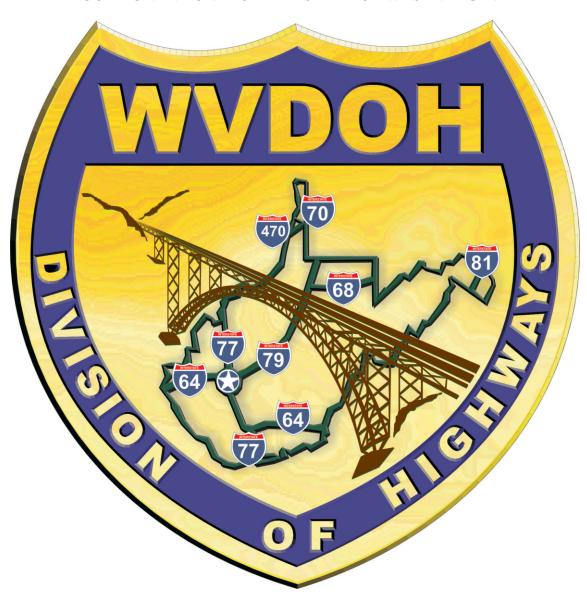


WEST VIRGINIA DEPARTMENT OF TRANSPORTATION

DIVISION OF HIGHWAYS

COMPONENT UNIT OF THE STATE OF WEST VIRGINIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2016

Prepared by: Finance and Administration Division

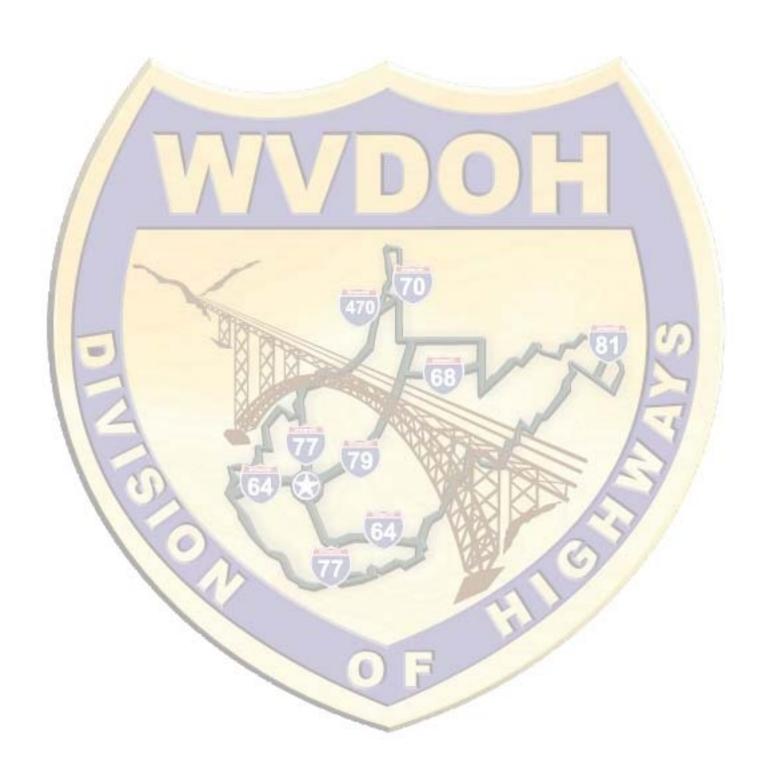


TABLE OF CONTENTS

	PAGE
Introductory Section	
Letter of Transmittal	2
Government Finance Officers Association Certificate of Achievement	7
Organizational Chart	8
List of Principal Officers	9
Financial Section	
Independent Auditor's Report	12
Management's Discussion and Analysis	16
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position	26
Statement of Activities	27
Fund Financial Statements:	
Balance Sheet - Governmental Fund	28
Reconciliation of the Balance Sheet - Governmental Fund to the Statement of Net Position	29
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	30
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance -	31
Governmental Fund to the Statement of Activities	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	32
(Budgetary Basis) - State Road Fund	
Notes to the Financial Statements	33
Required Supplementary Information:	
Schedule of the Proportionate Share of the Net Pension Liability	56
Schedule of Contributions to the PERS	57
Notes to Required Supplementary Information	58

TABLE OF CONTENTS

	PAGE
Statistical Section	
Statistical Section Narrative and Table of Contents	61
Net Position by Component	62
Changes in Net Position	64
Changes in Fund Balance of Governmental Fund	66
Fund Balance, Governmental Fund	68
Tax and License Fee Revenue by Source	70
Fuel and Privilege Tax Rates	71
Ratios of Outstanding Debt by Type	72
Demographic Statistics of West Virginia	73
Principal Employers	74
Employees by Program	76
Highway Construction and Improvement, Total Projects Authorized	78
Highway Construction and Improvement, Total Projects Authorized by Type	79
Roadway Projects - System Expansion Only	80
Roadway Resurfacing Projects	81
Total Highway Mileage by Category	82

Introductory Section

West Virginia Department of Transportation Division of Highways





WEST VIRGINIA DEPARTMENT OF TRANSPORTATION Division of Highways

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

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

January 31, 2017

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, 2016. The purpose of the report is to provide the Governor, Legislature, Citizens and other interested parties with reliable financial information about the Division.

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

State statute requires that an annual audit of the Division is performed. The accounting firm of Gibbons and Kawash was engaged to perform the audit for the year ended June 30, 2016. 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 provisions of the Single Audit Act of 1984, including 1996 amendments, and 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, 2016 is available upon request.

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

PROFILE OF THE GOVERNMENT

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

E.E.O./AFFIRMATIVE ACTION EMPLOYER

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

RELEVANT FINANCIAL POLICIES

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

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

Short-term goals and polices for the Division reside in the 2016-2021 Statewide Transportation Improvement Program (STIP). The STIP is organized so that all projects that are programmed fall within one of seven core programs. The goal is to better manage assets to meet the Program's needs and less emphasis on the type of funding used. The STIP includes a wide variety of projects including roadway, bridge, bicycle, pedestrian, safety and public transportation (transit) projects. Projects are subject to many considerations and actions from conception to completion that may impede or accelerate their progress. These considerations may include policy decisions, changes in design requirements, conflicts with other scheduled activities, unforeseen circumstances such as funding reductions, shortage of manpower, and inflation of project costs. Project cost estimates are based on the best available engineering estimates at the time the STIP is developed. When a project is adversely affected by any of the above mentioned factors, the projected fiscal year dates and/or costs will be adjusted accordingly.

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

ECONOMIC CONDITIONS AND OUTLOOK

According to the *West Virginia Economic Outlook 2016*, published by the Bureau of Business and Economic Research at the College of Business and Economics, West Virginia University, "West Virginia's economy has struggled dramatically over the past year, primarily driven by the state's energy sector, where continued losses in coal jobs have been coupled with a longer-than-expected slowdown in natural gas. Indeed, West Virginia as a whole fell into recession in 2015 and six counties have suffered "Great Depression" magnitude employment losses over the past few years. In this report we present a detailed discussion of the current state of the West Virginia economy along with our forecast for the likely path of economic activity over the next five years. Overall, this report provides a broad and detailed foundation to help you understand the long-run economic challenges and opportunities facing West Virginia.

After consistent and healthy job growth between 2010 and early-2012, the state has seen employment decline for much of the last four years, with a cumulative loss of around 17,000 jobs. A significant portion of the state's job losses can be traced to the downturn in the coal industry, although weak levels of construction activity and weakness in natural gas employment over the last year have contributed. Over this period, job gains have been recorded in several of the state's largest service-providing industries, but these gains fail to offset the losses in coal. The state's unemployment rate has been volatile over recent years. Currently West Virginia's jobless rate is higher than around 45 other states. Per capita personal income in West Virginia grew in 2015. However, growth has failed to match that at the national level for each of the past four years. Overall, per capita personal income in West Virginia stands at 77 percent of the national average. West Virginia's real GDP fell in 2015. Real GDP growth in the state has fallen short

of national GDP growth for each of the past four years. Overall, the value of economic output in West Virginia (inflation adjusted) is roughly equal to its 2011 level. Export activity from West Virginia has been quite volatile over the past decade. Promoting the state's export potential is of vital importance to economic development in West Virginia in the long run.

Employment in West Virginia is estimated to increase 0.6 percent per year on average through 2021, compared to an expectation of 1.0 percent for the nation as a whole. Our baseline forecast calls for job losses in coal to subside within the near term; however, the outlook is subject to considerable downside risk depending on the environmental regulatory climate and conditions in the global coal market. Construction is expected to add jobs at the fastest rate going forward, but the service-providing segment will tend to pace the state's overall performance during the next five years, led by professional and business services, leisure and hospitality, and healthcare. The state's unemployment rate is expected to remain at or above 6 percent throughout the outlook period. Per capita personal income is expected to grow at an annual average rate of 2 percent over the next five years, equal to the national rate. Growth will be driven largely by non-wage income, such as Social Security benefits. Out-migration of young high school and college graduates, who have not previously been earning income, also affects the per capita income figure.

West Virginia's population has declined by around 12,000 over the past three years, and we project the state to lose more than 20,000 residents over the next 2 decades. The state's population is significantly older than the nation as a whole, and will continue to age in coming years. Threats to our generally positive outlook for the US economy should be considered. These include the following: weaker economic outcomes in the economies of major US trading partners – particularly China and Europe - could threaten exports and global economic stability; the question of long-run sustainability of the US federal budget; and the coming rise in interest rates."

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, 2016. All data is presented in thousands of dollars.

			Change from	Prior Year
	Amount	Percent of Total	<u>Amount</u>	Percent
Motor Fuel Excise Tax	\$404,321	33%	\$(28,321)	(7)%
Automobile privilege taxes	201,082	17%	(3,911)	(2)%
Motor vehicle registration and licenses	89,560	8%	(6,734)	(7)%
Special fees and permits	5,530	1%	(1,151)	(17)%
Federal aid	460,870	38%	110,737	32%
Investments and interest income	420	0%	264	169%
Intergovernmental	12,492	1%	3,012	32%
Miscellaneous	41,253	2%	2,515	6%
Total revenues	\$1,215,528	100%	\$76,411	7%
Road construction and other road operations	\$680,298	54%	\$148,581	28%
Road maintenance	433,365	34%	(6,667)	(2)%
Support and administrative operations	115,241	9%	1,454	1%
Debt Service	38,696	3%	(26,156)	(40)%
Total Expenditures	\$1,267,600	100%	\$117,212	10%

Overall, State tax and fee revenues in Fiscal Year 2016 decreased by 6.93% from Fiscal Year 2015. State Road Fund revenues and fees are forecasted to have minimal increases over the next few years, thru Fiscal Year 2020. Federal Aid revenues increased in Fiscal Year 2016 over Fiscal Year 2015. Investment and interest revenue increased only marginally due to the historically low interest rates. Without new revenue sources, or increased motor fuel taxes and DMV fees, the State Road Fund cannot sustain the current level of funding without reducing the agency's level of service to the citizens of West Virginia and the traveling public.

At June 30, 2016, the outstanding principal balance of long-term general obligation bonds was \$166,385,000. These bonds were issued between 1998 and 2015 including \$550,000,000 issued under the Safe Road Amendment of 1996, and are scheduled to be retired through June 1, 2025. Total debt service payments will remain around \$23.2 million annually for fiscal years 2017-2025.

At June 30, 2016 the outstanding principal balance of the Grant Anticipation Revenue Vehicle (GARVEE) notes had been repaid. The notes were issued in 2006, 2007 and 2009 as a debt-financing instrument authorized to receive federal reimbursement of debt service and related financing costs under Section 122 of Title 23, United States Code. In December 2016 the Division issued \$53,380 of GARVEE notes to construct the Rock Creek Development Park access road. In general, projects funded with the proceeds of a GARVEE debt instrument are subject to the same requirements as other federal-aid projects. The exception is the reimbursement process; reimbursement of GARVEE project costs occurs when debt service is due rather than when construction costs are incurred. Under terms of the Memorandum of Agreement between the Federal Highway Administration and the Division of Highways, the yearly debt service must be the first obligation in the federal fiscal year.

MAJOR INITIATIVES

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

In conjunction with improvement of the road system through construction and upgrading, the Division has emphasized roadway and bridge preservation and renovation. Rugged mountainous terrain and numerous streams and rivers characterize the topography of the State. Consequently, the State's road system includes 7,024 vehicular bridges, of which approximately one third are either functionally or structurally obsolete. The Division's bridge program, enhanced by a state-funded program that started in 1988 for small bridges, has been relatively successful in correcting these problems. During the fiscal year several major structures around the State were completed, including: the Lilly Bridge and the Thomas Burford Pugh Bridge. Other accomplishments during the fiscal year ended June 30, 2016 include the resurfacing of approximately 1,786 miles of roadway at a cost of \$285 million.

The Division also continued to improve the operating efficiency of the heavy equipment road maintenance fleet through the procurement of approximately \$22 million in new replacement units during the fiscal year. The Division is continuing to give priority to replacing equipment involved in its core maintenance functions.

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

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Division of Highways for its comprehensive annual financial report for the fiscal year ended June 30, 2015. This was the 24th consecutive year that the Division has achieved this prestigious award (1992-2015). 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 FY2016 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,

Keith E. Chapman

Chief Financial Officer/Business Manager West Virginia Division of Highways



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

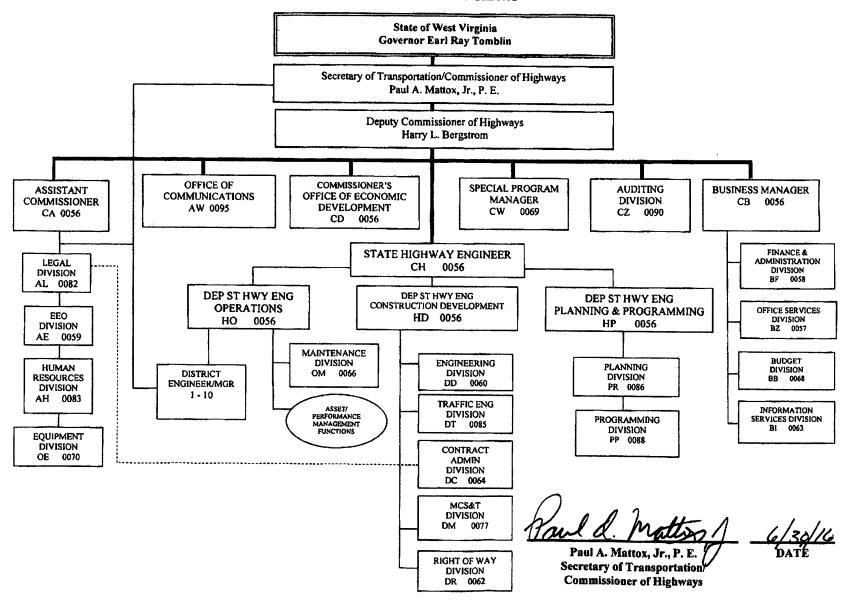
West Virginia Division of Highways

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

WEST VIRGINIA DIVISION OF HIGHWAYS ORGANIZATIONAL CHART



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

June 30, 2016

Paul A. Mattox, Jr. Secretary of Transportation
Paul A. Mattox, Jr. Commissioner of Highways

John McBrayer Deputy Secretary DOT/Assistant Commissioner DOH Harry Bergstrom Deputy Secretary DOT/Deputy Commissioner DOH

Keith Chapman Assistant Secretary for Finance DOT/Business Manager DOH

Gregory L. Bailey, P.E. State Highway Engineer/Deputy State Highway Engineer-Operations (Acting)

Stephen T. Rumbaugh, P.E. Deputy State Highway Engineer-Construction and Development Rob Pennington Deputy State Highway Engineer-Planning and Programming

Marvin Murphy Executive Assistant to the Agency Head

David Cramer Commissioner's Office of Economic Development

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

Chuck Runyon Executive Assistant to the Commissioner

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

Jason Boyd Director, Contract Administration Division

R.J. Scites Director, Engineering Division

Drema Smith Director, Equal Employment Oportunity Division

Travis Ray Director, Equipment Division

Keith Chapman Director, Finance and Administration Division (Acting)

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

Michael J. Folio Director, Legal Division

Kyle Stollings Director, Maintenance Division

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

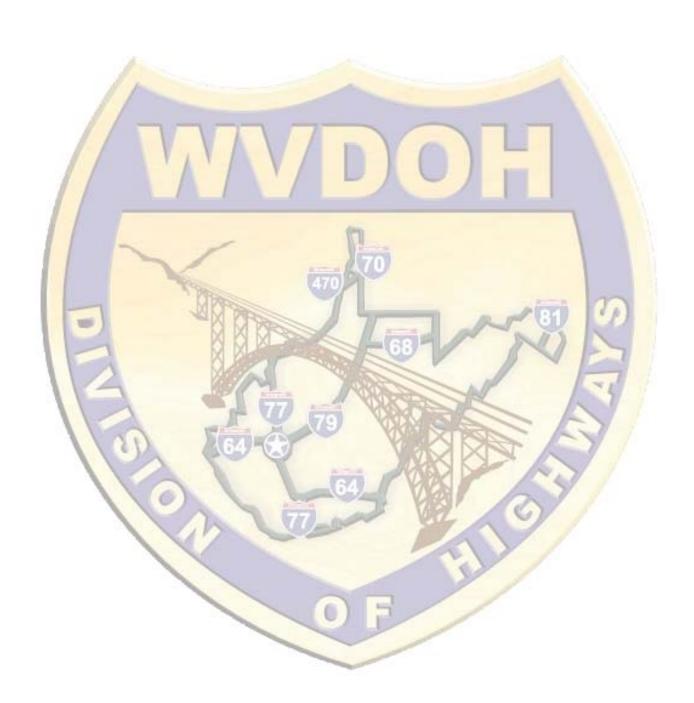
Ameche Watson
Richard Warner
Ryland Musick
Eric B. Hudnall
Cindy Cramer
Susan Watkins
Director, Office Services Division
Director, Planning Division
Director, Programming Division
Director, Right of Way Division
Correspondence & Central Files

Laura Conley-Rinehart Staff Engineer

Gary Clayton Regional Operations Engineer

DISTRICT ENGINEERS/MANAGERS

Aaron C. Gillispie	Charleston
Raymond Eplin	Huntington
James Roten	Parkersburg
Ray Urse	Clarksburg
Lee Thorne	Burlington
Ghassan H. Suwaid (Acting)	Mounds ville
Ron Hooton	Weston
James Rossi	Elkins
Steve Cole	Lewisburg
Tom Camden	Princeton
	Raymond Eplin James Roten Ray Urse Lee Thorne Ghassan H. Suwaid (Acting) Ron Hooton James Rossi Steve Cole



Financial Section

West Virginia Department of Transportation Division of Highways





300 Chase Tower 707 Virginia Street, East Charleston, West Virginia 2530 I

Office: 304.345.8400 Fax: 304.345.845 I

INDEPENDENT AUDITOR'S REPORT

To the West Virginia
Department of Transportation, Division of Highways
Charleston, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the budgetary comparison to actual for the State Road 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's Department of Transportation, as of and for the year ended June 30, 2016, 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 opinion.



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Division, as of June 30, 2016, and the respective changes in financial position and budgetary comparison to actual for the State Road Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

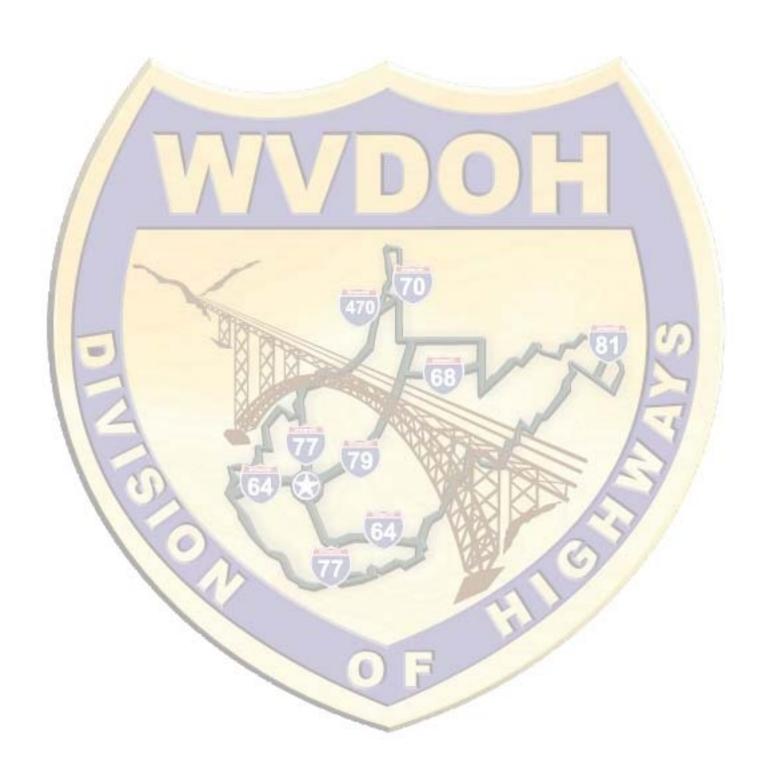
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 16 through 24, and the schedule of the proportionate share of the net pension liability, and the schedule of contributions to the PERS on pages 56 through 58, be presented 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 opinions on the financial statements that collectively comprise the Division's basic financial statements. The introductory and statistical sections as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections 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.

Julian ; famash, A.C. Charleston, West Virginia

January 11, 2017





This section of the West Virginia Department of Transportation, Division of Highways (Division) annual financial report presents our discussion and analysis of the Division's financial performance during the fiscal year that ended June 30, 2016. 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 \$7.87 billion at the close of fiscal year 2016.

Changes in Net Position - During the year the Division's net position increased by \$41 million or 0.52% This percentage is an increase from the prior year, when net position decreased \$1 million or 0.01%.

Revenues and Expenses - Total revenues increased by \$77 million or 6.73%. Total expenses increased \$35 million or 3.08%. 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 2016, the Division's governmental fund reported combined total fund equity of \$54 million, a decrease of \$50 million in comparison with the prior year.

Long-term Debt - The Division's total outstanding general obligation bonds, net of bond premiums, decreased by \$5.3 million during the current fiscal year. The Division's total outstanding special obligation notes, net of note premium, decreased by \$27.9 million decreasing total long term debt by 14.79% during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Statements

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

Fund Financial Statements

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

Required supplementary information includes the presentation of this management's discussion and analysis and certain information concerning the Division's progress in funding its proportionate share of providing pension benefits to its employees through its participation in the Public Employees Retirement System.

CONDENSED FINANCIAL INFORMATION

Condensed Statement of Net Position

The following condensed financial information was derived from the government-wide statement of net position and summarizes the Division's net position as of June 30, 2016 and 2015 (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.

Statement of Net Position June 30

	2016	2015	% Change
Assets and deferred outflows of resources			
Total current assets	\$ 321,843	\$ 345,989	(6.98)%
Capital assets	8,175,525	8,150,540	0.31%
Other non-current assets	-	18	(100.00)%
Deferred outflows of resources	70,091	27,693	153.10%
Total assets and deferred outflows of resources	\$ 8,567,459	\$ 8,524,240	0.51%
Liabilities and deferred inflows of resources			
Total current liabilities	\$ 300,971	\$ 290,389	3.64%
Long term liabilities	323,993	325,617	(.50)%
Deferred inflows of resources	67,790	74,314	(8.78)%
Total liabilities and deferred inflows of resources	692,754	690,320	0.35%
Net position			
Net investment in capital assets	7,969,214	7,911,050	0.74%
Restricted	12,031	12,968	(7.23)%
Unrestricted (Deficit)	(106,540)	(90,098)	(18.25)%
Total net position	7,874,705	7,833,920	0.52%
Total liabilities, deferred inflows of resources and net position	\$ 8,567,459	\$ 8,524,240	0.51%

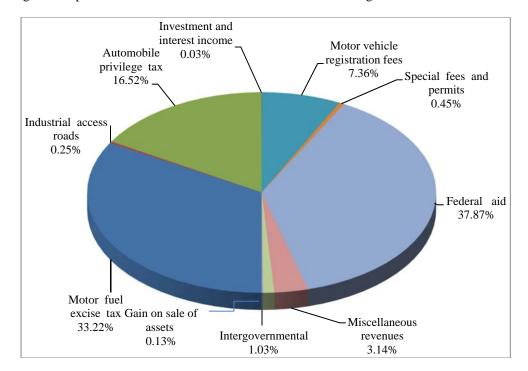
Condensed Statement of Activities

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):

	2016	2015	% Change
Revenues			
Taxes	\$ 605,403	\$ 637,636	(5.06)%
Investment and interest income	420	156	169.23%
Intergovernmental	12,492	9,480	31.77%
Miscellaneous revenues	38,253	35,738	7.04%
Gain (loss) on sale of assets	1,608	1,302	23.50%
Total general revenues	658,176	684,312	(3.82)%
Capital grants and contributions	463,871	353,133	31.36%
Charges for service	95,090	102,975	(7.66)%
Total program revenues	558,961	456,108	22.55%
Total revenues	1,217,137	1,140,420	6.73%
Expenses			
Road maintenance	433,543	431,046	0.58%
Other road operations	658,569	555,643	18.52%
General and administration	75,640	139,867	(45.92)%
Interest on long-term debt	3,473	9,446	(63.23)%
Unallocated depreciation	5,127	5,199	(1.38)%
Total expenses	1,176,352	1,141,201	3.08%
Change in not position	40.795	(781)	5222 150/
Change in net position	40,785	(781)	5322.15%
Net position, beginning	7,833,920	7,834,701	(0.01)%
Net position, ending	\$ 7,874,705	\$ 7,833,920	0.52%

Over time, increases and decreases in net position measure whether the Division's financial position is improving or deteriorating. During the fiscal year, the net position of the governmental activities increased by \$41 million or 0.52%.

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



Total revenues increased by approximately \$77 million. Total tax revenues decreased by approximately \$39 million. Federal aid revenue increased by approximately \$111 million or 31.63%. The following summarizes revenues for the years ended June 30, 2016 and June 30, 2015 (amounts in thousands):

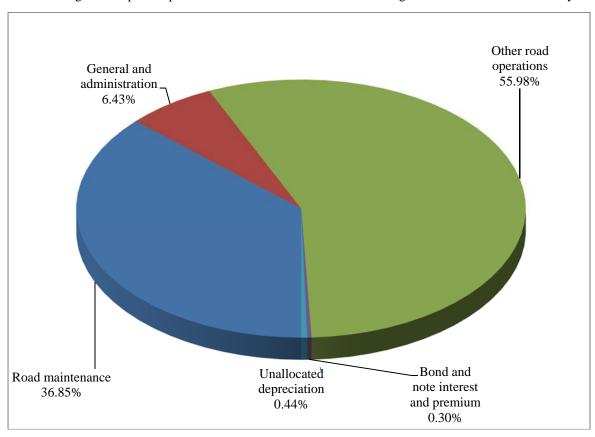
				I	ncrease	% Increase
	2016		 2015		Decrease)	(Decrease)
Motor fuel excise tax	\$	404,321	\$ 432,642	\$	(28,321)	(6.55)%
Industrial access roads		3,000	3,000		-	0.00%
Automobile privilege tax		201,082	204,994		(3,912)	(1.91)%
Motor vehicle registration fees		89,560	96,294		(6,734)	(6.99)%
Special fees and permits		5,530	6,681		(1,151)	(17.23)%
Federal aid		460,871	350,133		110,738	31.63%
Investment and interest income		420	156		264	169.23%
Intergovernmental		12,492	9,480		3,012	31.77%
Miscellaneous revenues		38,253	35,738		2,515	7.04%
Gain on sale of assets		1,608	 1,302		306	23.50%
	\$	1,217,137	\$ 1,140,420	\$	76,717	6.73%

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

Fiscal year 2016 tax collections reported on a cash basis decreased by \$51.5 million (-6.93%) from fiscal year 2015 tax collections. Motor fuel tax collections were \$23.4 million (-5.57%) below estimates and \$38.5 million (-8.84%) lower than fiscal year 2015 collections. Privilege tax collections were \$17.2 million (9.11%) above estimates and \$0.2 million (.11%) above fiscal year 2015 collections. Registration fee collections were \$5.3 million (-5.75%) below estimates and \$13.6 million (-13.54%) below fiscal year 2015 collections. In fiscal year 2017, motor fuel tax and privilege tax collections are projected to be lower than fiscal year 2016 actual collections. Registration fee collections are estimated to be slightly higher than fiscal year 2016 actual numbers. As a result, many programs that are operated by the Division will experience little, if any, real growth in the foreseeable future, and it is possible that some programs will be reduced.

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

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



Total expenses increased by approximately \$35 million or 3.08%. The following summarizes expenditures for the years ended June 30, 2016 and June 30, 2015 (amounts in thousands):

	 2016	2015	ncrease ecrease)	% Increase (Decrease)
Road maintenance	\$ 433,543	\$ 431,046	\$ 2,497	0.58%
Other road operations	658,569	555,643	102,926	18.52%
General and administration	75,640	139,867	(64,227)	(45.92)%
Interest on long-term debt	3,473	9,446	(5,973)	(63.23)%
Unallocated depreciation	5,127	5,199	(72)	(1.38)%
	\$ 1,176,352	\$ 1,141,201	\$ 35,151	3.08%

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

Operating units are allocated yearly amounts for routine maintenance. The type of routine maintenance expenses incurred is dependent, to a degree, on the level of snow removal and ice control (SRIC) that is required in a given year. In fiscal year 2016, the agency continued its core maintenance plan, which emphasizes ditching, mowing, rush-cutting, and patching maintenance activities. County crews concentrate on these activities during all non-SRIC periods. The intent is to improve safety and perform maintenance that will extend the life of the highway system.

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

FINANCIAL ANALYSIS OF THE DIVISION'S MAJOR FUND

At June 30, 2016, the Division reported fund balances of approximately \$54 million. Of this total amount (\$6) million constitutes unassigned fund balance while \$12 million is restricted for various purposes. The remainder of the fund balance is nonspendable and is not available for spending because it is comprised of inventories.

State Road Fund

The State Road Fund is the Division's General Fund. At the end of the 2016 fiscal year, unassigned fund balance of the General Fund was (\$6) million and nonspendable fund balance was \$48 million while the restricted fund balance was \$12 million. The total General Fund balance decreased \$50 million during the fiscal year primarily due to increased road construction and other road operations and decreased tax collections.

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. As fuel consumption is forecast to decrease each year through fiscal year 2021, it is expected to have a significant impact on revenue collections unless there is a corresponding change to the tax rates or structure. Neither Privilege tax collections nor registration fee collections are forecast to increase significantly through fiscal year 2021. The following table summarizes tax and fee collections over the past two years (amounts in thousands):

	2016	2015	Increase (Decrease)	% Increase (Decrease)
Motor fuel excise Motor vehicle registration Privilege tax	\$ 404,321 89,560 201,082	\$ 432,642 96,294 204,994	\$ (28,321) (6,734) (3,912)	(6.55)% (6.99)% (1.91)%
	\$ 694,963	\$ 733,930	\$ (38,967)	(5.31)%

Motor fuel excise tax is imposed on the consumption of motor fuel. The motor fuel excise tax is the combination of a flat 20.5 cents per invoiced gallon rate and a variable sales and use tax rate that is calculated yearly. The variable rate changed on January 1, 2016, when the rate fell from 14.1 cents to 12.7 cents per invoiced gallon.

The Division's federal revenue, on a budgetary basis for fiscal year 2016 was \$396,426, used primarily for design, right-of-way and construction of Corridor H, WV 10, Coalfields Expressway and system preservation projects on other federal highways. As previously discussed the recognition of revenue under these grants occurs when expenditures occur on specific projects that have qualified for federal participation and the Division requests reimbursement. The budgeted amounts for federal revenue and expenditures are based on projects that have been approved and estimates of the timing of each phase of the project. Since the timing of such expenditures are dependent

on variables such as the weather, the existence of differing site conditions that require plan modification, or delays caused by environmental issues or the results of public meetings, expenditures often do not occur as planned. Federal revenue recognized in the Statement of Activities in each of the last two years is summarized below (amounts in thousands):

	2016		2016 2015		 ncrease ecrease)	% Increase (Decrease)
Federal reimbursement-Budgeted funds Federal reimbursement-Surface	\$	400,098	\$ 319,012	\$ 81,086	25.42%	
Transportation		27,499	27,506	(7)	(0.03)%	
Federal reimbursement-Emergency funds		33,274	 3,615	29,659	820.44%	
	\$	460,871	\$ 350,133	\$ 110,738	31.63%	

It is anticipated that state revenues will basically remain unchanged in fiscal year 2017. The Division's revenues are not projected to keep pace with increases in operating costs, and Management has taken steps to maintain a fiscally sound equity position. The approved fiscal year 2017 budget is \$1.2 billion. If revenues are significantly less than estimated, Management is confident that adequate discretionary expenditure items can be reduced to permit the Division to continue to operate in a fiscally sound manner.

The Division is currently operating under a Continuing Resolution of the federal highway funding authorization designated as Fixing America's Surface Transportation Act (FAST) Act (Pub. L. No. 114-94). The effective date for most highway provisions in FAST Act, both funding and changes to policy, was October 1, 2016 extending to September 30, 2020. The Division is currently operating under a Continuing Resolution for funding that expires on April 26, 2017. Additional action from Congress will be necessary to extend the contract authority beyond April 26, 2017. West Virginia's federal fiscal year 2016 apportionment was \$437.5 million and the total contract authority was \$452.6 million (due to additional funds provided through August 2016 redistribution of federal funds to the WVDOH).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2016 the Division had invested \$8.2 billion, net of accumulated depreciation, in a range of capital assets (see note 7 for additional details). Depreciation charges for the fiscal year totaled \$322 million.

As the Division continues to expand the state road system, these expansions are focused primarily on upgrading existing roadways and completion of Appalachian Highway Corridors. While these are significant construction projects, the additions are offset by \$300 million in depreciation of the infrastructure. The Division expended \$380 million dollars during the year ended June 30, 2016 for additions to capital assets. Of this amount, \$326 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 \$289 million were reclassified from construction in process to roads and bridges. Major construction expenditures during the year included continued construction related to US 35 in Putnam County, WV 10 in Logan County, and Corridor H in Tucker County and continued environmental studies on various projects in process.

Long-term Debt

The Division has been authorized to issue bonds by constitutional amendments and all bonds are general obligation bonds of the State of West Virginia. All bonds authorized under prior constitutional amendments have been issued. At June 30, 2016, the Division had \$166 million in outstanding bonds. The amount outstanding decreased by \$2.5 million (1.5%) due to net principal payments.

The Division has also been authorized to issue revenue notes in the amount of \$200 million by constitutional amendment. The Division issued revenue notes in the amount of \$76 million in October 2006, \$33 million in April 2007, and \$77 million during fiscal year 2010. These notes are revenue notes and the debt service payments will be funded through federal aid revenue. At June 30, 2016, the Division had repaid all outstanding revenue notes. The amount decreased by \$27 million (100%) due to net principal payments.

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

Issue	Bond	Rating	Amount	(in thousands)
Safe Roads 10A - Bonds maturing on or before June 1, 2023.	Fitch: Moody's: S&P:	AA Aa1 AA-	\$	35,135
Safe Roads 15A - Bonds maturing on or before June 1, 2025.	Fitch: Moody's: S&P:	AA Aa1 AA-		131,250
			\$	166,385

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

REQUESTS FOR INFORMATION

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



WEST VIRGINIA DEPARTMENT OF TRANSPORTATION, DIVISION OF HIGHWAYS STATEMENT OF NET POSITION JUNE 30, 2016

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current assets Cash and cash equivalents	\$ 102,871
Accounts receivable, net	60,994
Taxes receivable	67,798
Due from other State of West Virginia agencies	16,896
Inventories	48,113
Investment	25,171
Total current assets	321,843
Non-current assets	
Capital assets not being depreciated	
Land - non-infrastructure	24,398
Land - infrastructure	1,124,458
Construction in progress	768,570
Capital assets net of accumulated depreciation	11 202
Land improvements	11,282
Buildings Furniture and fixtures	115,867 506
Rolling stock	59,147 96
Scientific equipment Shop equipment	143
Roads	3,574,749
Bridges	2,496,309
Total non-current assets	8,175,525
Total assets	8,497,368
Deferred outflows of resources	
Deferred outflows of resources - pensions	70,091
Total deferred outflows of resources	70,091
Total assets and deferred outflows of resources	\$ 8,567,459
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Current liabilities	
Accounts payable	\$ 75,638
Retainages payable	1,242
Accrued payroll and related liabilities	16,865 148,577
Other post employment benefits liability Due to other State of West Virginia agencies	4,896
Accrued interest payable	4,890
Unearned revenue	20,565
Current maturities of long term obligations	32,524
Total current liabilities	300,971
Non-current liabilities	
Claims and judgments	66,200
Compensated absences	3,524
Net pension liability	81,197
Bonds and notes	173,072
Total non-current liabilities	323,993
Total liabilities	624,964
Deferred inflows of resources	
Deferred inflows of resources - pension	54,138
Deferred inflows of resources - gain on refunding	13,652
Total deferred inflows of resources	67,790
Total liabilities and deferred inflows of resources	\$ 692,754
NET POSITION	
Net investment in capital assets	\$ 7,969,214
Restricted	
Coal Resource	3,710
Waste Tire	2,645
Industrial Access	5,676
Inrestricted	(106,540
Total net position	\$ 7,874,705
Total net position	\$ 7,874,705

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION, DIVISION OF HIGHWAYS STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2016

			Program Revenues					
Functions/Programs	<u>I</u>	Expenses		narges for ervices	Capital Grants and Contributions		Net Revenue (Expenses) and Changes in Net Position	
Government activities								
Road maintenance								
Expressway, trunkline & feeder & SLS	\$	332,765	\$	-	\$	-	\$	(332,765)
Contract paving & secondary roads		60,643		-		-		(60,643)
Small bridge repair & replacement		17,516		-		-		(17,516)
Litter control program		5,674		-		-		(5,674)
Depreciation		16,945		-		-		(16,945)
Other road operations								
Interstate highways		77,180		-		98,180		21,000
Appalachian highways		22,785		-		39,843		17,058
Other federal aid programs		248,861		-	3	22,847		73,986
Non federal aid improvements		9,253		-		-		(9,253)
Industrial access roads		730		-		3,000		2,270
Depreciation		299,760		-		-		(299,760)
General and administration								
Support and administrative operations		48,170		5,530		-		(42,640)
Claims		(10,212)		-		-		10,212
Costs associated with DMV		36,148		89,560		-		53,412
Costs associated with OAH		1,533		-		-		(1,533)
Interest on long-term debt		3,473		-		-		(3,473)
Unallocated depreciation		5,127	_	-	<u> </u>	-		(5,127)
	\$	1,176,351	\$	95,090	\$ 4	63,870		(617,391)
	Taxe							
		Gasoline and mo		r				404,321
		Automobile priv						201,082
		stment and inter						420
		governmental (1		ed)				12,492
		ellaneous reven						38,253
	Gain	on sale of asset	ts					1,608
	Tota	Total general revenues						658,176
	Chai	nge in net positi	on					40,785
		position, beginn					_	7,833,920
	Net j	position, ending	;				\$	7,874,705

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

JUNE 30, 2016

ACCETTO	State Road (General)	
ASSETS		
Assets	Ф	100.071
Cash and cash equivalents	\$	102,871
Receivables		60,994
Taxes receivable		67,798
Due from other State of West Virginia agencies		16,896
Inventories		48,113
Investment		25,171
Total assets	\$	321,843
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$	75,638
Retainages payable	Ψ	1,242
Accrued payroll and related liabilities		16,865
Unearned revenue		20,565
Other post employment benefits		148,577
Due to other State of West Virginia agencies		
Total liabilities		4,896 267,783
Total habilities		201,783
Fund balances		
Non-spendable		
Inventories		48,113
Restricted		
Construction and maintenance of industrial access roads		5,676
Construction and maintenance of coal resource roads		3,710
Waste tire clean up and disposal		2,645
Unassigned (deficit)	<u></u>	(6,084)
Total fund balances		54,060
Total liabilities and fund balances	\$	321,843

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION, DIVISION OF HIGHWAYS

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION

JUNE 30, 2016

Amounts reported for governmental activities in the statement of net position are different because: Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of: Capital assets not being depreciated Land - non-infrastructure \$ 24,398 Land - infrastructure \$ 1,124,458 Construction in progress 768,570 Capital assets net of accumulated depreciation Land improvements \$ 11,282 Buildings \$ 115,867 Furniture and fixtures \$ 506 Rolling stock \$ 59,147 Scientific equipment \$ 96 Shop equipment \$ 143 Roads \$ 3,574,749 Bridges \$ 2,496,309 \$ 8,175,525 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: Net pension liability \$ (81,197)	Total fund balance - governmental fund		\$ 54,060
Capital assets not being depreciated Land - non-infrastructure \$ 24,398 Land - infrastructure \$ 1,124,458 Construction in progress 768,570 Capital assets not of accumulated depreciation Land improvements \$ 11,282 Buildings \$ 115,867 Furniture and fixtures \$ 506 Rolling stock \$ 59,147 Scientific equipment \$ 96 Shop equipment \$ 143 Roads \$ 3,574,749 Bridges \$ 2,496,309 \$ 8,175,525 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: Net pension liability \$ (81,197) Accrued interest payable \$ (664) Claims and judgments \$ (67,183) Compensated absences \$ (17,015) General obligation bonds and revenue notes \$ (191,122) \$ (357,181) Deferrals of resources related to pensions and unamortized 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 that applies to a future period, and therefore, are reported as deferred inflows of resources in the statement of net position that applies to a future period, and therefore, are reported as deferred inflows of resources in the statement of net position that applies to a future period, and therefore, are reported as deferred inflows of resources in the statement of net position: (67,790)		et position are	
Land - non-infrastructure		resources and	
Land - non-infrastructure \$ 24,398 Land - infrastructure \$ 1,124,458 Construction in progress 768,570 Capital assets net of accumulated depreciation Land improvements \$ 11,282 Buildings \$ 115,867 Furniture and fixtures \$ 506 Rolling stock \$ 59,147 Scientific equipment \$ 96 Shop equipment \$ 143 Roads \$ 3,574,749 Bridges \$ 2,496,309 \$ 8,175,525 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: Net pension liability \$ (81,197) Accrued interest payable \$ (664) Claims and judgments \$ (67,183) Compensated absences \$ (17,015) General obligation bonds and revenue notes \$ (191,122) \$ (357,181) Deferrals of resources related to pensions and unamortized 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: (67,790)	Capital assets not being depreciated		
Land - infrastructure Construction in progress 768,570 Capital assets net of accumulated depreciation Land improvements 11,282 Buildings 115,867 Furniture and fixtures 506 Rolling stock 59,147 Scientific equipment 96 Shop equipment 143 Roads 3,574,749 Bridges 2,496,309 8,175,525 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: Net pension liability Net pension liability (81,197) Accrued interest payable Claims and judgments Compensated absences (17,015) General obligation bonds and revenue notes (191,122) Deferrals of resources related to pensions and unamortized gain on refunding that represents an acquisition of net position that applies to a future period, and therefore, are reported as deferred outflow of resources in the statement of net position: (67,790)		\$ 24,398	
Construction in progress 768,570 Capital assets net of accumulated depreciation Land improvements 11,282 Buildings 115,867 Furniture and fixtures 506 Rolling stock 59,147 Scientific equipment 96 Shop equipment 143 Roads 3,574,749 Bridges 2,496,309 8,175,525 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: Net pension liability (81,197) Accrued interest payable (664) Claims and judgments (67,183) Compensated absences (17,015) General obligation bonds and revenue notes (191,122) (357,181) Deferrals of resources related to pensions and unamortized 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 that applies to a future period, and therefore, are reported as deferred inflows of resources in the statement of net position: (67,790)			
Capital assets net of accumulated depreciation Land improvements Buildings	Construction in progress		
Land improvements Buildings Buildings 115,867 Furniture and fixtures 506 Rolling stock 59,147 Scientific equipment 96 Shop equipment 143 Roads 3,574,749 Bridges 2,496,309 8,175,525 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: 70,091 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 (81,197) Accrued interest payable (664) Claims and judgments (67,183) Compensated absences (17,015) General obligation bonds and revenue notes (191,122) Deferrals of resources related to pensions and unamortized 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: (67,790)			
Furniture and fixtures Rolling stock Rolling stock Scientific equipment Scientific equipment Shop equipment Roads Roads R		11,282	
Rolling stock Scientific equipment Scientific equipment Shop equipment Roads Roads Shop equipment Bridges Shop equipment Bridges Shop equipment 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 Roccrued interest payable Claims and judgments Compensated absences (17,015) General obligation bonds and revenue notes Deferrals of resources related to pensions that represent a consumption of net position that applies to a future period, and therefore are not reported in the statement of net position: Net pension liability (81,197) Accrued interest payable (664) Claims and judgments (67,183) Compensated absences (17,015) General obligation bonds and revenue notes (191,122) (357,181) Deferrals of resources related to pensions and unamortized 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: (67,790)	Buildings	115,867	
Scientific equipment Shop equipment Shop equipment Roads Roads Roads Bridges Shop equipment Roads Road	Furniture and fixtures	506	
Shop equipment Roads Roads Bridges 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: Net pension liability Accrued interest payable Claims and judgments Compensated absences (17,015) General obligation bonds and revenue notes Cleims 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: (67,790)	Rolling stock	59,147	
Roads Bridges 3,574,749 Bridges 2,496,309 8,175,525 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: Nome 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 (81,197) Accrued interest payable (664) Claims and judgments (67,183) Compensated absences (17,015) General obligation bonds and revenue notes (191,122) Deferrals of resources related to pensions and unamortized 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: (67,790)	Scientific equipment	96	
Bridges 2,496,309 8,175,525 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: 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 (81,197) Accrued interest payable (664) Claims and judgments (67,183) Compensated absences (17,015) General obligation bonds and revenue notes (191,122) (357,181) Deferrals of resources related to pensions and unamortized 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: (67,790)	Shop equipment	143	
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: 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 (81,197) Accrued interest payable (664) Claims and judgments (67,183) Compensated absences (17,015) General obligation bonds and revenue notes (191,122) (357,181) Deferrals of resources related to pensions and unamortized 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: (67,790)	Roads	3,574,749	
that applies to a future period, and therefore, is reported as a deferred outflow of resources in the statement of net position: 70,091 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 (81,197) Accrued interest payable (664) Claims and judgments (67,183) Compensated absences (17,015) General obligation bonds and revenue notes (191,122) Deferrals of resources related to pensions and unamortized 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: (67,790)	Bridges	2,496,309	8,175,525
Net pension liability (81,197) Accrued interest payable (664) Claims and judgments (67,183) Compensated absences (17,015) General obligation bonds and revenue notes (191,122) (357,181) Deferrals of resources related to pensions and unamortized 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: (67,790)	that applies to a future period, and therefore, is reported as a deferred or resources in the statement of net position:	outflow of	70,091
Accrued interest payable (664) Claims and judgments (67,183) Compensated absences (17,015) General obligation bonds and revenue notes (191,122) (357,181) Deferrals of resources related to pensions and unamortized 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: (67,790)	reported in the funds. Those liabilities consist of:		
Accrued interest payable (664) Claims and judgments (67,183) Compensated absences (17,015) General obligation bonds and revenue notes (191,122) (357,181) Deferrals of resources related to pensions and unamortized 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: (67,790)	Net pension liability	(81,197)	
Claims and judgments Compensated absences (17,015) General obligation bonds and revenue notes (191,122) Deferrals of resources related to pensions and unamortized 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: (67,790)		* * *	
Compensated absences (17,015) General obligation bonds and revenue notes (191,122) (357,181) Deferrals of resources related to pensions and unamortized 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: (67,790)			
General obligation bonds and revenue notes (191,122) (357,181) Deferrals of resources related to pensions and unamortized 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: (67,790)			
represents an acqusition of net position that applies to a future period, and therefore, are reported as deferred inflows of resources in the statement of net position: (67,790)	•		(357,181)
Net position of governmental activities \$ 7,874,705	represents an acqusition of net position that applies to a future period,	and therefore,	 (67,790)
	Net position of governmental activities		\$ 7,874,705

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION, DIVISION OF HIGHWAYS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND YEAR ENDED JUNE 30, 2016

	State Road (General)	
Revenues		
Taxes		
Gasoline and motor carrier	\$	404,321
Automobile privilege		201,082
Industrial access roads		3,000
License, fees and permits		
Motor vehicle registrations and licenses		89,560
Special fees and permits		5,530
Federal aid		
Interstate highways		98,180
Appalachian highways		39,843
Other federal aid programs		322,847
Investment and interest income		420
Intergovernmental		12,492
Miscellaneous revenues		38,253
Total revenues		1,215,528
Expenditures		
Current		
Road maintenance		
Expressway, trunkline and feeder, state and local services		347,099
Contract paving and secondary roads		60,700
Small bridge repair and replacement		19,890
Litter control program		5,676
Support and administrative operations		75,468
Division of Motor Vehicles operations		37,437
Office of Administration Hearings operations		1,626
Claims		710
Capital outlay and other road operations		710
Road construction and other road operations		
Interstate highways		107,837
		76,651
Appalachian highways Other federal aid programs		476,115
		*
Nonfederal aid construction and road operations Industrial access roads		18,965 730
Debt service		730
Bond issuance costs		1
Principal		29,335
Interest		9,360
Total expenditures		1,267,600
Deficiency of revenues over expenditures		(52,072)
Other financing sources (uses)		
Proceeds of sale of assets		2,304
Total other financing sources (uses)		2,304
Net change in fund balances		(49,768)
Fund balances, beginning of year		103,828
Fund balances, end of year	\$	54,060

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION DIVISION OF HIGHWAYS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

(amounts expressed in thousands)

Net change in fund balance - governmental fun	\$ (49,768)
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 \$347,514 exceeded the depreciation of (\$321,832) in the current period.	25,682
In the statement of activities only the loss on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus the change in the net position differs from the change in fund balance by the undepreciated cost of the assets sold.	(697)
Net repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of position.	29,335
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This is the amount of the decrease in claims of \$10,923, increase in compensated absences of (\$174), and bond insurance costs of (\$18).	10,731
Some expenses do not require the use of current financial resources and, therefore, are not reported in governmental funds. This is the amount of amortization of bond premium of \$3,844, a decrease of interest payable of \$528, pension expense of \$19,595, and amortization of gain on bond refunding \$1,535.	25,502
Change in net position of governmental activities	\$ 40,785

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

YEAR ENDED JUNE 30, 2016 (amounts expressed in thousands)

(23,403) (5,303)(71) 17,216 3,000 (71,459)14,289 127 2,616 212 320 756 5,912 1,152 4,733 4,708 4,708 Positive (Negative) (10,673)(90,622)30,253 4,332 8,153 21,962 95.330 Variance with Final Budget -S S (4,153)10,668 15,038 2,788 (72,064)86,983 401,729 19,884 27,032 38,646 1,632 79,360 396,397 206,247 396,426 62,588 588 75,711 151,424 24.964 15,071 65,724 1,111,017 1,183,081 Amounts Actual S (3,000)92,286 467,885 22,500 1,740 57,285 37,000 3,000 43,379 (76,772)151,424 189,031 50,000 90,000 15,000 68,500 15,000 4,000 1,952 74,652 419,800 ,201,639 101,856 366,480 35,637 1,278,411 Budget Final S ↔ (18,200)38,885 (62,004)30,000 30,000 2,500 5,000 (62,004)Amendments 9.800 5,000 20,000 92,489 30,485 Budget S (3,000)429,000 92,286 730 25,837 171,154 20,000 90,000 371,856 15,000 361,480 48,500 20,000 1,740 52,285 15,000 4,000 37,000 3,000 43,379 1,952 (14,768)136,656 438,000 189,031 151,424 1,185,922 Original Budget 60 S Office of Administrative Hearings operations Revenue Transfer to Industrial Access Roads Road construction and other road operations Contract paving and secondary roads Motor vehicle registrations and licenses Small bridge repair and replacement Division of Motor Vehicles operations Support and administrative operations Nonfederal aid construction Other federal aid programs Gasoline and motor carrier Fund balance, beginning of year Excess (deficiency) of revenues Appalachian highways Litter control program Automobile privilege Claims - DOH and DMV Equipment revolving Miscellaneous revenues Interstate highways Inventory revolving General operations Fund balance, end of year Road maintenance over expenditures Maintenance Courtesy Patrol Debt service Federal aid Expenditures Taxes Revenues

The Accompanying Notes Are An Integral Part Of These Financial Statements

(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The financial statements of the Division are intended to present the financial position, and the results of operations of only that portion of the financial reporting entity of the West Virginia Department of Transportation and the State of West Virginia, that is attributable to the transactions of the Division. They do not purport to, and do not, present fairly the financial position of the West Virginia Department of Transportation or the State of West Virginia as of June 30, 2016 and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

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

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

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

Net position is restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. The government-wide statement of net position reports \$12,031 restricted assets, of which all is restricted by enabling legislation.

(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When both restricted and unrestricted resources are available for use, generally it is the Division's policy to use restricted resources first, then unrestricted resources, as they are needed. Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements, as necessary.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION -

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

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

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

- Employees' vested annual leave is recorded as expenditures when utilized. The amount of accumulated annual leave unpaid at June 30, 2016, has been reported only in the government-wide financial statements.
- Division employees earn sick leave benefits, which accumulate, but do not vest. When separated from employment with the Division, an employee's sick leave benefits are considered ended and no reimbursement is provided. Any employee who retires, however, may convert any unused accumulated sick leave to increase service credits for retirement purposes. Additionally, certain employees may choose to apply any unused accumulated sick leave to pay a portion of the employee's postemployment health care insurance premium in lieu of increasing their service credits. Those employees cannot split their unused leave between the two options.
- Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in a debt service fund for transfer to the fiscal agent or for payment to be made early in the following year.
- Claims and judgments are recorded only when payment is due.
- Pension expense is recorded when contributions are due in the governmental fund financial statements and is recorded when earned in the government-wide financial statements.

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

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

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

(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INTERFUND ACTIVITY - As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges from the government's various functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. The Division processes certain routine payments, such as payroll through the State Road Fund and allocates those costs to the other governmental funds based on individual projects charged. The interfund balances at June 30, 2016 generally are a result of these routine payments and transfers.

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

The Division's State Road (General) Fund which includes the State Road Fund and A. James Manchin Fund has a legislatively approved budget. However, the Coal Resource Fund, Industrial Access Fund and certain monies reported within the State Road Fund in accordance with accounting principles generally accepted in the United States of America are not considered appropriated funds in accordance with the Division's budgetary reporting policy. Accordingly, these funds have not been reported in the Division's Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budgetary Basis) - State Road Fund. A reconciliation of the excess of revenues over expenditures and other financing uses for the year ended June 30, 2016, on the budgetary basis to the GAAP basis for the State Road fund follows:

Excess of revenues over expenditures - budgetary basis	\$ (72,064)
Basis of accounting differences (budgetary to GAAP)	21,621
Unbudgeted funds	(1,629)
Deficiency of revenues over expenditures - GAAP basis	\$ (52,072)

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

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

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

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:

(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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 their fair market value at the date of donation.

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

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

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

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

• Machinery and equipment: 5 - 20 years

• Buildings: 40 years

• Furniture and fixtures: 3 - 20 years

• Rolling stock: 3 - 20 years

Scientific equipment: 3 - 25 years
 Infrastructure: roads - 30 years
 Infrastructure: bridges - 50 years

ACCOUNTS AND TAXES RECEIVABLE - Accounts receivable in all funds report amounts that have arisen in the ordinary course of business and are stated net of allowances for uncollectable amounts. Governmental fund type receivables consist primarily of amounts due from the Federal government. Interest and investment revenue receivable in all funds consist of revenues due on each investment. Taxes receivable in governmental funds represent taxes subject to accrual, primarily motor fuel excise taxes and automobile privilege taxes, which are collected within forty-five days after year end. The uncollectible amounts are based on collection experience and a review of the status of existing receivables.

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

YEAR ENDED JUNE 30, 2016 (amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

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

The table below summaries the recurring fair value measurements of the investments in accordance with GASB Statement No. 72 fair value hierarchy levels as on June 30, 2016.

Investment Type	 Level 1	Level 2	 Level 3	 Total
• •				
Local government bonds	\$ 	\$ 	\$ 25,171	\$ 25,171

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.

(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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 \$70,091 as deferred outflows of resources related to pensions on the statement of net position.

The statement of net position reports a separate financial statement element called *deferred inflows of resources*. This financial statement element represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The Division reports \$67,790 as deferred inflows of resources related to pensions and gain on the refunding of debt on the statement of net position.

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

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

(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

Committed fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by appropriation legislation passed by the West Virginia State Legislature, which is the highest level of decision making authority for the State. Those committed amounts cannot be used for any other purpose unless the West Virginia State Legislature passes new legislation concerning those amounts. The Division has no committed fund balances at June 30, 2016.

Assigned fund balances are constrained by the Division's intent to use such funds for specific purposes, but are neither restricted nor committed. The specific purpose for which the funds are intended is expressed within the appropriation requests of the Division and approved by the State Budget Office, according to the West Virginia State Code. Assigned fund balances include all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. The Division has no assigned fund balances at June 30, 2016.

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

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

(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

RECENT STATEMENTS ISSUED BY THE GASB

The Governmental Accounting Standards Board has issued Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. The requirement of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68 are effective for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. The Division has not yet determined the effect that the adoption of GASB Statement No. 73 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for fiscal years beginning after June 15, 2016. The requirements of this Statement will improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The Statement will not affect the Division's financial statements as it does not administer a plan, but participates in a cost sharing plan.

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

The Governmental Accounting Standards Board has also issued Statement No. 82 Pension Issues—An Amendment of GASB statements No. 67, No. 68, and No. 73. This Statement addresses certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The Division has not yet determined the effect that the adoption of GASB Statement No. 82 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 83 *Certain Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The Division has not yet determined the effect that the adoption of GASB Statement No. 83 may have on its financial statements.

The Governmental Accounting Standards Board (GASB) has also released an exposure draft regarding the accounting for lease transactions in January 2016. This proposed standard addresses accounting and financial reporting for leases by state and local governments. It would establish a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Lessees would be required to recognize a lease liability and an intangible right-to-use lease asset. Lessors would be required to recognize a lease receivable and a deferred inflow of resources. The requirements of this proposed standard would also significantly increase the disclosure requirements for both lessee and lessor and are expected to be effective for reporting periods beginning after December 15, 2018. The Division has not yet determined the effect that the exposure draft may have on its financial statements.

(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	\$ 54,370
Cash on deposit with State Treasurer in Debt Service Fund	5
Cash on deposit with State Treasurer invested in BTI	
WV Money Market Pool	48,471
Cash in transit	25
Total cash and cash equivalents	\$ 102,871

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

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

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

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The WV Money Market Pool has been rated AAAm by Standard & Poor's. A fund rated "AAAm" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAm" is the highest principal stability fund rating assigned by Standard & Poor's. The WV Money Market Pool is subject to credit risk.

The BTI limits the exposure to credit risk in the WV Money Market Pool by requiring all corporate bonds to be rated A+ by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and P-1 by Moody's. The pool must have at least 15% of its assets in U.S. Treasury obligations or obligations guaranteed as to repayment of interest and principal by the United States of America. At June 30, 2016, the WV Money Market Pool investment had a total carrying value of \$1,555,529 of which the Division's ownership represents 3.12%.

(amounts expressed in thousands)

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:

	Carrying Value	WAM
Security Type	(In Thousands)	(Days)
Repurchase agreements	\$ 42,100	1
U.S. Treasury notes	231,398	88
U.S. Treasury bills	19,982	91
Commercial paper	922,891	48
Certificates of deposit	208,007	40
Corporate bonds and notes	49,282	14
U.S. agency bonds	9,499	24
Money market funds	72,370	1
	\$ 1,555,529	49

Other Risks

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

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

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

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

WEST VIRGINIA DEPARTMENT OF TRANSPRTATION DIVISION OF HIGHWAYS

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

(amounts expressed in thousands)

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2016 consisted of the following:

Federal aid billed and not paid	\$ 12, 497
Federal aid earned but not billed	44,001
Total federal aid receivable	 56,498
Other receivables	5,138
Combined total receivables	61,636
Less: allowance for uncollectibles	(642)
Net accounts receivable	\$ 60,994

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, 2016 consisted of the following:

Automobile privilege taxes	\$ 15,968
Motor fuel excise taxes	48,896
Registration fees	 2,934
Total taxes receivable	\$ 67,798

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

Amounts due from other State of West Virginia agencies at June 30, 2016 consisted of the following:

The Department of Motor Vehicles	\$	289
State Tax Department		12,513
Other agencies		4,094
Total amounts due from other State of West Virginia agencies	\$	16,896
Amounts due to other State of West Virginia agencies at June 30, 2016 consisted of the	following:	
Public Employee's Insurance Agency	\$	2,709
Public Employee's Retirement		1,906
Other agencies		281
Total amounts due to other State of West Virginia agencies	\$	4,896

WEST VIRGINIA DEPARTMENT OF TRANSPRTATION DIVISION OF HIGHWAYS NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

(amounts expressed in thousands)

NOTE 6: INVENTORIES

Inventories at June	30	2016	consisted	αf	the	following:
mivementes at June	20.	2010	Consisted	\mathbf{o}	uic	TOHOWINE.

Material and supplies	\$ 34,375
Equipment repair parts	11,072
Gas and lubrication supplies	 2,666
Total inventories	\$ 48,113

WEST VIRGINIA DEPARTMENT OF TRANSPRTATION DIVISION OF HIGHWAYS NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016 (amounts expressed in thousands)

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets not being depreciated:	Julie 30, 2013	Incleases	Decreases	Julie 30, 2010
Land - non infrastructure	\$ 23,839	\$ 559	\$ -	\$ 24,398
Land - infrastructure	1,097,423	27,035	<u>-</u>	1,124,458
Construction-in-progress - buildings	22,775	3,683	23,025	3,433
Construction-in-progress - land improvements	824	2,844	3,408	260
Construction-in-progress - roads	641,057	226,210	175,676	691,591
Construction-in-progress - bridges	120,606	72,702	120,022	73,286
construction in progress orages	120,000	72,702	120,022	73,200
Total capital assets not being depreciated	1,906,524	333,033	322,131	1,917,426
Capital assets being depreciated:				
Buildings	155,233	22,232	123	177,342
Furniture and fixtures	4,745	64	672	4,137
Land improvements - non infrastructure	15,541	3,014	-	18,555
Rolling stock	265,766	21,834	13,968	273,632
Shop equipment	3,153	43	162	3,034
Scientific equipment	2,817	-	17	2,800
Infrastructure - roads	8,847,555	172,229	-	9,019,784
Infrastructure - bridges	3,163,163	117,196	_	3,280,359
Total capital assets being depreciated	12,457,973	336,612	14,942	12,779,643
Less accumulated depreciation:				
Buildings	57,356	4,191	72	61,475
Furniture and fixtures	4,006	225	600	3,631
Land improvements - non infrastructure	6,562	711	-	7,273
Rolling stock	211,016	16,863	13,394	214,485
Shop equipment	3,015	38	162	2,891
Scientific equipment	2,677	44	17	2,704
Infrastructure - roads	5,208,596	236,439	-	5,445,035
Infrastructure - bridges	720,729	63,321		784,050
Total accumulated depreciation	6,213,957	321,832	14,245	6,521,544
Total capital assets being depreciated, net	6,244,016	14,780	697	6,258,099
Governmental activities capital assets, net	\$ 8,150,540	\$ 347,813	\$ 322,828	\$ 8,175,525

(amounts expressed in thousands)

NOTE 7: CAPITAL ASSETS (Continued)

Current year depreciation totaling \$316,705 was allocated as separate line items in the statement of activities under the major functions of the Division of Maintenance and Improvements. The remaining \$5,127 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:

Buildings and improvements	\$ 4,191
Furniture and fixtures	225
Land improvements	 711
Total unallocated	5,127
Rolling stock	16,863
Shop equipment	38
Scientific equipment	 44
Total road maintenance	 16,945
Infrastructure - roads	236,439
Infrastructure - bridges	63,321
Total other road operations	299,760
Total depreciation expense	\$ 321,832

YEAR ENDED JUNE 30, 2016

(amounts expressed in thousands)

NOTE 8-LONG-TERM OBLIGATIONS

Long-term obligations at June 30, 2016, and changes for the fiscal year then ended are as follows:

	Issue Date	Interest Rates	Maturity Through	Beginning Balance	S Additions	Reductions	Ending Balance
General obligation bonds payable from tax revenue:							
Safe road bonds Safe road bonds Total general obligation bonds Bond premium	2010 2015	4.00% 5.00%	06/01/2023 06/01/2025	\$ 35,1 133,7 168,8 27,5	10 45 -	\$ 2,460 2,460 2,823	\$ 35,135 131,250 166,385 24,737
Total general obligation bonds payable net of premium				196,4	.05	5,283	191,122
Revenue notes payable from federal aid revenue:							
Surface transportation improvements special notes (Garvee 2006A) Surface transportation improvements		3.75% - 5.00%	06/01/2016	10,0	70 -	10,070	-
special notes (Garvee 2007A) Surface transportation improvements		4.00% - 5.00%	06/01/2016	4,3	45 -	4,345	-
special notes (Garvee 2009A)		3.75% - 5.00%	06/01/2016	12,4	60	12,460	
Total revenue notes payable Note premium				26,8° 1,0°		26,875 1,021	
Total general obligation notes payable net of premium				27,8	96	27,896	
Claims and judgments Compensated absences Net pension liability Total long-term obligations				78,1 16,8 53,4 \$ 372,6	341 239 -05 55,485	65 27,693	67,183 17,015 81,197 \$ 356,517
Tomi long term congutions				Ψ 372,0	Ψ 30,707	Ψ 12,043	ψ 330,317

(amounts expressed in thousands)

NOTE 8: LONG-TERM OBLIGATIONS (Continued)

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

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

Debt service expenditures included interest of \$9,360 for the year ended June 30, 2016. Total debt service costs, exclusive of coupon redemption costs, for each of the next five years and thereafter, on general obligation bonds payable and revenue notes payable liquidated through debt service funds, are as follows:

General obligation bonds payable from	2017	2018	2019	2020	2021	2022- 2025	Total
tax revenue:							
Safe road bonds Less: interest	\$ 23,193 7,968	\$ 23,192 7,207	\$ 23,192 6,407	\$ 23,193 5,633	\$ 23,192 4,822	\$ 92,781 10,321	\$ 208,743 42,358
Total principal	15,225	15,985	16,785	17,560	18,370	82,460	166,385
Bond premium	2,825	2,825	2,825	2,825	2,825	10,612	24,737
Total principal and bond premium	\$ 18,050	\$ 18,810	\$ 19,610	\$ 20,385	\$ 21,195	\$ 93,072	\$ 191,122

During the year ended June 30, 2007, the State was authorized by constitutional amendment to issue \$200,000 of Surface Transportation Improvements Special Obligation Notes (GARVEE Notes) to fund highway and road construction projects. These notes will be repaid from future federal highway revenues. GARVEE Notes of \$76,000 were issued during October 2006 and \$33,000 were issued during April 2007. The Division sold \$76,835 of additional GARVEE notes during the fiscal year ending June 30, 2009.

The State was authorized by constitutional amendment to issue general obligation bonds to fund highway and road construction projects known as Safe Road Bonds and subsequent General Obligation State Road Refunding Bonds. These bonds will be repaid from revenues of the State Road Fund.

The Division issued on behalf of the State of West Virginia, \$35,135 in General Obligation State Road Refunding Bonds, Series 2010A on July 22, 2010, resulting in proceeds of \$38,048. This bond issue refunds Series 1998 and Series 2001 General Obligation State Road Bonds (Safe Road Bonds) with cumulative outstanding principal of \$37,730, and will result in a net present value savings of \$4,265 over the life of the bond issue. The bonds that were refunded were called on June 1, 2011 and are no longer outstanding.

(amounts expressed in thousands)

NOTE 8: LONG-TERM OBLIGATIONS (Continued)

The Division issued on behalf of the State of West Virginia, \$133,710 in General Obligation Refunding Bonds, Series 2015A on April 28, 2015, resulting in proceeds of \$159,908. This series refunds Series 2005A General Obligation State Road Bonds with cumulative outstanding principal of \$159,300, and will result in net present value savings of \$25,918 over the life of the bonds. The bonds that were refunded were called on June 1, 2015 and are no longer outstanding.

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

	pensated osences	ims and gments	Net ension ability	Ot Bo Reve	General Digation Inds and Inue Notes Premium	Total
Current liabilities	\$ 13,491	\$ 983	\$ -	\$	18,050	\$ 32,524
Long-term liabilities	 3,524	 66,200	 81,197		173,072	 323,993
Totals	\$ 17,015	\$ 67,183	\$ 81,197	\$	191,122	\$ 356,517

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

	Year Ended June 30, 2016	Year Ended June 30, 2015	Year Ended June 30, 2014
Estimated claims liability, July 1	\$ 78,106	\$ 21,812	\$ 18,248
Additions for claims incurred during the year	983	606	612
Changes in estimates for claims of prior periods	(11,300)	56,300	3,700
Payments on claims	(606)	(612)	(748)
Estimated claims liability, June 30	\$ 67,183	\$ 78,106	\$ 21,812

At June 30, 2016, approximately \$64,700 of tort claims and \$1,500 in environmental claims were pending against the Division in the West Virginia State Court of Claims. With respect to these claims, the Division has an estimated obligation of \$66,200 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 \$983. 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.

(amounts expressed in thousands)

NOTE 8: LONG-TERM OBLIGATIONS (Continued)

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

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

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

- The Division leases from the Department of Administration substantially all of State Office Building No. 5 which is owned by the State Building Commission. The Division may be released from its obligation only at the option of the lessor. The Division is obligated under the operating leases, which expire June 30, 2018 for rental payments of approximately \$1.9 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, 2016 the Division incurred payroll related expenditures of approximately \$26,210 for employee health insurance benefits provided through the West Virginia Public Employees Insurance Agency and approximately \$28,273 in employer matching contributions to the State Public Employees Retirement System.

NOTE 10: COMMITMENTS AND CONTINGENCIES

The amount of unexpended balances of highway design and construction contracts entered into by the Division with various contractors approximated \$743,730 at June 30, 2016.

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

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

Various legal proceedings and claims related to condemnation and eminent domain cases are pending against the Division. At June 30, 2016, there were approximately 416 open cases. These cases involve the acquisitions of properties by the Division for right of way purposes. The Division has paid the applicable courts on behalf of the land grantors, estimated fair values of the properties acquired. The open cases may result in condemnation commissioners or jury verdicts awarding amounts in excess of the previously paid estimated fair value amounts. In these situations, the excess award amount plus a statutory interest rate of 10% would be paid to the grantor. The interest amount would be calculated on the excess award amount from the date of the petition filing to the date of the excess payment amount to the court. Several of these cases relate to condemnations from the 1960s and 1970s. There is no estimate available as to the amount of monies needed to resolve these cases. Management is of the opinion that any liability resulting from these claims would have no adverse effect on the financial position of the Division.

(amounts expressed in thousands)

NOTE 11: RETIREMENT PLAN

Plan Description

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

Benefits Provided

PERS provides retirement benefits as well as death and disability benefits. Qualification for normal retirement is age 60 with five years of service or at least age 55 with age and service equal to 80 or greater. For all employees hired on or after July 1, 2015, qualification for normal retirement is age 62 with 10 years of service or at least age 55 with age and service equal to 80 or greater. The straight-life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. Average salary is the average of the highest annual compensation during any period of three consecutive years within the last fifteen years of earnings. For all employees hired on or after July 1, 2015 average salary is the average of the five consecutive highest annual earnings out of the last fifteen years of earnings. 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. For all employees hired on or after July 1, 2015, this age increases to 64.

Contributions

Although contributions are not actuarially determined, actuarial valuations are performed to assist the Legislature in establishing appropriate contribution rates. Employees hired prior to July 1, 2015 contribute 4.5% of annual earnings. All employees hired on or after July 1, 2015 contribute 6% of annual earnings. Current funding policy requires employer contributions of 13.5%, 14.0%, and 14.5% for the years ended June 30, 2016, 2015, and 2014, respectively.

During the years ended June 30, 2016, 2015, and 2014, the Division's contributions to PERS required and made were approximately \$28,273, \$27,693, and \$28,128 respectively.

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

At June 30, 2016, the Division reported a liability of \$81,197 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014, rolled forward to the measurement date of June 30, 2015. 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, 2015. At June 30, 2015, the Division's proportion was 14.54%, which was an increase of 0.06% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Division recognized pension expense of \$8,677. At June 30, 2016, the Division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(amounts expressed in thousands)

NOTE 11: RETIREMENT PLAN (Continued)

		Deferred Outflows of Resources		Deferred Inflows of Resources	
Net difference between projected and actual earnings on pension plan investments		\$	24,773	\$	42,578
Deferred difference in assumptions			-		9,767
Changes in proportion and differences between Division contributions and proportionate share of contributions			439		1,793
Division contributions made subsequent to the measurement date of June $30,2015$			28,272		-
Differences between expected and actual experience			16,607		
	Total	\$	70,091	\$	54,138

Deferred outflows of resources related to pensions of \$28,272 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,

2017	\$ (6,360)
2018	(6,359)
2019	(5,793)
2020	6,193

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	1.9%
Salary increases	3.00 – 6%, average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 through June 30, 2014.

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

(amounts expressed in thousands)

NOTE 11: RETIREMENT PLAN (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	15.0%	2.9 - 4.8%
Domestic equity	27.5%	7.6%
International equity	27.5%	8.5%
Real estate	10.0%	6.8%
Private equity	10.0%	9.9%
Hedge funds	10.0%	5.0%
-		
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that 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 rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. Although discount rates are subject to change between measurement dates, there were no changes in the discount rate in the current period.

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

The following presents the Division's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, 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%)	 ent Discount te (7.5%)	1%]	Increase (8.5%)
The Division's proportionate share					
of the net pension liability (asset)	\$	187,260	\$ 81,197	\$	(8,412)

NOTE 12: OTHER-POST EMPLOYMENT BENEFITS

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

(amounts expressed in thousands)

NOTE 12: OTHER-POST EMPLOYMENT BENEFITS (Continued)

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

The OPEB Plan costs are accrued based upon invoices received from PEIA based upon actuarially determined amounts. The Division's ARC was \$18,734, \$17,698, and \$11,318 and the Division has paid premiums of \$11,364, \$10,948, and \$9,659 which represent 60.7%, 61.8%, and 85.3% of the ARC, respectively, for the years ending June 30, 2016, 2015, and 2014. At June 30, 2016, the liability related to OPEB costs was \$148,577.

NOTE 13: RISK MANAGEMENT

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

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

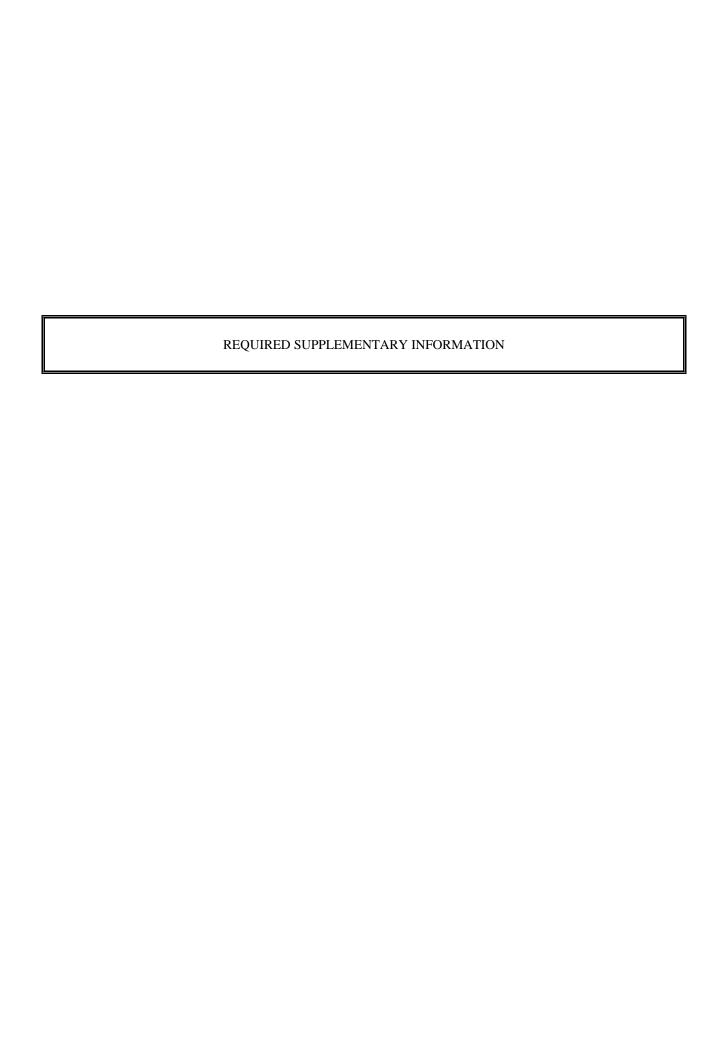
Through its participation in the PEIA, the Division has obtained health coverage for its employees. In exchange for payment of premiums to PEIA, the Division has transferred its risks related to health coverage. PEIA issues publicly available financial reports that include financial statements and required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

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

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

NOTE 14: SUBSEQUENT EVENT

The Division of Highways issued \$53,380 of Surface Transpirations Improvement Special Obligation Notes on December 22, 2016. The debt service payments will be funded through federal aid revenue. The funds generated from this sale will be used to construct the Rock Creek Development Park access road.



WEST VIRGINIA DEPARTMENT OF TRANSPORTATION DIVISION OF HIGHWAYS SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY YEAR ENDED JUNE 30, 2016

(amounts expressed in thousands)

Public Employees Retirement System

	Year Ended June 30		30	
		2016		2015
The Division's proportion (percentage) of the net pension liability		14.54%		14.48%
The Division's proportionate share of the net pension liability	\$	1,197	\$	53,405
The Division's covered employee payroll	\$	198,305	\$	193,990
The Division's proportionate share of the net pension's liability as a percentage of its covered employee payroll		40.94%		27.53%
Plan fiduciary net position as a percentage of the total pension liability		91.29%		93.98%

Note: All amounts presented are as of the measurement date, which is one year prior to the fiscal year end date.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION DIVISION OF HIGHWAYS SCHEDULE OF CONTRIBUTIONS TO THE PERS YEAR ENDED JUNE 30, 2016

(amounts expressed in thousands)

	Years Ended June 30				
	2016	2015	2014	2013	
Division's statutorily required contribution	\$ 28,272	\$ 27,693	\$ 28,128	\$ 27,797	
Division's contributions in relation to the statutorily required contribution	28,272	27,693	28,128	27,797	
Contribution deficiency (excess)	<u>\$</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$</u>	
Division's covered employee payroll	\$ 209,422	\$ 198,305	\$ 193,990	\$ 198,552	
Division's contributions as a percentage of covered-employee payroll	13.5%	14.0%	14.5%	14.0%	

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION DIVISION OF HIGHWAYS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 - TREND INFORMATION PRESENTED

The accompanying schedules of the Division's proportionate share of the net pension liability and contributions to PERS are required supplementary information to be presented for 10 years. However, until a full 10 year trend is compiled, information is presented in the schedules for those years for which information is available.

NOTE 2 - PLAN AMENDMENT

The PERS was amended to make changes which apply to new employees hired on or after July 1, 2015 as follows:

- For employees hired prior to July 1, 2015, qualification for normal retirement is age 60 with five years of service or at least age 55 with age and service equal to 80 or greater. For employees hired on or after July 1, 2015, qualification for normal retirement is 62 with 10 years of service or at least age 55 with age and service equal to 80 or greater.
- The straight life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. For employees hired prior to July 1, 2015, average salary is the average of the three consecutive highest annual earnings out of the last fifteen years of earnings. For all employees hired on or after July 1, 2015 average salary is the average of the five consecutive highest annual earnings out of the last fifteen years of earnings.
- For employees hired prior to July 1, 2015, 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. For all employees hired on or after July 1, 2015, this age increases to 64.
- For all employees hired prior to July 1, 2015, employees are required to contribute 4.5% of annual earnings. All employees hired on or after July 1, 2015, are required to contribute 6% of annual earnings.

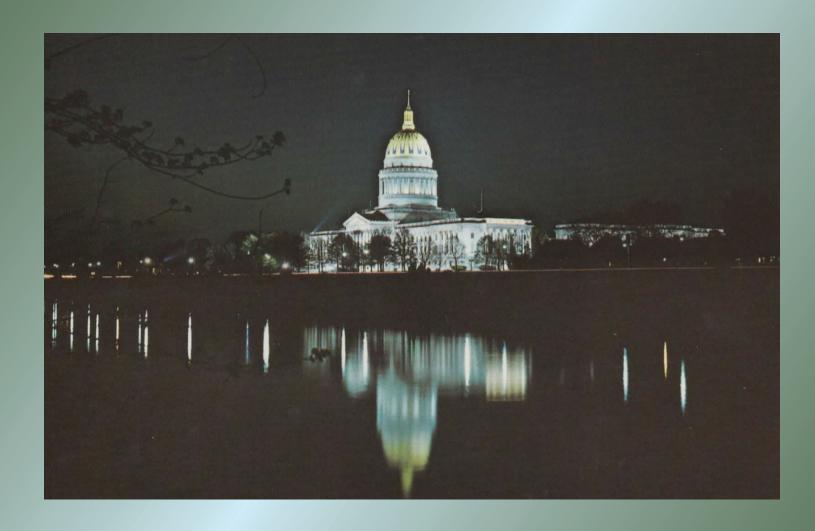
NOTE 3 - CHANGES IN ASSUMPTIONS

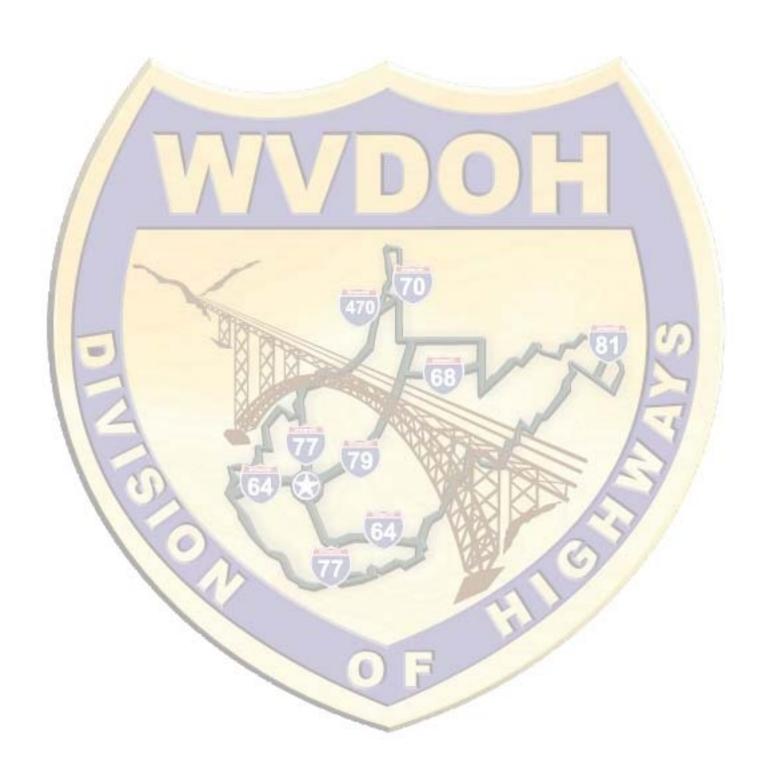
An experience study, which was based on the years 2009 through 2014, was completed prior to the 2015 actuarial valuation. As a result, several assumptions were changed for the actuarial valuation for the year ending June 30, 2015 as follows:

	2015	2014
Projected salary increases:		
State 3.0-4.6%	4.25-6.0%	
Nonstate	3.35-6.0%	4.25-6.0%
Inflation rate	1.9%	2.2%
Mortality rates	Healthy males - 110% of RP-	Healthy males - 1983 GAM
•	2000 Non-Annuitant, Scale AA	Healthy females - 1971 GAM
	Healthy females - 101% of RP-	Disabled males - 1971 GAM
	2000 Non-Annuitant, Scale AA	Disabled females - Revenue
	Disabled males - 96% of RP-2000	ruling 96-7
	Disabled Annuitant, Scale AA	
	Disabled females -107% of RP-2000	
	Disabled Annuitant, Scale AA	
Withdrawal rates		
State 1.75-35.1%	1 - 26%	
Non-state	2-35.8%	2 - 31.2%
Disability rates	0675%	08%

Statistical Section

West Virginia Department of Transportation Division of Highways





Statistical Section Narrative and Table of Contents

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

Net Position by Component	62
Changes in Net Position	64
Changes in Fund Balances of Governmental Fund	66
Fund Balance, Governmental Fund	68

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

Tax and License Fee Revenue by Source	70
Fuel and Privilege Tax Rates	71

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

Ratios of Outstanding Debt by Type 72

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

Demographic Statistics of West Virginia	73
Principal Employers	74

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

Employees by Program	76
Highway Construction and Improvement, Total Projects Authorized	78
Highway Construction and Improvement, Total Projects Authorized by Type	79
Roadway Projects – System Expansion Only	80
Roadway Resurfacing Projects	81
Total Highway Mileage by Category	82

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION DIVISION OF HIGHWAYS

Net Position by Component Last Ten Fiscal Years

(amounts expressed in thousands)

	Fiscal Year								
Governmental Activities		<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>				
Net investment in capital assets	\$	7,969,214 \$	7,911,050 \$	7,868,183 \$	7,871,718				
Restricted		12,031	12,968	14,224	11,077				
Unrestricted		(106,540)	(90,098)	59,515	3,189				
Total governmental activities net position	\$	7,874,705 \$	7,833,920 \$	7,941,922 \$	7,885,984				

Fiscal Year

			 **-		
<u>2012</u>	<u>2011</u>	2010	<u>2009</u>	2008	2007
\$ 7,712,955 \$	7,654,175	\$ 7,358,147	\$ 7,144,763	\$ 6,886,996	\$ 6,592,210
17,350	14,584	17,035	18,119	17,892	13,975
(25,347)	84,841	152,578	189,225	287,611	296,681
\$ 7,704,958 \$	7,753,600	\$ 7,527,760	\$ 7,352,107	\$ 7,192,499	\$ 6,902,866

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION DIVISION OF HIGHWAYS

Changes in Net Position Last Ten Fiscal Years

(amounts expressed in thousands)

	Fiscal Year							
		2016		2015		2014		2013
Revenues								
Governmental activities:								
General Revenues								
Motor fuel excise tax	\$	404,321	\$	432,642	\$	433,252	\$	417,571
Automobile privilege tax		201,082		204,994		195,737		188,197
Investment and interest income		420		156		98		87
Payments from primary government		12,492		9,480		11,951		11,340
Miscellaneous revenues		38,253		35,738		31,629		36,351
(Loss) gain on sale of assets		1,608		1,302		(78)		985
Total General Revenues		658,176		684,312		672,589		654,531
Program Revenues								
Capital grants and contributions:								
Federal aid		460,870		350,133		451,710		462,329
Industrial access roads		3,000		3,000		3,000		3,000
Charges for services:		2,000		5,000		2,000		2,000
Motor vehicle registration fees		89,560		96,294		96,983		90,062
Special fees and permits		5,530		6,681		6,333		7,676
Total Program Revenues		558,960				558,026		563,067
Total governmental revenues		1,217,136		1,140,420		1,230,615		1,217,598
Total governmental revenues	-	1,217,130		1,140,420		1,230,013		1,217,390
Expenses								
Governmental activities:								
Road maintenance								
Expressway, trunkline & feeder & SLS		332,765		330,656	333,336			337,436
Contract paving & secondary roads		60,643		64,339		54,642		57,386
Small bridge repair & replacement		17,516		16,385				20,628
Litter control program		5,674		555		555		1,880
Depreciation		16,945		19,111		20,852		21,037
Other road operations								
Interstate highways		77,180		61,373		91,832		26,404
Appalachian highways		22,785		12,607		24,586		714
Other federal aid programs		248,861		167,057		193,458		159,235
Non federal aid improvements		9,253		5,857		15,119		14,021
Industrial Access Roads		730		2,719		2,055		2,651
Depreciation		299,760		306,030		304,103		300,195
General and administration		277,700		200,020		501,105		500,175
Support and administrative operations		48,170		45,485		49,484		34,179
Claims		(10,212)		56,901		4,307		2,147
Costs associated with DMV		36,148		35,943		36,066		36,702
Costs associated with OAH		1,533		1,538		1,607		1,793
Interest on long-term debt		3,473		9,446		11,780		15,728
Unallocated depreciation		5,127		5,199		5,405		4,436
Transfer out		3,127		3,199		11,605		4,430
		1 176 251		1 141 201				1.026.572
Total governmental expenses		1,176,351		1,141,201		1,174,677		1,036,572
Change in net position		40,785		(781)		55,938		181,026
Effect of adoption of accounting principle		-		(107,221)		-		-
Net position, beginning		7,833,920		7,941,922		7,885,984		7,704,958
Net position, ending	\$	7,874,705	\$	7,833,920	\$	7,941,922	\$	7,885,984

Fiscal Year											
	2012		<u>2011</u>		2010		2009		2008		2007
\$	408,571	\$	406,347	\$	393,557	\$	391,903	\$	395,641	\$	364,550
Ψ	186,300	Ψ	168,602	Ψ	147,466	Ψ	141,930	Ψ	169,095	Ψ	171,429
	209		517		(457)		1,919		9,691		9,652
	28,078		14,171		41,318		27,924		18,843		-
	34,695		31,945		25,012		28,647		36,479		37,459
	2,149		1,673		-		-		-		-
	660,002		623,255		606,896		592,323		629,749		583,090
	407.014		524 602		522.020		460.700		200 222		202 522
	497,814		534,602		532,020		460,780		398,223		392,533
	3,000		3,000		3,000		3,010		2,806		3,126
	89,741		91,475		87,600		87,255		86,166		86,840
	8,380		7,083		5,793		5,958		5,954		5,263
	598,935		636,160		628,413		557,003		493,149		487,762
	1,258,937		1,259,415		1,235,309		1,149,326		1,122,898		1,070,852
	200.202		224 404		210.210		206.606		202 227		262.694
	380,283		334,484		319,219		306,686		282,337		262,684
	66,721		65,809		62,542		108,779		92,331		42,785
	22,794		12,199		10,416		29,880		17,402		14,002
	1,682		1,699		1,688		1,692		1,684		1,663
	19,564		19,714		17,951		17,046		16,892		17,416
	105,899		12,497		86,148		39,292		11,735		11,514
	51,584		4,462		5,482		7,567		3,276		3,994
	212,896		142,964		129,913		87,618		61,495		82,182
	9,561		2,760		5,500		465		2,692		9,407
	1,583		355		3,121		2,776		2,891		1,407
	290,728		285,612		292,602		287,969		269,805		257,292
	J,. _ 0		,,,,,		2,002		,,,,,,,		,,000		, / _
	81,441		95,358		55,956		47,692		50,720		27,108
	6,540		(2,940)		11,172		(4,196)		7,308		(3,000)
	33,838		33,222		31,990		30,358		28,884		35,250
	1,578		1,064		-		-		-		-
	17,136		20,041		22,514		22,730		23,692		22,977
	3,751		4,275		3,442		3,364		3,262		3,251
	- ,		-		-,				-,		-,
	1,307,579		1,033,575		1,059,656		989,718		876,406		789,932
	(48,642)		225,840		175,653		159,608		246,492		280,920
	-		-		-		-		43,141		-
	7,753,600		7,527,760		7,352,107		7,192,499		6,902,866		6,621,946
\$	7,704,958	\$	7,753,600	\$	7,527,760	\$	7,352,107	\$	7,192,499	\$	6,902,866

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION DIVISION OF HIGHWAYS

CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND LAST TEN FISCAL YEARS

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

	Fiscal Year					
	2016	<u>2015</u>	2014	2013		
Revenues						
Taxes						
Gasoline and motor carrier	\$ 404,321	\$ 432,642	\$ 433,252			
Automobile privilege	201,082	204,993	195,737	188,197		
Industrial access roads	3,000	3,000	3,000	3,000		
License, fees and permits	20 - 20					
Motor vehicle registrations and licenses	89,560	96,294	96,983	90,062		
Special fees and permits	5,530	6,681	6,333	7,676		
Federal aid	00.100	-1.1-0	02.502	00.010		
Interstate highways	98,180	61,162	93,593	90,213		
Appalachian highways	39,843	44,625	56,501	49,451		
Other federal aid programs	322,847	244,346	301,616	322,665		
Investment and interest income, net of	120	156	00	0.7		
arbitrage rebate	420	156	98	87		
Intergovernmental	12,492	9,480	11,951	11,340		
Miscellaneous revenues	38,253	35,738	31,629	36,351		
Total Revenues	1,215,528	1,139,117	1,230,693	1,216,613		
Expenditures						
Current						
Road maintenance						
Expressway, trunkline and feeder, sls	347,099	345,897	333,355	337,538		
Contract paving and secondary roads	60,700	64,425	54,642	57,386		
Small bridge repair and replacement	19,890	29,154	20,413	29,148		
Litter control program	5,676	556	555	1,880		
Support and administrative operations	75,468	73,957	80,273	76,203		
Division of Motor Vehicles operations	37,437	37,550	36,066	36,702		
Office of Administrative Hearings operations	1,626	1,673	1,607	1,793		
Claims	710	607	744	2,092		
Capital outlay and other road operations						
Road construction and other road operations						
Interstate highways	107,837	85,274	109,529	108,503		
Appalachian highways	76,651	62,526	73,637	68,957		
Other federal aid programs	476,115	365,263	363,658	396,979		
Nonfederal aid construction and road op.	18,965	15,935	17,282	21,500		
Industrial access roads	730	2,719	2,055	2,651		
Debt service						
Bond issuance costs	1	613	1	4		
Principal	29,335	51,740	49,315	48,600		
Interest	9,360	12,499	14,961	17,349		
Total Expenditures	1,267,600	1,150,388	1,158,093	1,207,285		
	(50.050)	(11.071)	72 500	0.220		
Excess (deficiency) of revenues over expenditures	(52,072)	(11,271)	72,600	9,328		
Other financing sources (uses)						
Proceeds from issuance of debt	_	_	_	_		
Transfers in	_	_	_	_		
Transfers out	_	_	(11,605)	_		
Refunding bonds issued	_	133,710	(11,005)	_		
Premium on refunding bonds	_	26,198	_	_		
Payment to refunded bond escrow agent	_	(159,300)	_	_		
Proceeds from sale of assets	2,304	1,658	1,734	1,185		
		2,000	-,	-,		
Total other financing sources (uses)	2,304	2,266	(9,871)	1,185		
Prior period adjustment	-	-	_	-		
	e (40.750)	¢ (0.005)	¢ 60.700	¢ 10.712		
Net change in fund balance	\$ (49,768)	\$ (9,005)	\$ 62,729	\$ 10,513		
Debt Service as a percentage of noncapital expenditures, excluding debt service	4%	8%	7%	9%		
expenditures, excluding debt service	4%	6%	1 %	770		

 Fiscal Year 2000 2008 2007											
<u>2012</u>		<u>2011</u>		<u>2010</u>		<u>2009</u>		<u>2008</u>		<u>2007</u>	
\$ 408,571	\$	406,347	\$	393,557	\$	391,903	\$	395,641	\$	364,550	
186,300		168,602		147,466		141,930		169,095		171,429	
3,000		3,000		3,000		3,010		2,806		3,126	
89,741		91,475		87,600		87,255		86,166		86,840	
8,380		7,083		5,793		5,958		5,954		5,263	
100.422		112 124		112 125		121 007		00.202		56.001	
109,422 82,989		112,134 63,239		112,435 81,840		121,087 73,894		80,203 80,111		56,801 93,552	
305,403		359,229		337,746		265,799		237,909		242,180	
303,103		337,227		337,710		200,777		231,707		212,100	
209		517		(457)		1,919		9,692		9,652	
28,078		14,171		41,318		27,924		-		-	
 34,695		31,945		25,012		28,649		36,479 1,104,056		37,459	
 1,256,788		1,257,742		1,235,310		1,149,328		1,104,030		1,070,852	
380,301		334,608		318,389		312,984		283,726		258,720	
66,721		65,809		62,542		108,779		92,331		42,785	
39,731		23,595		27,638		47,813		22,480		17,100	
1,682		1,699		1,688		1,692		1,684		1,663	
112,652		129,104		96,251		67,340		61,962		55,911	
33,838		33,222		31,990		30,358		28,884		34,754	
1,578		1,064		407		704		-		- 144	
2,327		1,563		497		724		629		144	
129,221		128,278		125,499		144,799		95,599		70,926	
108,798		84,470		102,626		104,017		110,006		132,747	
387,429		444,804		426,980		361,965		358,353		348,650	
19,908		27,717		26,714		33,448		14,791		20,365	
1,583		355		3,121		2,776		2,891		1,407	
3		442		4		5		-		-	
57,290		52,980		52,435		40,635		38,940		18,150	
 20,078		22,829		25,134		24,110		25,803		23,442	
 1,363,140		1,352,539		1,301,508		1,281,445		1,138,079		1,026,764	
(106,352)		(94,797)		(66,198)		(132,117)		(34,023)		44,088	
						80,964				112,097	
-		-		_		60,904		12,931		112,097	
_		_		_		_		12,731		_	
-		35,135		_		-		-		-	
-		2,913		-		-		-		-	
-		(37,730)		-		-		-		-	
 2,446		2,506		-		-		-		-	
 2,446		2,824		-		80,964		12,931		112,097	
 -		-		(14,100)		-		-		-	
\$ (103,906)	\$	(91,973)	\$	(80,298)	\$	(51,153)	\$	(21,092)	\$	156,185	
 7%		10%		10%		9% 67		11%		8%	

Fund Balance, Governmental Fund Last Ten Fiscal Years

(amounts expressed in thousands)

	Fiscal Year					
		<u>2016</u>		<u>2015</u>		2014
General Fund						
Nonspendable						
Inventories	\$	48,113	\$	46,984	\$	36,087
Restricted						
Construction and Maintenance of coal resource roads		3,710		4,584		7,786
Construction and Maintenance of industrial access roads		5,676		4,039		3,758
Waste tire clean-up		2,645		4,345		2,680
Unassigned		(6,084)		43,876		62,522
Reserved for inventories		-		-		-
Unreserved		-		-		
Total General Fund	\$	54,060	\$	103,828	\$	112,833
All Other Governmental Funds						
Restricted, capital projects fund	\$	-	\$	-	\$	-
Reserved, capital projects fund				-		
Total all funds	\$	54,060	\$	103,828	\$	112,833

The fund balance information for years 2007 through 2009 was restated from the previously reported reserved and unreserved to the new classifications required by GASB 54, which was implemented July 1, 2009. The fund balances were restated to the various classifications based upon the information available, which has resulted in some variances in the classifications over the years.

						Fi	scal Year						
	<u>2013</u>		<u>2012</u>		<u>2011</u>		<u>2010</u>		<u>2009</u>		<u>2008</u>		<u>2007</u>
\$	42,950	\$	45,765	\$	38,779	\$	37,157	\$	-	\$	-	\$	-
	2,189		4,739		3,266		-		-		-		_
	6,283		10,240		8,823		-		-		-		-
	2,605		2,371		2,495		-		-		-		-
	(3,923)		(23,524)		90,134		180,285		-		-		-
	-		_		-		-		39,881		33,040		33,259
	-		-		-		-		218,945		320,030		272,736
\$	50,104	\$	39,591	\$	143,497	\$	217,442	\$	258,826	\$	353,070	\$	305,995
	_												
\$	_	\$	_	\$	_	\$	18,028	\$	_	\$	_	\$	_
·	_	•	_	·	_	·	-	·	56,942	·	13,851	•	82,018
\$	50,104	\$	39,591	\$	143,497	\$	235,470	\$	315,768	\$	366,921	\$	388,013



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

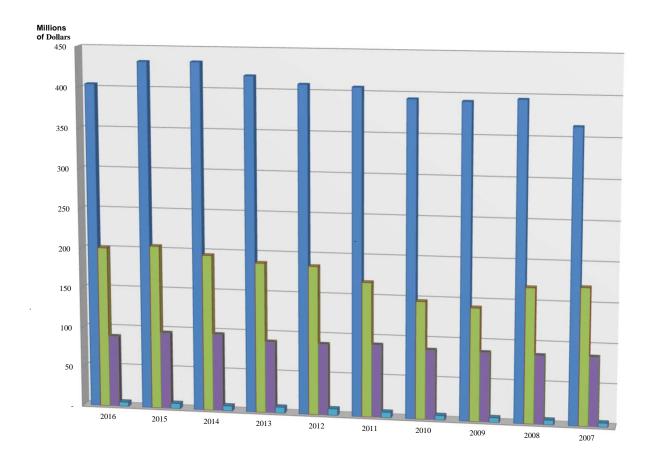
Last Ten Fiscal Years

 $(Amount\ expressed\ in\ thousands)$

Fiscal Year	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Gasoline/Motor Carrier	\$404,321	\$432,642	\$433,252	\$417,571	\$408,571	\$406,347	\$393,557	\$391,903	\$395,641	\$364,550
Automobile Privilege	201,082	204,994	195,737	188,197	186,300	168,602	147,466	141,930	169,095	171,429
Registration/ License Fees	89,560	96,294	96,983	90,062	89,741	91,475	87,600	87,255	86,166	86,840
Special Fees & Permits	5,530	6,681	6,333	7,676	8,380	7,083	5,793	5,958	5,954	5,263
Total	\$700,493	\$740,611	\$732,305	\$703,506	\$692,992	\$673,507	\$634,416	\$627,046	\$656,856	\$628,082

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

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





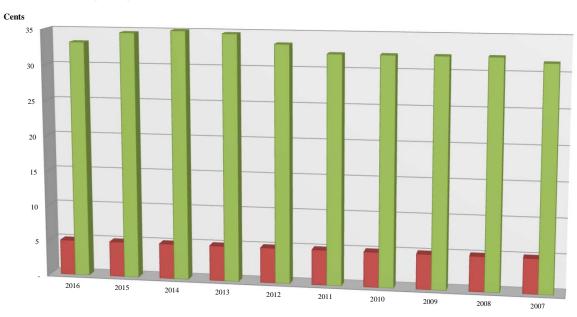
DIVISION OF HIGHWAYS FUEL AND PRIVILEGE TAX RATES

Last Ten Fiscal Years

Fiscal Year	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Automobile Privilege(2) (cents per dollar)	5	5	5	5	5	5	5	5	5	5
Motor Fuel Excise Tax(1)	33.2	34.6	35.7	34.7	33.4	32.2	32.2	32.2	32.2	31.5

(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 12.7 cents per invoiced gallon as of January 1, 2016.

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



WEST VIRGINIA DEPARTMENT OF TRANSPORTATION DIVISION OF HIGHWAYS RATIOS OF OUTSTANDING DEBT BY TYPE LAST TEN FISCAL YEARS

(amounts expressed in thousands, except per capita amount)

Primary Go	vernment -	Del	ht
------------	------------	-----	----

	General		Total	Percentage	
Fiscal	Obligation Revenue		Primary	of Personal	Per
Year	Bonds	Notes	Government	Income*	Capita*
2016	\$ 191,122	\$ -	\$ 191,122	0.28%	103.64
2015	196,405	27,896	224,301	0.34%	121.22
2014	238,979	54,565	293,544	0.45%	158.30
2013	265,541	80,059	345,600	0.54%	186.27
2012	292,497	104,448	396,945	0.64%	213.94
2011	329,130	127,892	457,022	0.77%	246.64
2010	362,066	150,431	512,497	0.89%	281.63
2009	395,289	172,295	567,584	0.99%	312.74
2008	427,263	101,931	529,194	0.98%	292.18
2007	457,859	112,599	570,458	1.10%	315.65

Government Activities Tax and Fee Income

						Motor				
	(Gasoline			,	Vehicle	S	pecial		
Fiscal	an	nd Motor	Αι	ıtomoblie	Registrations		Fees and			
Year		Carrier	F	Privilege	and Licenses		Permits		Τ	otal
2016	\$	404,321	\$	201,082	\$	89,560	\$	5,530	7	700,493
2015		432,642		204,993		96,294		6,681	7	740,610
2014		433,252		195,737		96,983		6,333	7	732,305
2013		417,571		188,197		90,062		7,676	7	703,506
2012		408,571		186,300		89,741		8,380	6	592,992
2011		406,347		168,602		91,475		7,083	6	573,507
2010		393,557		147,466		87,600		5,793	6	534,416
2009		391,903		141,930		87,255		5,958	6	527,046
2008		395,641		169,095		86,166		5,954	6	556,856
2007		364,550		171,429		86,840		5,263	6	528,082

General Obligation Bond Debt Ratio

0.0	nerur o ongumon	ur ochganon Bona Bect ranso				
General	Percentage	Percentage				
Obligation	of Tax and	of Personal	Per			
Bonds	Fee Income	Income*	Capita*			
\$ 191,122	27.28%	0.28%	103.64			
196,405	26.52%	0.29%	106.15			
238,979	32.63%	0.36%	128.88			
265,541	37.75%	0.42%	143.12			
292,497	42.21%	0.47%	157.65			
329,130	48.87%	0.55%	177.62			
362,066	57.07%	0.63%	198.96			
395,289	63.04%	0.69%	217.81			
427,263	65.05%	0.79%	235.90			
457,859	72.90%	0.88%	253.35			
	Obligation Bonds \$ 191,122 196,405 238,979 265,541 292,497 329,130 362,066 395,289 427,263	Obligation Bonds of Tax and Fee Income \$ 191,122 27.28% 196,405 26.52% 238,979 32.63% 265,541 37.75% 292,497 42.21% 329,130 48.87% 362,066 57.07% 395,289 63.04% 427,263 65.05%	Obligation Bonds of Tax and Fee Income of Personal Income* \$ 191,122 27.28% 0.28% 196,405 26.52% 0.29% 238,979 32.63% 0.36% 265,541 37.75% 0.42% 292,497 42.21% 0.47% 329,130 48.87% 0.55% 362,066 57.07% 0.63% 395,289 63.04% 0.69% 427,263 65.05% 0.79%			

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

See personal income and population data.

Demographic Statistics of West Virginia Last Ten Calendar Years

C-11	T-4-1	Total	D C	II	M. P
Calendar	Total	Personal Income	Per Capita	Unemployment	Median
Year	Population	(in thousands)	Personal Income	Rate	Age
2015	1,844,128	67,787,227	36,758	6.0%	42.2
2014	1,850,326	66,857,000	36,132	7.6%	41.9
2013	1,854,304	65,889,000	35,533	6.6%	41.3
2012	1,855,413	63,968,000	34,477	7.3%	41.3
2011	1,855,364	62,178,000	33,513	8.0%	41.1
2010	1,852,994	59,417,000	32,042	9.1%	41.3
2009	1,819,777	57,535,000	31,137	7.9%	40.5
2008	1,814,873	57,576,000	31,286	4.3%	40.6
2007	1,811,198	54,100,000	29,497	4.3%	40.4
2006	1,807,237	51,862,000	28,372	4.6%	40.7

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

Principal Employers Current Year and Ten Years Ago

		Largest Em	ployer Rank	
	2016	2015	2014	2013
WV United Health System	1	2	2	2
Wal-Mart Associates, Inc.	2	1	1	1
Charleston Area Medical Center, Inc.	3	3	3	3
Kroger	4	4	4	4
Mylan Pharmaceuticals, Inc.	5	5	5	6
Lowe's Home Centers, Inc.	6	8	8	7
St. Mary's Medical Center, Inc.	7	7	7	8
Cabell Huntington Hospital	8	9	-	-
Wheeling Hospital, Inc	9	-	-	-
Res-Care, Inc.	10	10	10	10
Murray American Energy, Inc.	-	6	6	-
Mentor Management, Inc (Mentor Network, The)	-	-	9	9
American Electric Power	-	-	-	-
Consolidation Coal Company	-	-	-	5
Pilgrim's Pride Corporation of West Virginia	-	-	-	-
Verizon	-	-	-	-
Eldercare Resources Corportaion	-	-	-	-
CSX/CSX Hotels Inc. (The Greenbrier and railroad)	-	-	-	-

Source: Workforce West Virginia Research, Information and Analysis

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

Largest Empl	loyer Rank
--------------	------------

Zargest Zimprojer raumi									
2012	2011	2010	2009	2008	2007				
2	2	2	2	2	2				
1	1	1	1	1	1				
3	3	3	3	3	3				
4	4	4	4	4	4				
7	6	10	-	-	-				
6	7	7	10	8	7				
9	8	8	7	9	10				
-	-	-	-	-	-				
-	-	9	-	-	-				
-	-	-	-	-	-				
8	10	-	-	-	-				
10	9	5	5	6	5				
5	5	6	9	10	-				
-	-	-	-	-	9				
-	-	-	-	-	-				
-	-	-	6	7	6				
-	_	-	8	5	8				

Employees by Program Last Ten Fiscal Years

	Employees as of June 30						
	2016	<u>2015</u>	<u>2014</u>	2013			
Program Maintenance	3317	3383	3404	3,401			
Construction	948	966	973	973			
General and administration	474	483	486	486			
Total	4,739	4,832	4,863	4,860			

Source: Division of Highways Budget Office.

Employees as of June 30									
<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>				
3,466	3,547	3,534	3,539	3,372	3,340				
853	950	927	898	888	907				
520	309	298	306	296	313				
4,839	4,806	4,759	4,743	4,556	4,560				



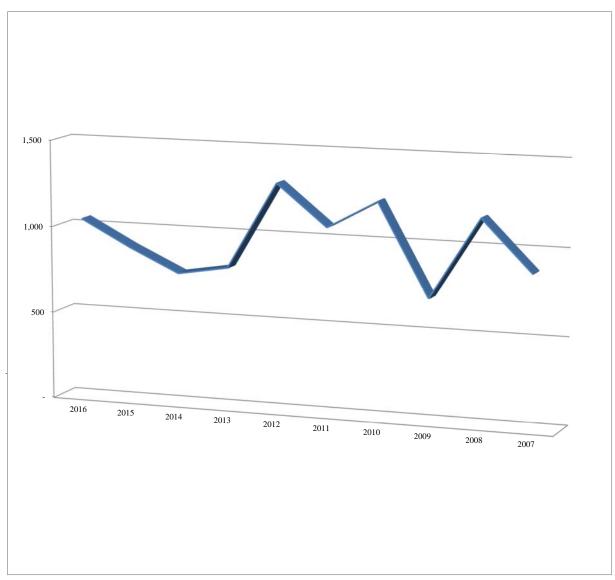
DIVISION OF HIGHWAYS HIGHWAY CONSTRUCTION AND IMPROVEMENT TOTAL PROJECTS AUTHORIZED

Last Ten Fiscal Years

											Total
Fiscal Year	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	Projects
Projects	1042	891	757	806	1,305	1,070	1,231	702	1,169	874	9,847

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)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Interstate Construction	3	7	6	7	5	7	6	5	11	10
Interstate Renovation	22	24	14	24	24	19	20	16	18	22
Interstate Expansion	1	0	0	0	0	1	0	0	0	0
Non-Interstate Other	35	68	64	71	99	75	44	2	3	4
ARRA	0	0	0	0	1	8	70	73	0	0
Appalachian Development	24	15	14	17	14	30	16	19	19	19
Other Bridge	29	41	35	40	43	50	51	27	24	31
Miscellaneous	399	179	194	143	131	201	205	194	125	137
Total	513	334	327	302	317	391	412	336	200	223

Non-Federal Aid (Number of Projects)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Maintenance	261	320	178	220	378	276	415	50	444	321
Bridge Replacement and Renovation	17	31	34	23	31	28	26	37	48	32
Miscellaneous Bridge Work	62	34	29	45	45	70	63	20	90	30
Industrial Access Roads	1	5	4	4	10	4	8	4	4	6
Roadway Renovation and Improvement	188	167	185	212	524	301	307	255	383	262
Total	529	557	430	504	988	679	819	366	969	651
Grand Total	1042	891	757	806	1305	1070	1231	702	1169	874

TOTAL AUTHORIZED PROJECTS = 9,847



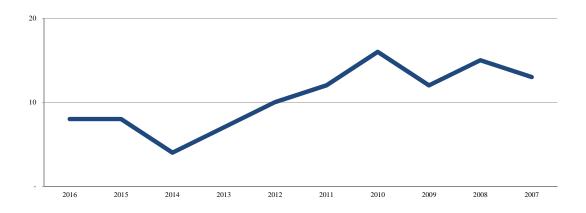
DIVISION OF HIGHWAYS ROADWAY PROJECTS - SYSTEM EXPANSION ONLY

Last Ten Fiscal Years

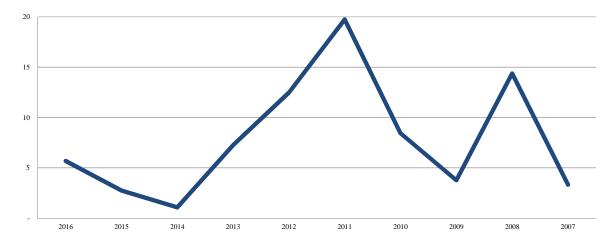
Fiscal Year	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Number of Projects	. 8	8	4	7	10	12	16	12	15	13
Number of Miles	5.69	2.75	1.08	7.26	12.49	19.75	8.44	3.77	14.39	3.34

Source: Division of Highways Program Planning & Administration Division

Number of Projects:



Number of Miles:





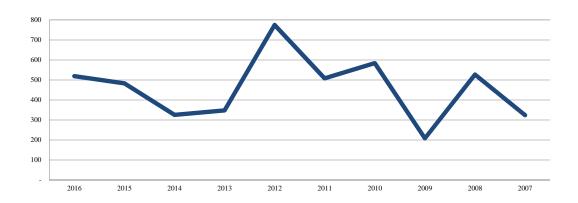
DIVISION OF HIGHWAYS ROADWAY RESURFACING PROJECTS

Last Ten Fiscal Years

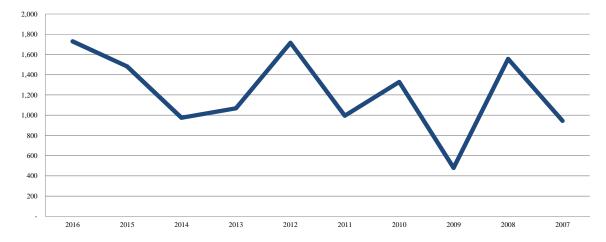
Fiscal Year	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Number of Projects	519	483	325	348	775	508	584	208	527	324
Number of Miles	1,729	1,481	975	1,067	1,716	995	1,328	479	1,557	944

 $\textbf{Source:}\ \ \text{Division of Highways Program Planning \& Administration Division}$

Number of Projects:



Number of Miles:



DIVISION OF HIGHWAYS TOTAL HIGHWAY MILEAGE BY CATEGORY

Total	Road	S	vstem
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<u>Total Road System</u>		
Interstate excluding Turnpike		468
U.S. Routes		1,830
W.V. Routes		3,686
County Routes		28,873
Other (Parks, Forests, HARP)		1,077
Total Road System Miles		35,934
This classification system, established solely as an aid to the motoring public, consists of identified by a route number sign.	f all routes	
Federal Aid Routes		
	Rural	Urban
	Miles	Miles
Interest III also and the OC Transilla Miles	202 *	252 *
Interstate Highways including 86 Turnpike Miles	303 *	252 *
(Part of National Highway System)		
Interstate Highways are multi-lane, fully access-controlled routes		
that serve the national defense and connect the nation's principal		
metropolitan areas, cities, and/or industrial centers.		
* Includes 4 miles of one way connecting ramps		
** Includes 1 mile of one way connecting ramps		
Other National Highway System	964	447
Other major routes, including most principal arterials that are the		
most important to interstate travel and national defense, roads that		
•		
connect with other modes of transportation, and roads essential for		
international commerce.		
Other Federal-Aid Highways	6,671	1,843
· · · · · · · · · · · · · · · · · · ·	0,071	1,0 .0
All other roads on which Federal Highway funds may be expended including Federal Aid Non-State (FANS) roads.		
Sub-total miles	7,938	2,542
Total Federal Aid Routes Miles	10,4	80

Source: 2015 Public Certified Mileage

