experience	1,313	2,962
Total	\$ 29,064	\$ 21,804

Deferred outflows of resources related to pensions of \$25,368 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	
2021	\$ (3,865)
2022	(16,875)
2023	(617)
2024	3,249
	\$ (18,108)

Actuarial Assumptions and Methods

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions:

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

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NOTE 11: RETIREMENT PLAN (Continued)

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

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:

June 30, 2019			
Asset Class	Long-term Expected Real Rate of Return	Target Allocation	Weighted Average Expected Real Rate of Return
Domestic equity	5.8%	27.5%	1.60%
International equity	7.7%	27.5%	2.12%
Fixed income	3.3%	15.0%	0.50%
Real estate	6.1%	10.0%	0.61%
Private equity	8.8%	10.0%	0.88%
Hedge funds	4.4%	10.0%	0.44%
Total		100.0%	6.15%
Inflation (CPI)			2.00%
			8.15%

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projections of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions from employers will 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.

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NOTE 11: RETIREMENT PLAN (Continued)

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)	<u>\$ 157,973</u>	<u>\$ 33,914</u>	<u>\$ (71,033)</u>

Pension Plan Fiduciary Net Position

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

NOTE 12: OTHER-POST EMPLOYMENT BENEFITS

The following are the Division's net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, revenues, and the OPEB expense and expenditures for the fiscal year ended June 30, 2020:

Net OPEB liability	\$ 91,431
Deferred outflows of resources	14,080
Deferred inflows of resources	43,327
Revenues (payments on behalf)	5,543
OPEB expense	(1,470)
Contributions made by the Division	10,783

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.

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NOTE 12: OTHER-POST EMPLOYMENT BENEFITS (Continued)

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

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

Benefits Provided

The Plan provides the following benefits:

- Medical and prescription drug insurance
- Life insurance

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

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

Contributions

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

Paygo premiums are established by the PEIA Finance Board annually. All participating employers are required by statute to contribute this premium to the RHBT at the established rate for every active policyholder per month. The paygo rates related to the measurement date of June 30, 2019 were:

	<u>July 2018-June 2019</u>
Paygo premium	\$ 183

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.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
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NOTE 12: OTHER-POST EMPLOYMENT BENEFITS (Continued)

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, 2020, 2019, and 2018, were \$10,783, \$11,354, and \$11,159, respectively.

Special Funding

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

Assumptions

The total OPEB liability for financial reporting purposes was determined by an actuarial valuation as of July 1, 2018 and rolled forward to June 30, 2019. The following actuarial assumptions were used and applied to all periods included in the measurement, unless otherwise specified:

- Inflation rate: 2.75%.
- Wage inflation rate: 4.00%.
- Investment rate of return: 7.15%, net of OPEB plan investment expense, including inflation.
- Asset valuation method: Investments are reported at fair (market) value.
- Actuarial cost method: Entry age normal cost method.
- Amortization method: Level percentage of payroll over a 20-year closed period.
- Projected salary increases: Dependent upon pension system ranging from 3.0-6.5%, including inflation.
- Retirement age: Experience-based table of rates that are specific to the type of eligibility condition.
- Aging factors: Based on the 2013 SOA Study "Health Care Costs – From Birth to Death".
- Mortality rates based on RP-2000 Mortality Tables.
- Healthcare cost trend rates: Trend rate for pre-Medicare per capita costs of 8.5% for plan year end 2020, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year 2028. Trend rate for Medicare per capita costs of 3.1% for plan year end 2020. 9.5% for plan year end 2021, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year end 2031.
- Expenses: Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of the annual expense.

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NOTE 12: 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.

Certain assumptions have been changed since the prior actuarial valuation of June 30, 2017 and a measurement date of June 30, 2019. The net effect of assumption changes to the State OPEB plan was approximately \$236 million. The assumption changes that most significantly impacted the total OPEB liability were an approximate \$11.8 million decrease in the per capita claims costs for Pre-Medicare and Medicare, as well as an approximate \$224.2 million decrease due to capped subsidy costs implemented in December 2019. Certain other assumption changes were noted but did not materially impact the total OPEB liability.

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 rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Target asset allocations, capital market assumptions (CMA), and a 10-year forecast of nominal geometric returns by major asset class were provided by the plan's investment advisors, including the West Virginia Investment Management Board (WV-IMB). The projected nominal return for the Money Market Pool held with the BTI was estimated based on the WV-IMB assumed inflation of 2.0% plus a 25 basis point spread.

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

Asset Class	Target Allocation	Long-term Expected Real Return
Global equity	49.5%	4.8%
Core plus fixed income	13.5%	2.1%
Core real estate	9.0%	4.1%
Hedge fund	9.0%	2.4%
Private equity	9.0%	6.8%
Cash and cash equivalents	10.0%	0.3%

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NOTE 12: OTHER-POST EMPLOYMENT BENEFITS (Continued)

Real returns by asset class, as shown in the above tables, were estimated using a static inflation assumption of 2.0%. Consequently, real returns may not reflect the potential volatility of inflation by asset class.

Single discount rate - A single discount rate of 7.15% was used to measure the total OPEB liability. This single discount rate was based on the expected rate of return on OPEB plan investments of 7.15% and a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date to the extent benefits are effectively financed on a pay-as-you-go basis. The long-term municipal bond rate used to develop the single discount rate was 3.62% as of the beginning of the year and 3.13% as of the end of the year. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made in accordance with the prefunding and investment policies. Future assumptions include a \$30 million annual contribution from the State through 2037. Based on those assumptions, and that the Plan is expected to be fully funded by fiscal year ended June 30, 2033, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates. The discount rate used to measure the total OPEB liability did not change from the June 30, 2018 valuation from the June 30, 2017 valuation.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the Division's proportionate share of the net OPEB liability as of June 30, 2020 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	\$ <u>109,120</u>	\$ <u>91,431</u>	\$ <u>76,628</u>

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate. The following presents the Division's proportionate share of the net OPEB liability as of June 30, 2020 calculated using the healthcare cost trend rate, as well as what the Division's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB liability	\$ <u>73,725</u>	\$ <u>91,431</u>	\$ <u>112,916</u>

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

The June 30, 2020 net OPEB liability was measured as of June 30, 2019, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to the measurement date of June 30, 2019.

At June 30, 2020, the Division's proportionate share of the net OPEB liability was \$110,142. Of this amount, the Division recognized \$91,431 as its proportionate share on the statement of net position. The remainder of \$18,711 denotes the Division's proportionate share of net OPEB liability attributable to the special funding.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
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NOTE 12: OTHER-POST EMPLOYMENT BENEFITS (Continued)

The allocation percentage assigned to each participating employer and non-employer contributing entity is based on its proportionate share of employer and non-employer contributions to OPEB for each of the fiscal years ended June 30, 2019 and 2018. Employer contributions are recognized when due. At the June 30, 2019 measurement date, the Division's proportion was 5.51%, an increase of 0.05% from its proportion of 5.46% calculated as of June 30, 2018.

For the year ended June 30, 2020, the Division recognized OPEB expense of (\$1,470). Of this amount, (\$7,013) was recognized as the Division's proportionate share of OPEB expense and \$5,543 as the amount of OPEB expense attributable to special funding from a non-employer contributing entity.

At June 30, 2020, 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	\$ -	\$ 10,663
Changes in proportion and difference between employer contributions and proportionate share of contributions	3,275	10,675
Reallocation of opt-out employer change in proportionate share	22	2,460
Change in assumptions	-	18,543
Net difference between projected and actual investment earnings	-	986
Contributions after the measurement date	<u>10,783</u>	<u>-</u>
Total	<u>\$ 14,080</u>	<u>\$ 43,327</u>

The Division will recognize the \$10,783 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, 2021. 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
2021	\$ (15,677)
2022	(15,644)
2023	(8,834)
2024	<u>125</u>
	<u>\$ (40,030)</u>

Payables to the OPEB Plan

The Division reported \$777 and \$567 as amounts payable for normal contributions to the OPEB plan as of June 30, 2020 and 2019, respectively.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
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NOTE 13: RISK MANAGEMENT

The Division is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health and life coverage; and natural disasters. The State of West Virginia established the Board of Risk and Insurance Management (BRIM) and the Public Employees Insurance Agency (PEIA), to account for and finance uninsured risks of losses for state agencies, institutions of higher education, and component units.

BRIM is a public entity risk pool that provides coverage for general, property, medical malpractice, and automobile liability. PEIA is also a public entity risk pool and provides coverage for employee and dependent health, life and prescription drug insurance. The Division retains the risk of loss on certain tort and contractor claims in excess of the amount insured or covered by BRIM's insurance carrier. Other than the amounts disclosed in Note 10, amounts of settlements have not exceeded insurance coverage in the past three years. The Division has evaluated this potential risk of loss as discussed in Note 8.

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

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

REQUIRED SUPPLEMENTARY INFORMATION

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
 DIVISION OF HIGHWAYS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 JUNE 30, 2020

	Last 10 Fiscal Years*									
	(In Thousands)									
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Government's proportion of the net pension liability (asset) (percentage)	15.77%	15.18%	14.98%	15.20%	14.54%	14.48%				
Government's proportionate share of the net pension liability (asset)	\$ 33,914	\$ 39,215	\$ 64,651	\$ 139,665	\$ 81,197	\$ 53,405				
Government's covered payroll	\$ 231,670	\$ 206,445	\$ 207,108	\$ 209,422	\$ 198,305	\$ 193,990				
Government's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	14.64%	19.00%	31.22%	66.69%	40.95%	27.53%				
Plan fiduciary net position as a percentage of the total pension liability	96.99%	96.33%	93.67%	86.11%	91.29%	93.98%				

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

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
JUNE 30, 2020

Last 10 Fiscal Years
(In Thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Statutorily required contribution	\$ 25,368	\$ 23,167	\$ 22,709	\$ 24,853	\$ 28,272	\$ 27,693	\$ 28,128	\$ 27,797		
Contributions in relation to the statutorily required contribution	<u>(25,368)</u>	<u>(23,167)</u>	<u>(22,709)</u>	<u>(24,853)</u>	<u>(28,272)</u>	<u>(27,693)</u>	<u>(28,128)</u>	<u>(27,797)</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Government's covered payroll	\$ 253,680	\$ 231,670	\$ 206,445	\$ 207,108	\$ 209,422	\$ 198,305	\$ 193,990	\$ 198,552		
Contributions as a percentage of covered payroll	10.00%	10.00%	11.00%	12.00%	13.50%	14.00%	14.50%	14.00%		

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

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
JUNE 30, 2020

	Last 10 Fiscal Years*									
	(In Thousands)									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Government's proportion of the net OPEB liability (asset) (percentage)	5.51%	5.46%	5.30%							
Government's proportionate share of the net OPEB liability (asset)	\$ 91,431	\$ 117,167	\$ 130,248							
State's proportionate share of the net OPEB liability (asset)	18,711	24,215	26,753							
Total proportionate share of the net OPEB liability (asset)	<u>\$ 110,142</u>	<u>\$ 141,382</u>	<u>\$ 157,001</u>							
Government's payroll (1)	\$ 223,350	\$ 199,967	\$ 195,322							
Government's proportionate share of the net OPEB liability (asset) as a percentage of its payroll (1)	40.94%	58.59%	66.68%							
Plan fiduciary net position as a percentage of the total OPEB liability	39.69%	30.98%	25.10%							

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

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

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS
JUNE 30, 2020

Last 10 Fiscal Years*
(In Thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Statutorily required contribution	\$ 10,783	\$ 11,354	\$ 11,159	\$ 10,880						
Contributions in relation to the statutorily required contribution	<u>\$ (10,783)</u>	<u>\$ (11,354)</u>	<u>\$ (11,159)</u>	<u>\$ (10,880)</u>						
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>						
Government's payroll (1)	\$ 190,954	\$ 223,350	\$ 199,967	\$ 195,322						
Contributions as a percentage of payroll (1)	5.65%	5.08%	5.58%	5.57%						

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

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

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020

Changes in Assumptions

An experience study, which was based on the years 2013 through 2018, was approved by the Consolidated Public Retirement Board. As a result, valuation assumptions were changed as of June 30, 2019 to reflect the most recent experience study:

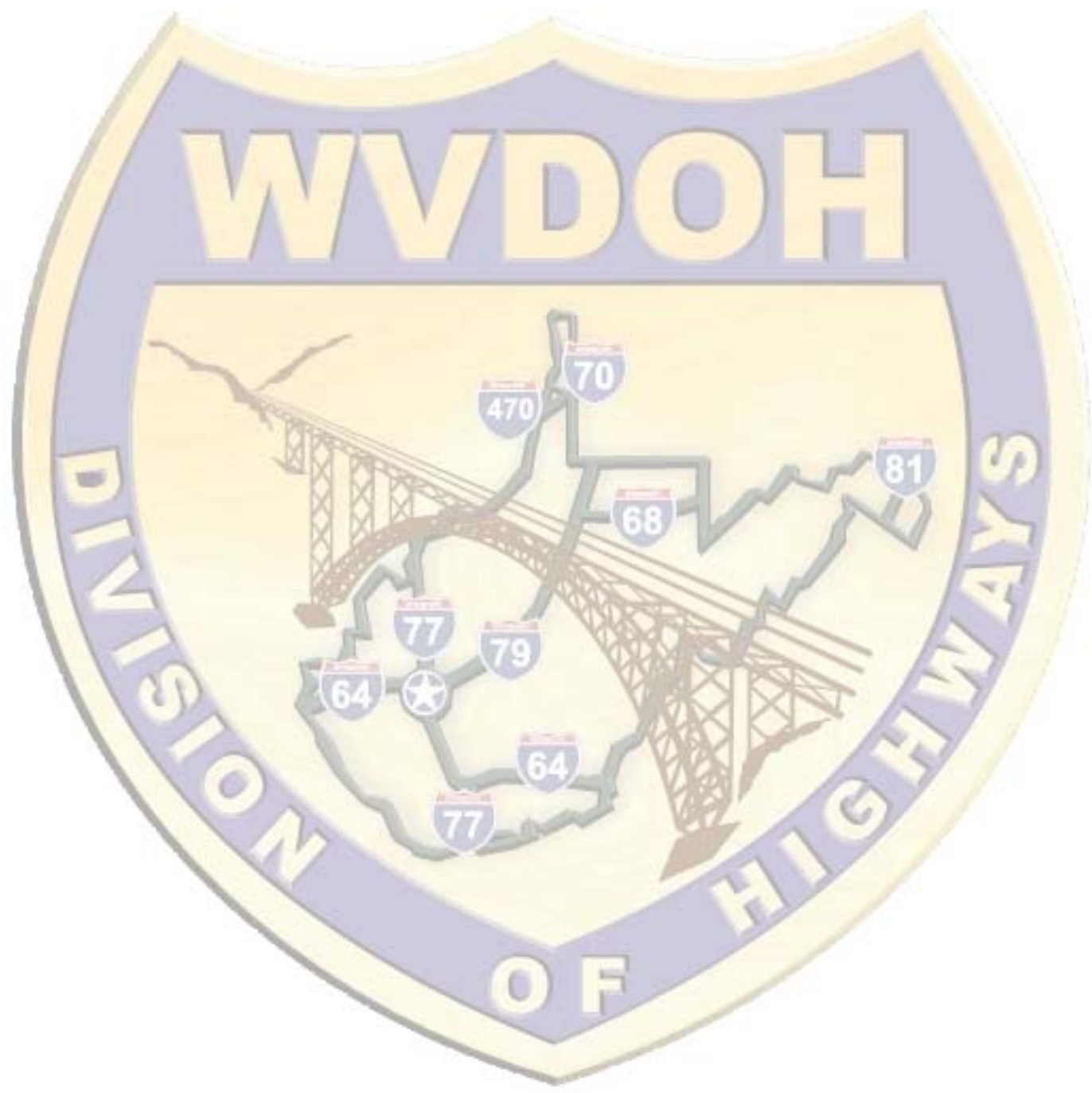
	Projected Salary Increases		Mortality Rates		Withdrawal Rates	
	State	Nonstate	Inflation rate	State	Nonstate	Disability Rates
2019	3.1% - 5.3%	3.35% - 6.0%	3.00%	2.28-45.63%	2-35.88%	0.005-0.540%
	Active-100% of Pub-2010 General Employees table, below-median, headcount weighted, projected with scale MP-2018; Retired healthy males-108% of Pub-2010 General Retiree Male table, below-median, headcount weighted, projected with scale MP-2018; Retired healthy females-122% of Pub-2010 Annuitant, Scale AA fully generational General Retiree Female table, below-median, headcount weighted, projected with scale MP-2018; Disabled males-118% of Pub-2010 General / Teachers Disabled Male table, below-median, headcount weighted, projected with scale MP-2018; Disabled females-118% of Pub-2010 General / Disabled Teachers Disabled Female table, below-median, headcount weighted, projected with scale MP-2018					
2018	3.00% - 4.6%	3.35% - 6.0%	3.00%	1.75-35.10%	2-35.88%	0.007-.675%
	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					
2017	3.00% - 4.6%	3.35% - 6.0%	3.00%	1.75-35.10%	2-35.88%	0.007-.675%
	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					
2016	3.00% - 4.6%	3.35% - 6.0%	3.00%	1.75-35.10%	2-35.88%	0.007-.675%
	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					
2015	3.00% - 4.6%	3.35% - 6.0%	1.90%	1.75-35.1%	2-35.8%	0-.675%
	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					
2014	4.25% - 6.0%	4.25% - 6.0%	2.20%	1-26%	2-31.2%	0-.8%
	Healthy males - 1983 GAM; Healthy females-1971; disabled males - 1971 GAM; Disabled females - Revenue ruling 96-7					

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020

Actuarial Changes Other Postemployment Benefits Plan

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

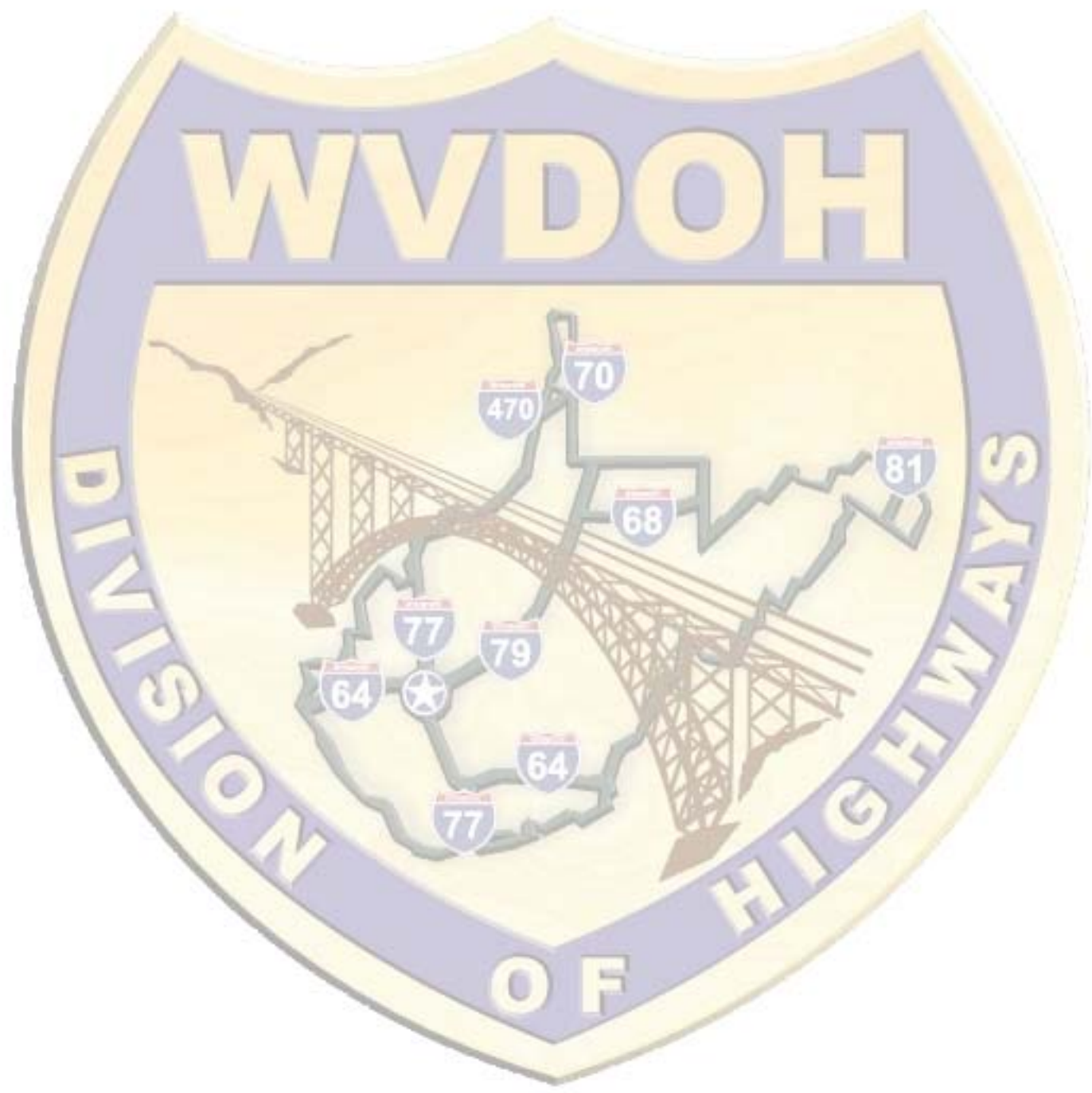
	Inflation Rate	Salary Increases	Wage Inflation Rate	Investment Rate of Return & Discount Rate	Mortality	Retirement Age	Aging Factors	Expenses	Healthcare Cost Trend Rates
2019	2.75%	Dependent upon pension system. Ranging from 3.0% to 6.5%, including inflation	4.00%	7.15%, net of OPEB plan investment expense,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



Statistical Section



West Virginia Department of Transportation
Division of Highways



Statistical Section Narrative and Table of Contents

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

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

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

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

	Fiscal Year			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Governmental Activities				
Net investment in capital assets	\$ 8,195,263	\$ 8,095,231	\$ 7,832,625	\$ 7,967,600
Restricted	109,560	188,310	19,285	12,737
Unrestricted	(156,259)	96,572	220,991	(4,164)
Total governmental activities net position	<u>\$ 8,148,564</u>	<u>\$ 8,380,113</u>	<u>\$ 8,072,901</u>	<u>\$ 7,976,173</u>

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

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

Fiscal Year

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 7,969,214	\$ 7,911,050	\$ 7,868,183	\$ 7,871,718	\$ 7,712,955	\$ 7,654,175
12,031	12,968	14,224	11,077	17,350	14,584
(106,540)	(90,098)	59,515	3,189	(25,347)	84,841
<u>\$ 7,874,705</u>	<u>\$ 7,833,920</u>	<u>\$ 7,941,922</u>	<u>\$ 7,885,984</u>	<u>\$ 7,704,958</u>	<u>\$ 7,753,600</u>

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

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

	Fiscal Year			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Revenues				
Governmental activities:				
General Revenues				
Motor fuel excise tax	\$ 410,901	\$ 444,575	\$ 443,273	\$ 389,753
Automobile privilege tax	270,001	237,756	231,522	203,405
Investment and interest income	23,693	33,046	6,169	987
Payments from primary government	5,543	112,603	8,213	11,285
Miscellaneous revenues	13,271	38,820	18,364	26,346
(Loss) gain on sale of assets	-	-	-	-
Total General Revenues	<u>723,409</u>	<u>866,800</u>	<u>707,541</u>	<u>631,776</u>
Program Revenues				
Capital grants and contributions:				
Federal aid	322,585	647,747	371,199	505,313
Industrial access roads	3,000	3,000	3,000	3,000
Charges for services:				
Motor vehicle registration fees	116,251	169,078	149,222	104,923
Special fees and permits	7,997	8,385	6,687	5,576
Total Program Revenues	<u>449,833</u>	<u>828,210</u>	<u>530,108</u>	<u>618,812</u>
Total governmental revenues	<u>1,173,242</u>	<u>1,695,010</u>	<u>1,237,649</u>	<u>1,250,588</u>
Expenses				
Governmental activities:				
Road maintenance				
Operations	566,052	568,232	447,700	394,587
Litter control program	4,387	3,250	4,603	4,138
Depreciation	10,176	9,837	11,034	14,235
Other road operations				
Interstate highways	27,599	167,796	75,911	52,200
Appalachian highways	5,268	3,317	8,340	18,796
Other federal aid programs	202,765	172,504	192,506	292,281
Industrial Access Roads	3,167	1,094	1,005	1,573
Construction on behalf of Parkways Authority	35,421	-	-	-
Depreciation	303,820	302,645	303,174	299,992
General and administration				
Support and administrative operations	124,707	60,383	55,963	57,053
Claims	16,918	9,284	(15,963)	(36,732)
Costs associated with DMV	39,613	37,173	37,722	38,574
Costs associated with OAH	1,512	1,457	1,407	1,479
Interest on long-term debt	57,459	45,352	14,422	5,087
Unallocated depreciation	5,927	5,474	5,723	5,857
Transfer out	-	-	-	-
Total governmental expenses	<u>1,404,791</u>	<u>1,387,798</u>	<u>1,143,547</u>	<u>1,149,120</u>
Change in net position	(231,549)	307,212	94,102	101,468
Effect of adoption of accounting principle	-	-	2,626	-
Net position, beginning	8,380,113	8,072,901	7,976,173	7,874,705
Net position, ending	<u>\$ 8,148,564</u>	<u>\$ 8,380,113</u>	<u>\$ 8,072,901</u>	<u>\$ 7,976,173</u>

Fiscal Year					
<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 404,321	\$ 432,642	\$ 433,252	\$ 417,571	\$ 408,571	\$ 406,347
201,082	204,994	195,737	188,197	186,300	168,602
420	156	98	87	209	517
12,492	9,480	11,951	11,340	28,078	14,171
38,253	35,738	31,629	36,351	34,695	31,945
1,608	1,302	(78)	985	2,149	1,673
<u>658,176</u>	<u>684,312</u>	<u>672,589</u>	<u>654,531</u>	<u>660,002</u>	<u>623,255</u>
460,870	350,133	451,710	462,329	497,814	534,602
3,000	3,000	3,000	3,000	3,000	3,000
89,560	96,294	96,983	90,062	89,741	91,475
5,530	6,681	6,333	7,676	8,380	7,083
<u>558,960</u>	<u>456,108</u>	<u>558,026</u>	<u>563,067</u>	<u>598,935</u>	<u>636,160</u>
<u>1,217,136</u>	<u>1,140,420</u>	<u>1,230,615</u>	<u>1,217,598</u>	<u>1,258,937</u>	<u>1,259,415</u>
420,177	417,237	416,982	429,471	479,359	415,252
5,674	555	555	1,880	1,682	1,699
16,945	19,111	20,852	21,037	19,564	19,714
77,180	61,373	91,832	26,404	105,899	12,497
22,785	12,607	24,586	714	51,584	4,462
248,861	167,057	193,458	159,235	212,896	142,964
730	2,719	2,055	2,651	1,583	355
-	-	-	-	-	-
299,760	306,030	304,103	300,195	290,728	285,612
48,170	45,485	49,484	34,179	81,441	95,358
(10,212)	56,901	4,307	2,147	6,540	(2,940)
36,148	35,943	36,066	36,702	33,838	33,222
1,533	1,538	1,607	1,793	1,578	1,064
3,473	9,446	11,780	15,728	17,136	20,041
5,127	5,199	5,405	4,436	3,751	4,275
-	-	11,605	-	-	-
<u>1,176,351</u>	<u>1,141,201</u>	<u>1,174,677</u>	<u>1,036,572</u>	<u>1,307,579</u>	<u>1,033,575</u>
40,785	(781)	55,938	181,026	(48,642)	225,840
-	(107,221)	-	-	-	-
7,833,920	7,941,922	7,885,984	7,704,958	7,753,600	7,527,760
<u>\$ 7,874,705</u>	<u>\$ 7,833,920</u>	<u>\$ 7,941,922</u>	<u>\$ 7,885,984</u>	<u>\$ 7,704,958</u>	<u>\$ 7,753,600</u>

**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			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Revenues				
Taxes				
Gasoline and motor carrier	\$ 410,901	\$ 444,575	\$ 443,273	\$ 389,753
Automobile privilege	270,001	237,756	231,522	203,405
Industrial access roads	3,000	3,000	3,000	3,000
License, fees and permits				
Motor vehicle registrations and licenses	116,251	169,078	149,222	104,923
Special fees and permits	7,997	8,385	6,687	5,576
Federal aid				
Interstate highways	79,544	76,520	46,157	54,484
Appalachian highways	95,742	154,170	56,161	88,782
Other federal aid programs	147,299	245,057	268,881	362,047
Investment and interest income, net of arbitrage rebate	23,693	33,046	6,169	987
Intergovernmental	5,543	284,603	8,213	11,285
Miscellaneous revenues	13,271	38,820	17,548	26,346
Total Revenues	<u>1,173,242</u>	<u>1,695,010</u>	<u>1,236,833</u>	<u>1,250,588</u>
Expenditures				
Current				
Road maintenance				
Operations	652,740	597,912	475,368	420,158
Litter control program	4,463	3,323	4,604	4,140
Support and administrative operations	134,447	91,676	81,765	59,019
Division of Motor Vehicles operations	40,305	37,907	37,722	38,574
Office of Administrative Hearings operations	1,538	1,486	1,407	1,479
Claims	2,603	401	556	971
Capital outlay and other road operations				
Road construction and other road operations				
Interstate highways	331,594	274,871	102,773	71,261
Appalachian highways	72,446	76,551	86,001	127,751
Other federal aid programs	503,076	451,568	411,885	495,221
Industrial access roads	3,222	1,119	1,005	1,573
Debt service				
Bond issuance costs	2,343	443	1,963	1
Principal	53,175	49,790	15,985	15,225
Interest	70,605	57,659	12,360	8,479
Defeasance of debt	-	-	59,336	-
Total Expenditures	<u>1,872,557</u>	<u>1,644,706</u>	<u>1,292,730</u>	<u>1,243,852</u>
Excess (deficiency) of revenues over expenditures	(699,315)	50,304	(55,897)	6,736
Other financing sources (uses)				
Transfers out	-	-	-	-
Refunding bonds issued	-	-	-	-
Premium on refunding bonds	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Sale of Bonds	600,000	78,810	1,019,985	57,803
Premium on bonds	146,576	12,060	153,317	-
Proceeds from sale of assets	-	1,515	1,635	1,222
Total other financing sources (uses)	<u>746,576</u>	<u>92,385</u>	<u>1,174,937</u>	<u>59,025</u>
Prior period adjustment	-	-	152,729	-
Net change in fund balance	<u>\$ 47,261</u>	<u>\$ 142,689</u>	<u>\$ 1,271,769</u>	<u>\$ 65,761</u>
Debt Service as a percentage of noncapital expenditures	11%	9%	9%	3%

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

Fiscal Year						
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$	404,321	\$ 432,642	\$ 433,252	\$ 417,571	\$ 408,571	\$ 406,347
	201,082	204,993	195,737	188,197	186,300	168,602
	3,000	3,000	3,000	3,000	3,000	3,000
	89,560	96,294	96,983	90,062	89,741	91,475
	5,530	6,681	6,333	7,676	8,380	7,083
	98,180	61,162	93,593	90,213	109,422	112,134
	39,843	44,625	56,501	49,451	82,989	63,239
	322,847	244,346	301,616	322,665	305,403	359,229
	420	156	98	87	209	517
	12,492	9,480	11,951	11,340	28,078	14,171
	38,253	35,738	31,629	36,351	34,695	31,945
	<u>1,215,528</u>	<u>1,139,117</u>	<u>1,230,693</u>	<u>1,216,613</u>	<u>1,256,788</u>	<u>1,257,742</u>
	446,654	455,411	425,692	445,572	506,661	451,729
	5,676	556	555	1,880	1,682	1,699
	75,468	73,957	80,273	76,203	112,652	129,104
	37,437	37,550	36,066	36,702	33,838	33,222
	1,626	1,673	1,607	1,793	1,578	1,064
	710	607	744	2,092	2,327	1,563
	107,837	85,274	109,529	108,503	129,221	128,278
	76,651	62,526	73,637	68,957	108,798	84,470
	476,115	365,263	363,658	396,979	387,429	444,804
	730	2,719	2,055	2,651	1,583	355
	1	613	1	4	3	442
	29,335	51,740	49,315	48,600	57,290	52,980
	9,360	12,499	14,961	17,349	20,078	22,829
	-	-	-	-	-	-
	<u>1,267,600</u>	<u>1,150,388</u>	<u>1,158,093</u>	<u>1,207,285</u>	<u>1,363,140</u>	<u>1,352,539</u>
	(52,072)	(11,271)	72,600	9,328	(106,352)	(94,797)
	-	-	(11,605)	-	-	-
	-	133,710	-	-	-	35,135
	-	26,198	-	-	-	2,913
	-	(159,300)	-	-	-	(37,730)
	-	-	-	-	-	-
	-	-	-	-	-	-
	2,304	1,658	1,734	1,185	2,446	2,506
	<u>2,304</u>	<u>2,266</u>	<u>(9,871)</u>	<u>1,185</u>	<u>2,446</u>	<u>2,824</u>
	-	-	-	-	-	-
\$	<u>(49,768)</u>	<u>(9,005)</u>	<u>62,729</u>	<u>10,513</u>	<u>(103,906)</u>	<u>(91,973)</u>
	4%	8%	7%	6%	7%	10%

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

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

	Fiscal Year		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
General Fund			
Nonspendable			
Inventories	\$ 59,472	\$ 53,333	\$ 47,060
Restricted			
Construction and maintenance of coal resource roads	2,638	4,736	2,598
Construction and maintenance of industrial access roads	184	11,130	9,099
Waste tire clean-up	2,978	7,245	5,853
Capital projects	136,357	289,169	-
Unassigned	(109)	263,708	412,253
Reserved for inventories	-	-	-
Unreserved	-	-	-
Total General Fund	<u>\$ 201,520</u>	<u>\$ 629,321</u>	<u>\$ 476,863</u>
All Other Governmental Funds			
Restricted, capital projects fund	\$ 1,380,020	\$ 904,958	\$ 914,727
Reserved, capital projects fund	-	-	-
Total all funds	<u>\$ 1,581,540</u>	<u>\$ 1,534,279</u>	<u>\$ 1,391,590</u>

Fiscal Year						
<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 51,145	\$ 48,113	\$ 46,984	\$ 36,087	\$ 42,950	\$ 45,765	\$ 38,779
1,141	3,710	4,584	7,786	2,189	4,739	3,266
7,104	5,676	4,039	3,758	6,283	10,240	8,823
4,492	2,645	4,345	2,680	2,605	2,371	2,495
-	-	-	-	-	-	-
55,939	(6,084)	43,876	62,522	(3,923)	(23,524)	90,134
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 119,821</u>	<u>\$ 54,060</u>	<u>\$ 103,828</u>	<u>\$ 112,833</u>	<u>\$ 50,104</u>	<u>\$ 39,591</u>	<u>\$ 143,497</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
<u>\$ 119,821</u>	<u>\$ 54,060</u>	<u>\$ 103,828</u>	<u>\$ 112,833</u>	<u>\$ 50,104</u>	<u>\$ 39,591</u>	<u>\$ 143,497</u>



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

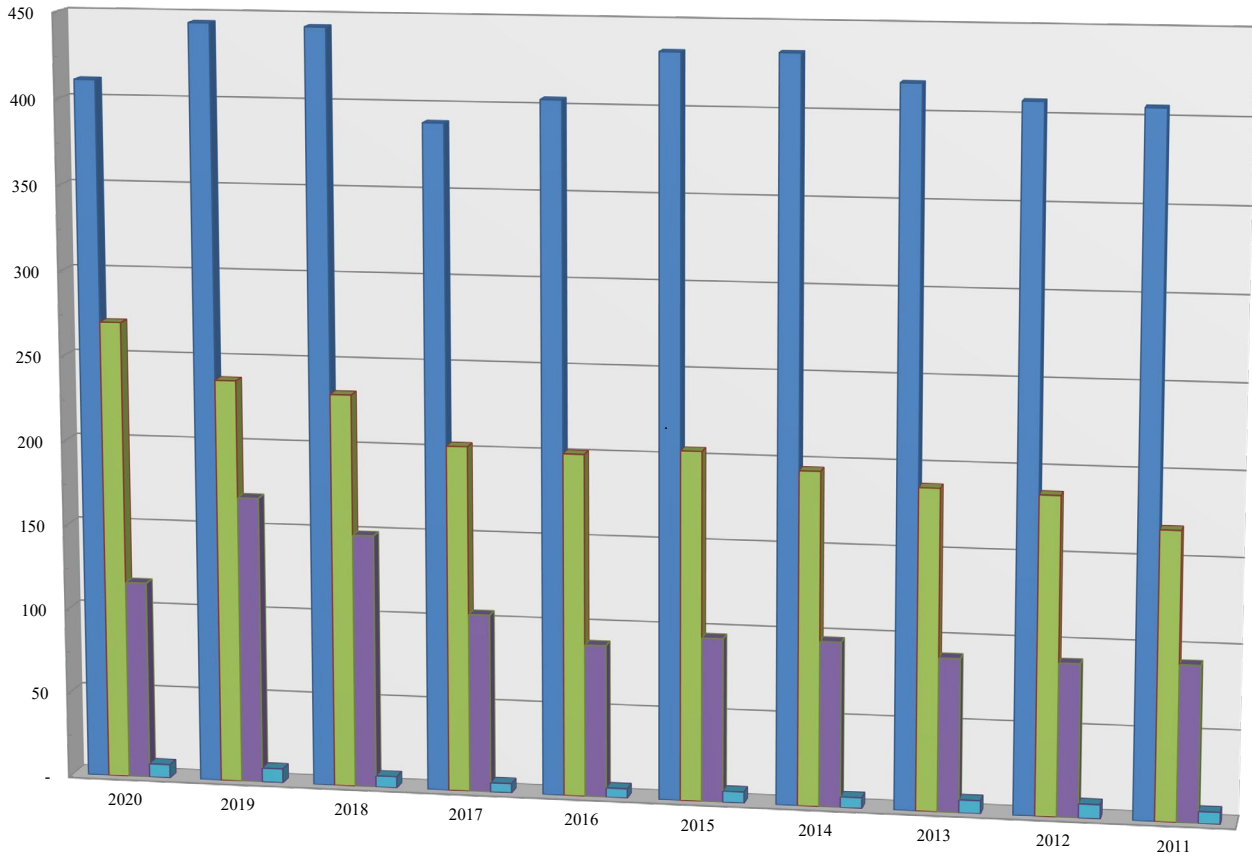
*Last Ten Fiscal Years
(Amount expressed in thousands)*

Fiscal Year	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Gasoline/Motor Carrier	\$410,901	\$444,575	\$443,273	\$389,753	\$404,321	\$432,642	\$433,252	\$417,571	\$408,571	\$406,347
Automobile Privilege	270,001	237,756	231,522	203,405	201,082	204,994	195,737	188,197	186,300	168,602
Registration/ License Fees	116,251	169,078	149,222	104,923	89,560	96,294	96,983	90,062	89,741	91,475
Special Fees & Permits	7,997	8,385	6,687	5,576	5,530	6,681	6,333	7,676	8,380	7,083
Total	\$805,150	\$859,794	\$830,704	\$703,657	\$700,493	\$740,611	\$732,305	\$703,506	\$692,992	\$673,507

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

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

Millions of Dollars





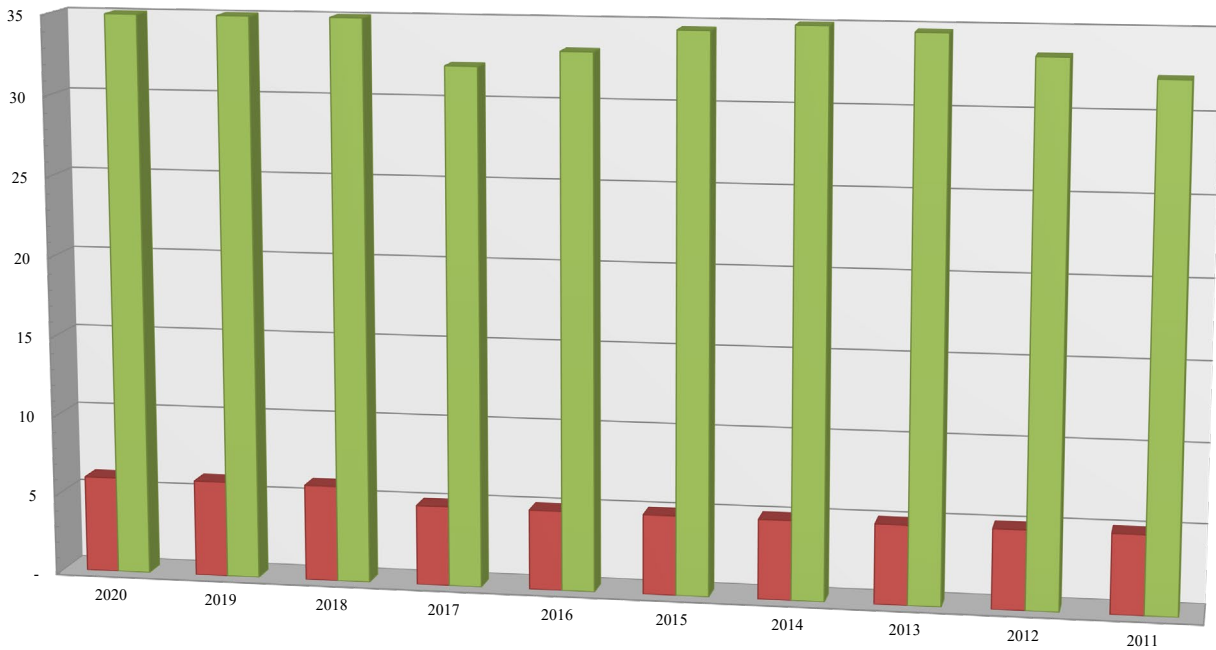
**DIVISION OF HIGHWAYS
FUEL AND PRIVILEGE TAX RATES
Last Ten Fiscal Years**

Fiscal Year		2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Automobile Privilege(2) (cents per dollar)	■	6	6	6	5	5	5	5	5	5	5
Motor Fuel Excise Tax(1) (cents per gallon)	■	35.7	35.7	35.7	32.2	33.2	34.6	35.7	34.7	33.4	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 15.2 cents per invoiced gallon as of July 1, 2019.

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

Cents



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*
2020	\$ 1,723,942	\$ 307,144	\$ 2,031,086	2.68%	1,133.33
2019	1,024,628	329,079	1,353,707	1.85%	749.63
2018	1,067,254	257,622	1,324,876	1.90%	729.61
2017	173,072	57,786	230,858	0.34%	126.08
2016	191,122	-	191,122	0.28%	103.64
2015	196,405	27,896	224,301	0.34%	121.22
2014	238,979	54,565	293,544	0.45%	158.30
2013	265,541	80,059	345,600	0.54%	186.27
2012	292,497	104,448	396,945	0.64%	213.94
2011	329,130	127,892	457,022	0.77%	246.64

Government Activities Tax and Fee Income					
Fiscal Year	Gasoline and Motor Carrier	Automobile Privilege	Motor Vehicle Registrations and Licenses	Special Fees and Permits	Total
2020	\$ 410,901	\$ 270,001	\$ 116,251	\$ 7,997	\$ 805,150
2019	444,575	237,756	169,078	8,385	859,794
2018	443,273	231,522	149,222	6,687	830,704
2017	389,753	203,405	104,923	5,576	703,657
2016	404,321	201,082	89,560	5,530	700,493
2015	432,642	204,994	96,294	6,681	740,611
2014	433,252	195,737	96,983	6,333	732,305
2013	417,571	188,197	90,062	7,676	703,506
2012	408,571	186,300	89,741	8,380	692,992
2011	406,347	168,602	91,475	7,083	673,507

General Obligation Bond Debt Ratio				
Fiscal Year	General Obligation Bonds	Percentage of Tax and Fee Income	Percentage of Personal Income*	Per Capita*
2020	\$ 1,723,942	214.11%	2.27%	961.94
2019	1,024,628	119.17%	1.40%	567.40
2018	1,067,254	128.48%	1.53%	587.74
2017	173,072	24.60%	0.26%	94.52
2016	191,122	27.28%	0.28%	103.64
2015	196,405	26.52%	0.29%	106.15
2014	238,979	32.63%	0.36%	128.88
2013	265,541	37.75%	0.42%	143.12
2012	292,497	42.21%	0.47%	157.65
2011	329,130	48.87%	0.55%	177.62

* 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
2019	1,792,147	75,872,800	42,336	4.9%	42.9
2018	1,805,832	73,277,600	40,578	5.3%	42.8
2017	1,815,857	69,872,741	38,479	5.3%	42.4
2016	1,831,102	67,061,987	36,624	5.0%	42.3
2015	1,844,128	67,787,227	36,758	6.0%	42.2
2014	1,850,326	66,857,000	36,132	7.6%	41.9
2013	1,854,304	65,889,000	35,533	6.6%	41.3
2012	1,855,413	63,968,000	34,477	7.3%	41.3
2011	1,855,364	62,178,000	33,513	8.0%	41.1
2010	1,852,994	59,417,000	32,042	9.1%	41.3

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

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

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

	Largest Employer Rank			
	2020	2019	2018	2017
WVU Medicine	1	1	1	1
Wal-Mart Associates, Inc.	2	2	2	2
Charleston Area Medical Center, Inc.	3	3	3	3
Mountain Health Network	4	-	-	-
Kroger	5	4	4	4
Lowe's Home Centers, Inc.	6	7	7	6
Contura Energy (formerly Alpha Natural Resources Co.)	7	-	-	-
Wheeling Hospital, Inc	8	9	9	9
Mylan Pharmaceuticals, Inc.	9	6	6	5
Murray American Energy, Inc.	10	-	-	-
Cabell Huntington Hospital	-	5	5	8
St. Mary's Medical Center, Inc.	-	8	8	7
Res-Care, Inc.	-	10	10	10
American Electric Power	-	-	-	-
Mentor Management, Inc (Mentor Network, The)	-	-	-	-
Consolidation Coal Company	-	-	-	-

Source: Workforce West Virginia Research, Information and Analysis

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

Largest Employer Rank

2016	2015	2014	2013	2012	2011
1	2	2	2	2	2
2	1	1	1	1	1
3	3	3	3	3	3
-	-	-	-	-	-
4	4	4	4	4	4
6	8	8	7	6	7
-	-	-	-	-	-
9	-	-	-	-	-
5	5	5	6	7	6
-	6	6	-	8	10
8	9	-	-	-	-
7	7	7	8	9	8
10	10	10	10	-	-
-	-	-	-	10	9
-	-	9	9	5	5
-	-	-	5	-	-

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

**Employees by Program
Last Ten Fiscal Years**

Program	Employees as of June 30			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Maintenance	3,529	3,331	3,211	3,382
Construction	1,008	952	917	966
General and administration	504	476	459	483
Total	<u>5,041</u>	<u>4,759</u>	<u>4,587</u>	<u>4,831</u>

Source: Division of Highways Budget Office.

Employees as of June 30

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
3,317	3,383	3,404	3,401	3,466	3,547
948	966	973	973	853	950
474	483	486	486	520	309
<u>4,739</u>	<u>4,832</u>	<u>4,863</u>	<u>4,860</u>	<u>4,839</u>	<u>4,806</u>

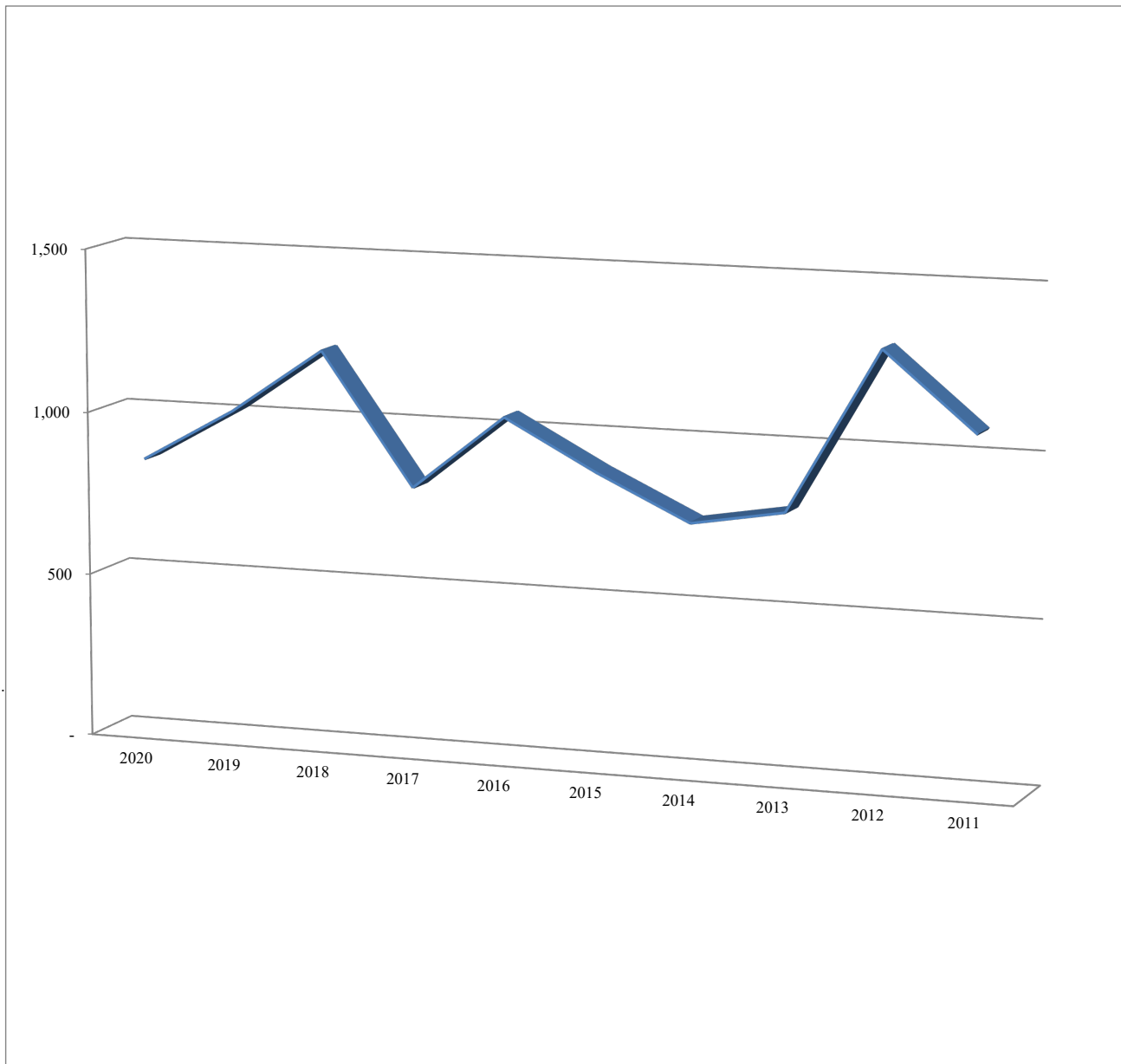


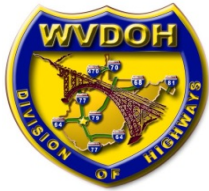
**DIVISION OF HIGHWAYS
HIGHWAY CONSTRUCTION AND IMPROVEMENT
TOTAL PROJECTS AUTHORIZED
Last Ten Fiscal Years**

Fiscal Year	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	Total Projects
Projects	851	1,014	1,213	813	1,042	891	757	806	1,305	1,070	9,762

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)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Interstate Construction	5	5	13	2	3	7	6	7	5	7
Interstate Renovation	12	17	47	21	22	24	14	24	24	19
Interstate Expansion	0	0	0	0	1	0	0	0	0	1
Non-Interstate Other	54	52	108	56	35	68	64	71	99	75
ARRA	0	0	0	0	0	0	0	0	1	8
Appalachian Development	20	14	12	20	24	15	14	17	14	30
Other Bridge	26	26	58	22	29	41	35	40	43	50
Miscellaneous	126	100	157	238	399	179	194	143	131	201
Total	243	214	395	359	513	334	327	302	317	391

Non-Federal Aid
(Number of Projects)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Maintenance	101	163	230	206	261	320	178	220	378	276
Bridge Replacement and Renovation	12	21	22	28	17	31	34	23	31	28
Miscellaneous Bridge Work	81	44	69	34	62	34	29	45	45	70
Industrial Access Roads	4	4	2	4	1	5	4	4	10	4
Roadway Renovation and Improvement	410	568	495	182	188	167	185	212	524	301
Total	608	800	818	454	529	557	430	504	988	679
Grand Total	851	1,014	1,213	813	1,042	891	757	806	1,305	1,070

TOTAL AUTHORIZED PROJECTS = 9,762

Source: Division of Highways Program Planning & Administration Division

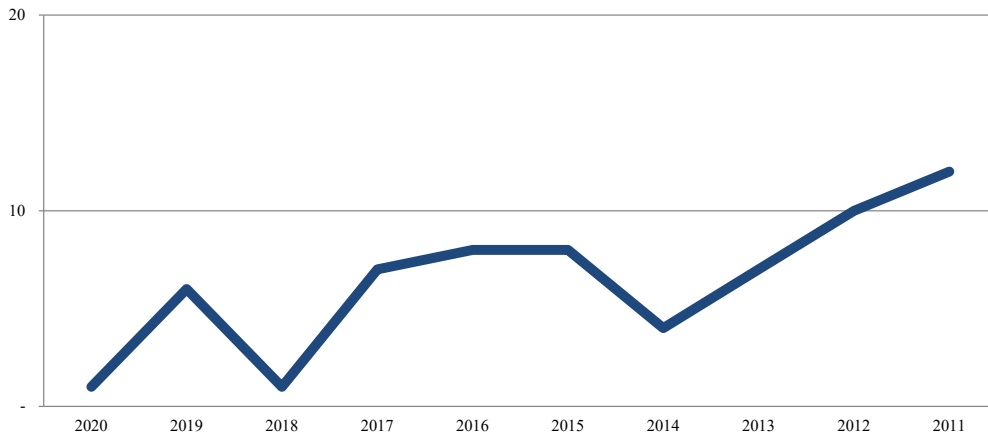


**DIVISION OF HIGHWAYS
ROADWAY PROJECTS - SYSTEM EXPANSION ONLY
Last Ten Fiscal Years**

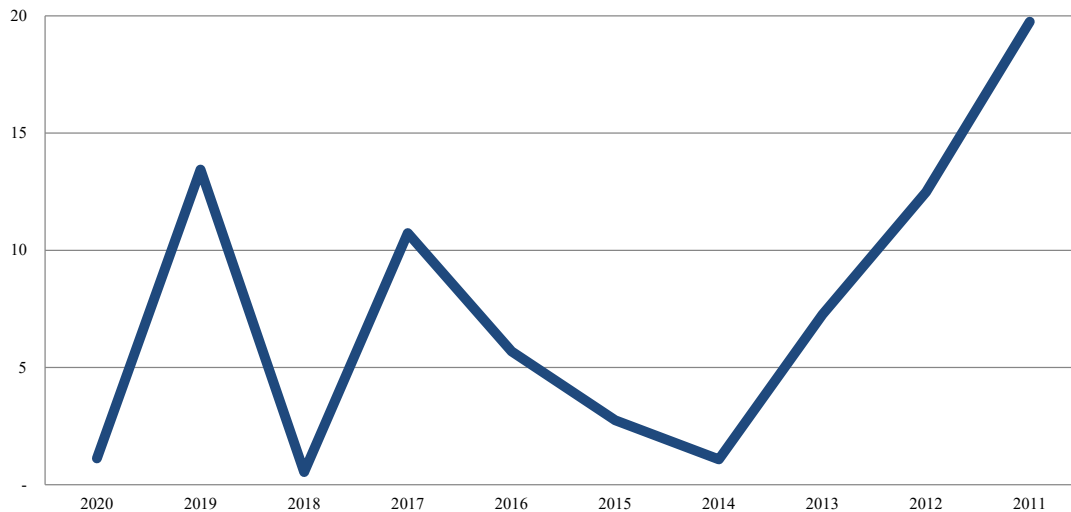
Fiscal Year	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Number of Projects	1	6	1	7	8	8	4	7	10	12
Number of Miles	1.12	13.44	0.54	10.73	5.69	2.75	1.08	7.26	12.49	19.75

Source: Division of Highways Program Planning & Administration Division

Number of Projects:



Number of Miles:



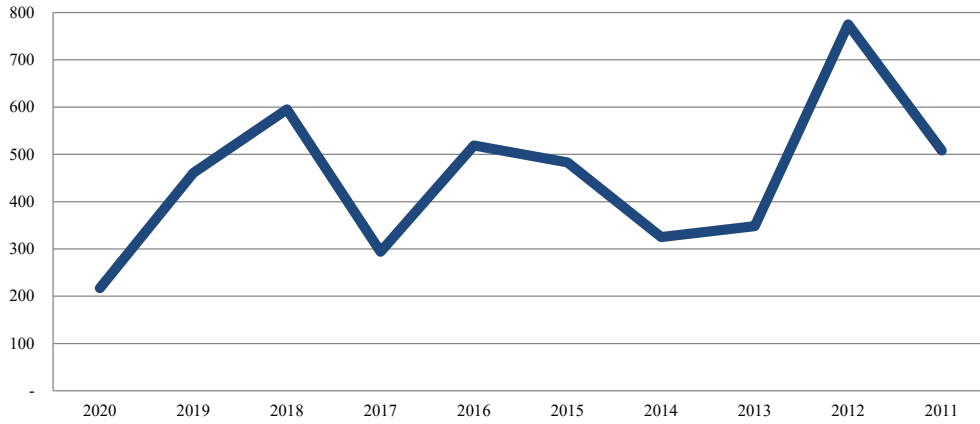


**DIVISION OF HIGHWAYS
ROADWAY RESURFACING PROJECTS
Last Ten Fiscal Years**

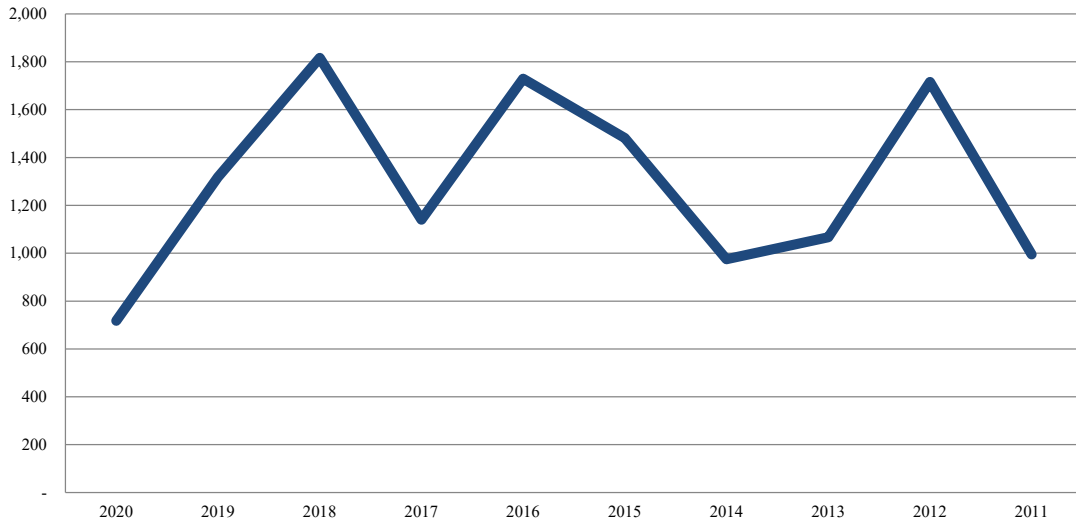
Fiscal Year	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Number of Projects	217	461	595	294	519	483	325	348	775	508
Number of Miles	718	1,318	1,816	1,140	1,729	1,481	975	1,067	1,716	995

Source: Division of Highways Program Planning & Administration Division

Number of Projects:



Number of Miles:



DIVISION OF HIGHWAYS
Total Highway Mileage by Category

	<u>Total Road System</u>
Interstate excluding Turnpike	468
U.S. Routes	1,856
W.V. Routes	3,657
County Routes	28,874
Other (Parks, Forests, HARP)	1,077
 Total Road System Miles	 35,932

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

	<u>Federal Aid Routes</u>	
	<u>Rural</u>	<u>Urban</u>
	<u>Miles</u>	<u>Miles</u>
<u>Interstate Highways including 86 Turnpike Miles</u> (Part of National Highway System)	319	235 *

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

* Includes 5.54 miles of one way connecting ramps

<u>Other National Highway System</u>	1,020	414
Other major routes, including most principal arterials that are the most important to interstate travel and national defense, roads that connect with other modes of transportation, and roads essential for international commerce.		
<u>Other Federal-Aid Highways</u>	6,879	1,622
All other roads on which Federal Highway funds may be expended including Federal Aid Non-State (FANS) roads.	_____	_____
Sub-total miles	8,218	2,271
 Total Federal Aid Routes Miles	 10,489	

Source: 2019 Public Certified Mileage



Prepared by the Finance and Administration Division

Photos courtesy of:

WV Department of Transportation

Steve and Carla Rotsch

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