

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

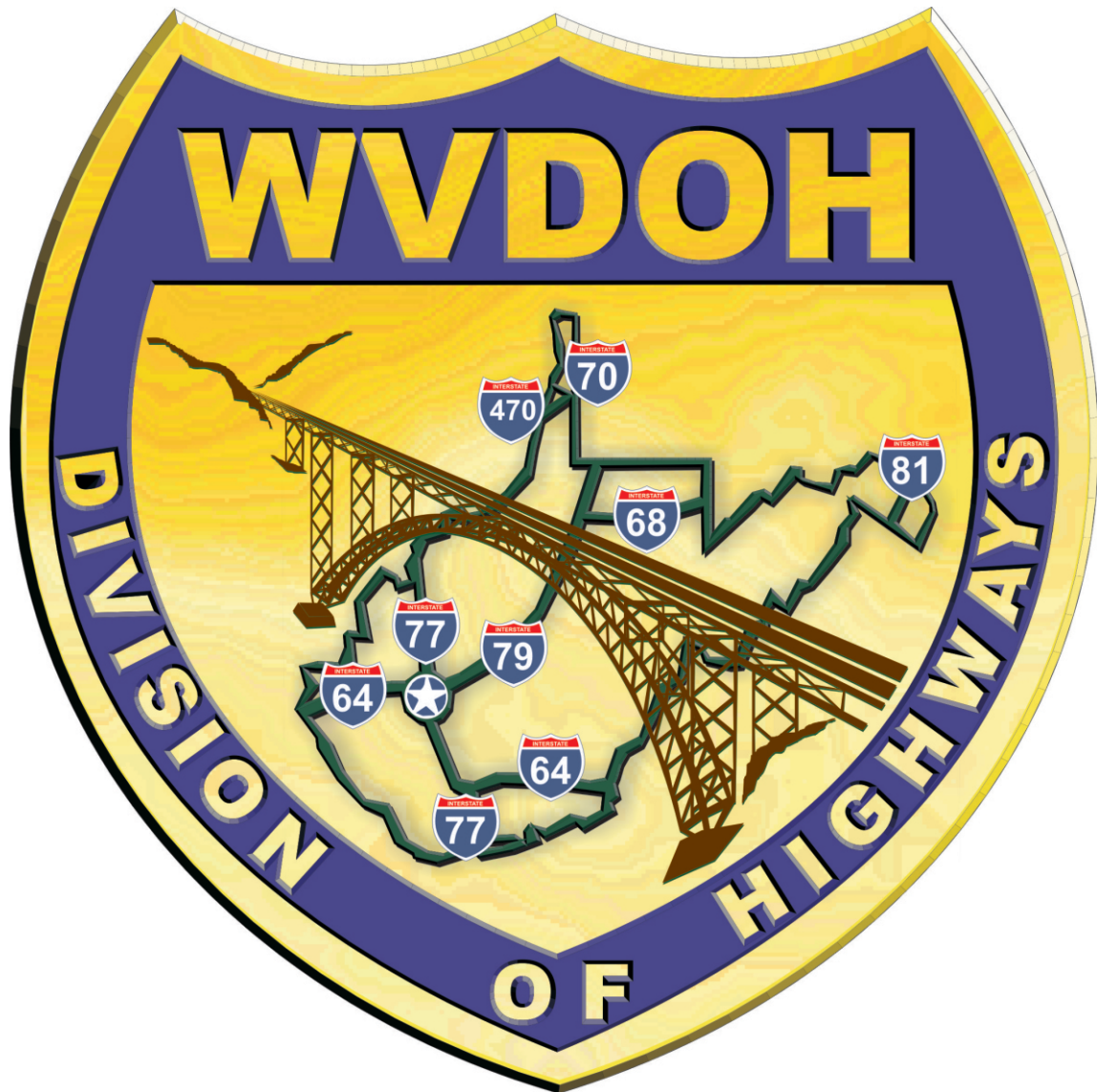
A Component Unit of THE STATE OF WEST VIRGINIA

**Comprehensive Annual Financial Report
for the Year Ended
June 30, 2019**

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION

DIVISION OF HIGHWAYS

COMPONENT UNIT OF THE STATE OF WEST VIRGINIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2019

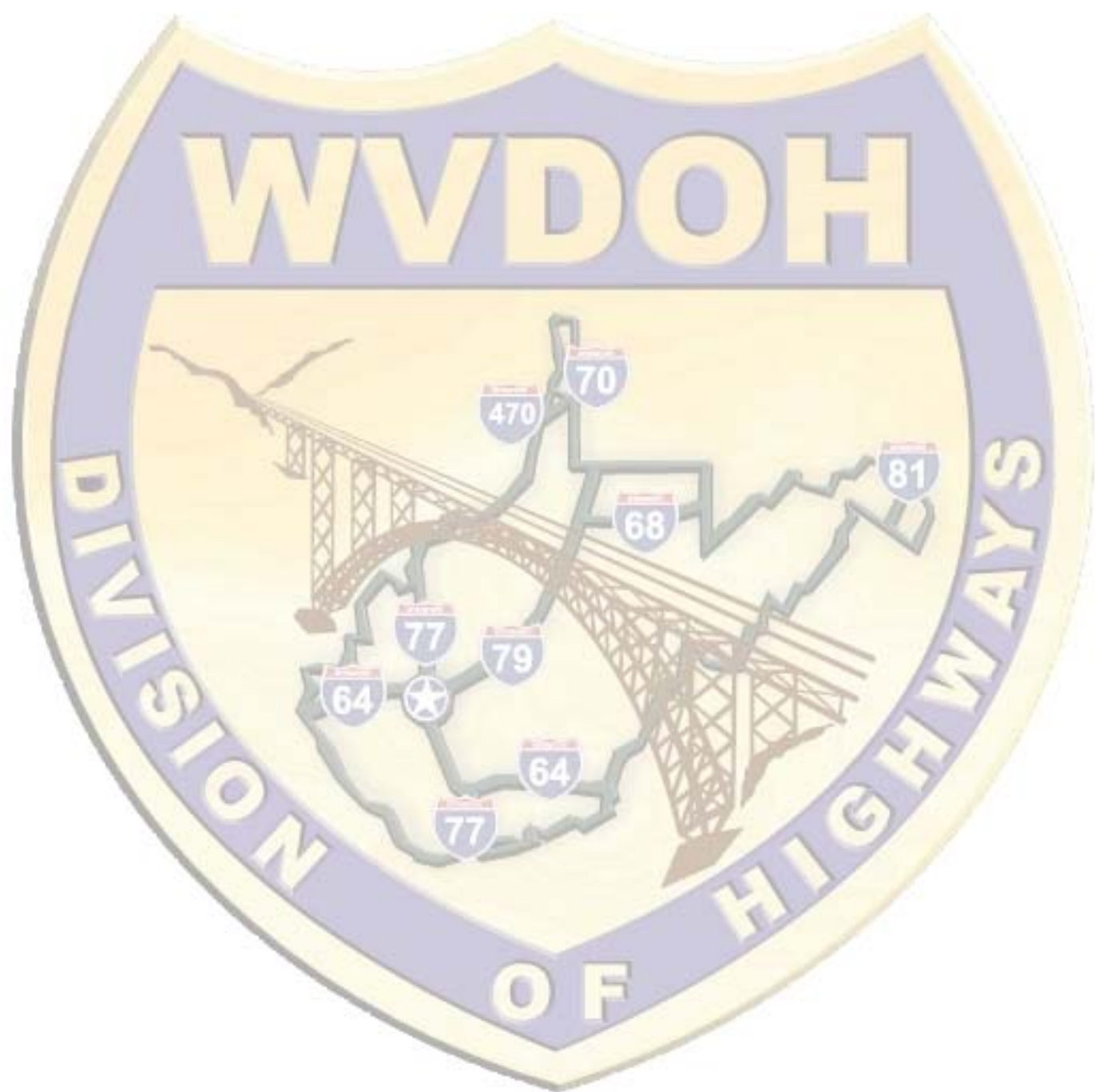
Prepared by:
Finance and Administration Division

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Introductory Section

West Virginia Department of Transportation

Division of Highways





WEST VIRGINIA DEPARTMENT OF TRANSPORTATION

Division of Highways

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

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

December 20, 2019

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

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

We are pleased to submit the Comprehensive Annual Financial Report of the West Virginia Department of Transportation, Division of Highways (the Division) for the fiscal year ended June 30, 2019. The purpose of the report is to provide the Governor, Legislature, Citizens and other interested parties with reliable financial information about the Division.

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

State statute requires that an annual audit of the Division is performed. The accounting firm of Suttle and Stalnaker, PLLC was engaged to perform the audit for the year ended June 30, 2019. Their report is included in the financial section of this report. The West Virginia Department of Transportation is included in the West Virginia Single Audit in accordance with the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The West Virginia Single Audit for the year ended June 30, 2019 is available upon request.

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

PROFILE OF THE GOVERNMENT

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

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

RELEVANT FINANCIAL POLICIES

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

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

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

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

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

ECONOMIC CONDITIONS AND OUTLOOK

According to the *West Virginia Economic Outlook 2020*, published by the Bureau of Business and Economic Research at the College of Business and Economics, West Virginia University, “West Virginia registered its strongest year of economic growth in more than a decade during 2018, marking the state’s second year of recovery after a protracted economic downturn that lasted for much of the period between 2012 and 2016. The energy sector has driven most of West Virginia’s economic rebound, particularly the abundance of natural gas pipeline construction activity occurring throughout the state. Most of the state’s economic regions have seen conditions improve over the past couple of years but gains in jobs and output remain concentrated from a geographic perspective as several counties have accounted for the lion’s share of growth.

After losses of more than 26,000 jobs between early-2012 and late-2016, the state has seen employment increase by roughly 12,000 since the beginning of 2017. Job growth has been heavily concentrated in nine counties and has been largely driven by natural gas pipeline construction activity and a rebound in the coal and natural gas industries. The state’s unemployment rate has trended lower over the past year, falling to the upper-four-percent range. Only 54 percent of West Virginia’s adult population is either working or looking for work. This is the lowest rate of labor force participation among all 50 states. This low rate of labor force participation represents a significant hurdle for long-run economic prosperity. Per capita personal income in West Virginia increased 5.5 percent in 2018, outpacing growth in all other states and surpassing the national figure by nearly two percentage points. Currently, per capita personal income in West Virginia stands at 77 percent or so of the national average. West Virginia’s real GDP rose 2.4 percent in 2018, outpacing gains in more than 30 states. Growth was driven in large part by growth in construction and energy extraction industries. Export activity from West Virginia has been quite volatile over the past decade. Exports increased at a healthy rate from late-2016 to early-2019 but have started to retreat over the last several months. Expanding and diversifying the state’s export portfolio is of vital importance to economic development in West Virginia over the long run.

Employment in West Virginia is estimated to increase 0.2 percent per year on average through 2024, compared to an expectation of 0.6 percent for the nation. We anticipate growth to occur in energy extraction activity over the forecast horizon, although the natural gas industry will account for most of these gains. After leading job growth in recent years, the construction sector will experience some volatility and some of the sector’s expected gains over the near term are subject to considerable downside risk. Public infrastructure investments will buoy construction activity in many regions. Manufacturing is expected to add jobs roughly on par with the overall pace of job growth over the forecast horizon, though aerospace, automotive equipment and chemicals will be the sector’s leaders in job growth going forward. The state’s unemployment rate is expected to see limited changes over the forecast horizon. Real per capita personal income is expected to grow at an average annual rate of 1.3 to 1.4 percent over the next five years. Transfer payments such as Social Security and Medicare benefits will be the fastest-growing segment of income.

West Virginia’s population has declined by nearly 51,000 since 2012. We project slight population losses in the coming five years. Economic development strategies should focus on ways to improve health outcomes, lower drug abuse, and advance education and vocational training opportunities in the state to make West Virginia’s workforce more attractive to potential businesses.”

LONG-TERM FINANCIAL PLANNING

The schedule that follows presents summary revenue and expenditure information for the State Road (General) Fund for the year ended June 30, 2019. All data is presented in thousands of dollars.

	<u>Amount</u>	<u>Percent of Total</u>	<u>Change from Prior Year</u>	
			<u>Amount</u>	<u>Percent</u>
Motor Fuel Excise Tax	\$ 444,575	27%	\$ 1,302	0%
Automobile privilege taxes	237,756	14%	6,234	3%
Motor vehicle registration and licenses	169,078	10%	19,856	13%
Special fees and permits	8,385	1%	1,698	25%
Federal aid	475,747	28%	104,548	28%
Investments and interest				
Income	11,099	1%	6,222	128%
Intergovernmental	284,603	17%	284,603	100%
Miscellaneous	41,820	2%	21,272	104%
Total revenues	<u>\$1,673,063</u>	<u>100%</u>	<u>\$ 445,735</u>	<u>36%</u>
Road construction and other road operations	\$ 811,261	50%	\$ 190,474	31%
Road maintenance Support	562,367	35%	101,518	22%
and administrative operations	131,470	8%	10,020	8%
	107,892	7%	18,248	20%
Debt Service	<u>\$1,612,990</u>	<u>100%</u>	<u>\$ 320,260</u>	<u>25%</u>
Total Expenditures				

Overall, State tax and fee revenues in Fiscal Year 2019 increased by 3.50% from Fiscal Year 2018. Federal-Aid reimbursements, and investment and interest revenue also increased in Fiscal Year 2019 over Fiscal Year 2018.

At June 30, 2019, the outstanding principal balance of long-term general obligation (GO) bonds was \$900,695,000. Of this principal balance, \$118,390,000 relates to bonds that were issued between 2010 and 2015 including \$550,000,000 issued under the Safe Road Amendment of 1996 and are scheduled to be retired through June 1, 2025. The remaining outstanding principal balance of \$782,305,000 includes the issuance of GO bonds in June 2018 known as Roads to Prosperity Bonds. Total debt service payments for the Safe Road Bonds will remain around \$23.2 million annually for fiscal years 2020-2025, while the debt service payments for the currently issued Roads to Prosperity Bonds will be \$55.4 million annually for fiscal years 2020-2043. The Division anticipates issuing an additional \$600 million in GO bonds. The closing date is December 17, 2019 generating \$746.5 million in proceeds.

At June 30, 2019, the outstanding principal balance of the Grant Anticipation Revenue Vehicle (GARVEE) notes was \$283,485,000. The notes were issued as a debt-financing instrument authorized to receive federal reimbursement of debt service and related financing costs under Section 122 of Title 23, United States Code. In October 2017, the Division issued \$219,985,000 of GARVEE notes to fund bridge replacement and interstate rehabilitation projects. Additional \$78,810,000 GARVEE notes were issued in August 2018. The primary use of these funds is for bridge replacement and roadway drainage systems. GARVEE Notes of \$53,380,000 issued in 2016 were defeased in February 2018 due to cancellation of the related project. At June 30, 2019, \$36,745,000 of the defeased debt remained outstanding. In general, projects funded with the proceeds of a GARVEE debt instrument are subject to the same requirements as other federal-aid projects. The exception is the reimbursement process; reimbursement of GARVEE project costs occurs when debt service is due rather than when construction costs are incurred. Under terms of the Memorandum of Agreement between the Federal Highway Administration and the Division of Highways, the yearly debt service must be the first obligation in the federal fiscal year. The Division usually tries to obligate funds in the previous year to eliminate this restriction.

MAJOR INITIATIVES

During Fiscal Year 2019, the Division continued work on several of its major initiatives around the State including Corridor H, the Wellsburg Bridge, US 35, WV 10 and the John Nash Boulevard portion of the King Coal Highway. As a result of increased funding available to the Division from the Roads To Prosperity initiative in conjunction with major transfers of State General Revenue to the State Road Fund, the Division was able to direct additional resources toward secondary road and bridge preservation and renovation programs. During Fiscal Year 2019, the Division authorized 1,014 highway and bridge construction projects statewide. Rugged mountainous terrain and numerous streams and rivers characterize the topography of the State; consequently, West Virginia's road system includes 7,233 vehicular bridges, of which the Division is responsible for 7,004. The Division's bridge program in Fiscal Year 2019, enhanced by an infusion of General Obligation and GARVEE Bond proceeds, in conjunction with a traditional state funded program that started in 1988, allowed for construction starts on 114 bridge initiatives ranging from full replacement to deck overlays. Some of the larger projects include the airport Exit Bridge in Monongalia County, the Junior Bridge in Barbour County, the Race Track Bridge in Wood County, and the Brushy Run Bridge in Pendleton County. Other accomplishments this year included several stretches of major Interstate reconstruction across the State. The badly needed reconstruction projects were part of a larger statewide resurfacing initiative comprised of 461 resurfacing projects, which addressed nearly 1,318 miles of roadway at a cost of approximately \$216 million.

The Division also continued to improve the operating efficiency of the heavy equipment road maintenance fleet through budgeting of approximately \$22.5 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, 2018. This was the 27th consecutive year that the Division has achieved this prestigious award (1992-2018). 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 FY2019 comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and is submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of the comprehensive annual financial report on a timely basis was made possible by the personnel of the Transportation Finance & Administration and Transportation Budget Divisions. I express my sincere appreciation for the contributions made by these individuals in the preparation of this report, particularly the Financial Reporting Section of the Finance & Administration Division, which has administrative responsibility for this function.

Sincerely,



Carla P. Rotsch
Deputy Secretary/Business Manager
West Virginia Division of Highways



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

West Virginia Division of Highways

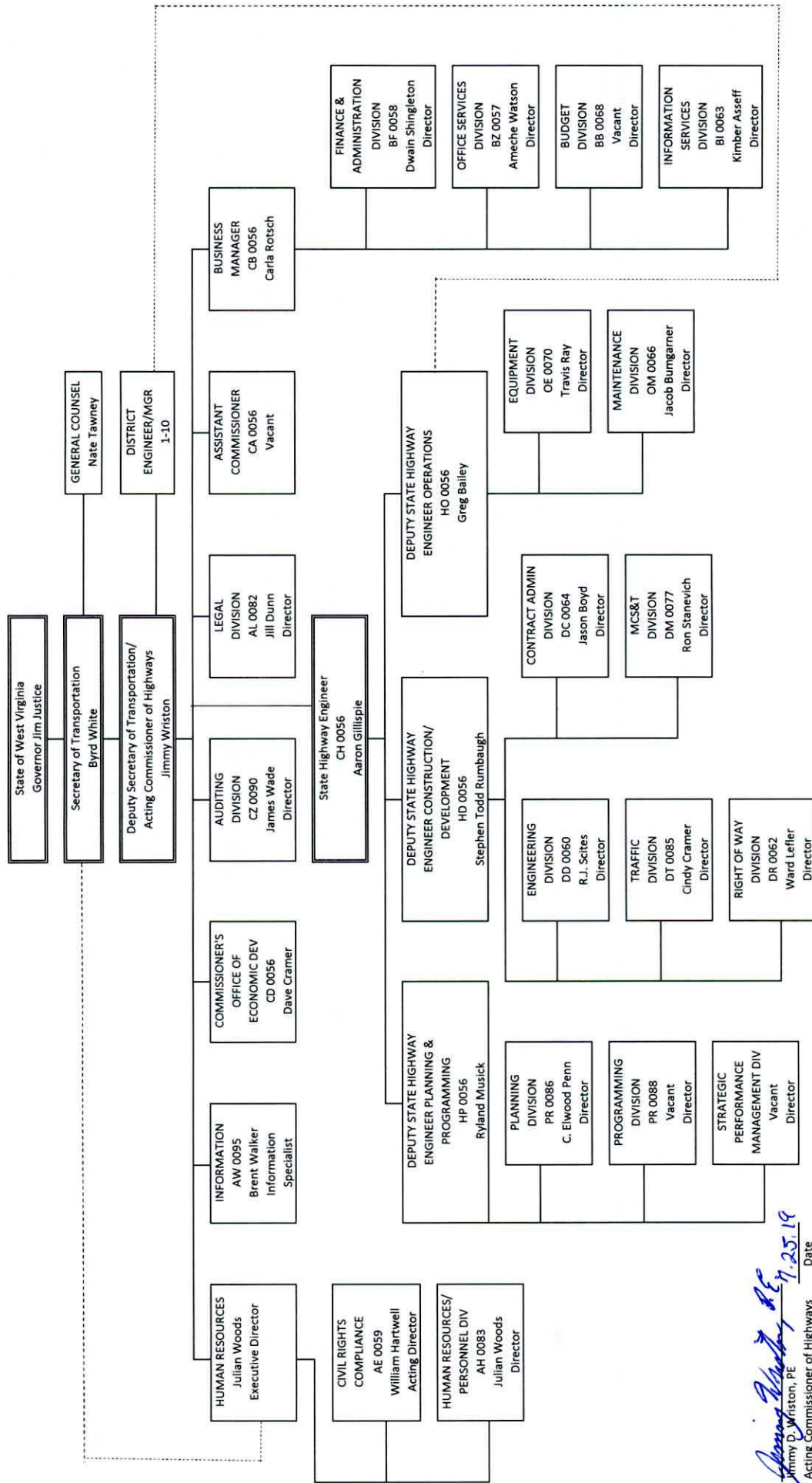
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

West Virginia Division of Highways Organizational Chart



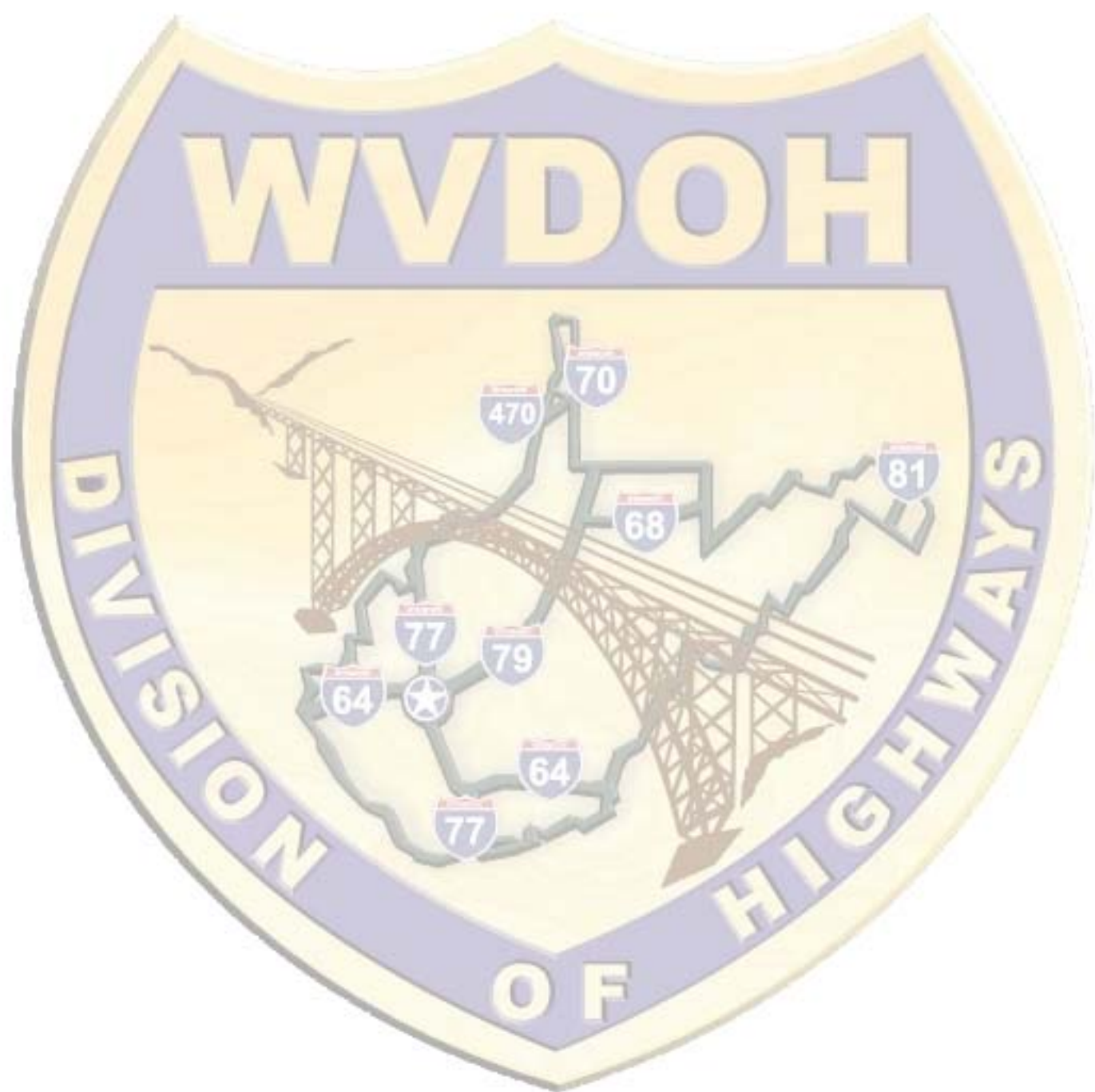
Jimmy D. Wriston, PE
 Jimmy D. Wriston, PE
 Acting Commissioner of Highways
 Date 7.25.19

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
LIST OF PRINCIPAL OFFICIALS
June 30, 2019

Byrd E. White, III	Secretary of Transportation
Jimmy Wriston, P.E.	Deputy Secretary DOT/Commissioner DOH
Nate Tawney	General Council
Vacant	Assistant Commissioner
Carla P. Rotsch	Business Manager
Aaron C. Gillispie	State Highway Engineer
Stephen T. Rumbaugh, P.E.	Deputy State Highway Engineer-Construction and Development
Gregory L. Bailey, P.E.	Deputy State Highway Engineer-Operations
Aaron C. Gillispie	Deputy State Highway Engineer-Planning and Programming
Marvin G. Murphy	Assistant Deputy Secretary-Executive Assistant to the Agency Head
David E. Cramer	Commissioner's Office of Economic Development
Jason Foster	Special Program Manager
Lorrie A. Hodges	Executive Assistant to the Commissioner
James R. Wade	Director, Auditing Division
Vacant	Director, Budget Division
Brent H. Walker	Director, Communications
Jason M. Boyd	Director, Contract Administration Division
Raymond J. Scites	Director, Engineering Division
William Hartwell (Acting)	Director, Equal Employment Opportunity Division
Travis L. Ray	Director, Equipment Division
Dwain W. Shingleton	Director, Finance and Administration Division
H. Julian Woods	Director, Human Resources Division
Kimber L. Asseff	Director, Information Services Division
Jill Dunn	Director, Legal Division
Jake Bumgarner	Director, Maintenance Division
Ronald L. Stanevich	Director, Materials Control Soil & Testing Division
Ameche L. Watson	Director, Office Services Division
C. Elwood Penn, P.E.	Director, Planning Division
Ryland Musick	Director, Programming Division
Ward Lefler	Director, Right of Way Division
Cindy L. Cramer, P.E.	Director, Traffic Engineering Division
Susan M. Watkins	Correspondence & Central Files
Laura A. Conley-Rinehart	Assistant to State Highway Engineer
Gary K. Clayton	Regional Maintenance Engineer
Shawn A. Smith	Regional Construction Engineer
Kathy Rushworth	Regional Engineer
Jeremiah Gaston	Regional Engineer
Dave Brabbon	Regional Engineer
Darren Bennett	Regional Engineer

DISTRICT ENGINEERS/MANAGERS

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



Financial Section

West Virginia Department of Transportation

Division of Highways



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the West Virginia Department of Transportation, Division of Highways (the Division), a component unit of the State of West Virginia and the State of West Virginia Department of Transportation, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Division's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Division as of June 30, 2019, and the respective changes in financial position and the budgetary comparison for the State Road (General) Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 16 through 24 and the pension schedules, OPEB schedules and related notes on pages 62 through 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

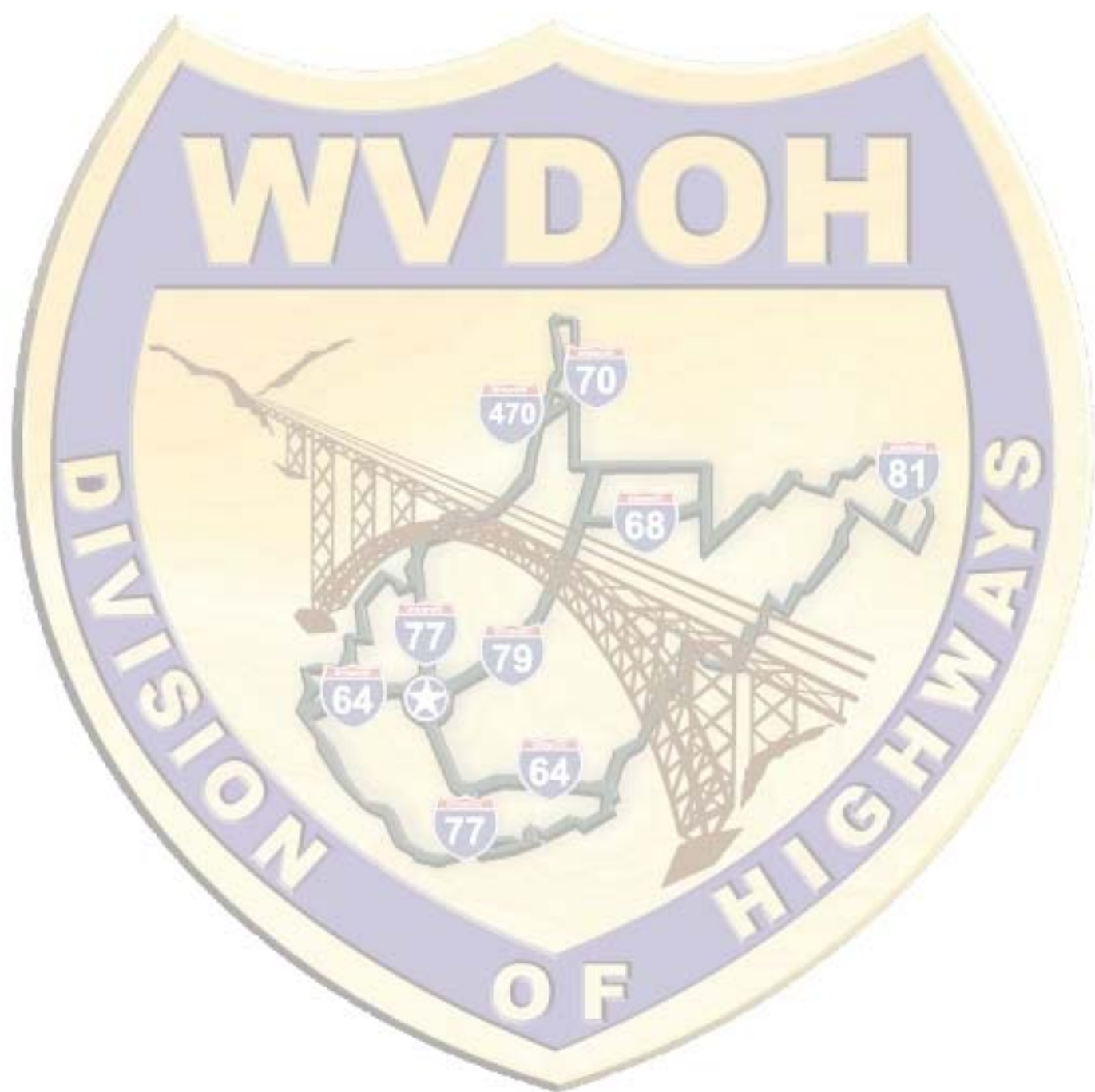
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Division's basic financial statements. The introductory section on pages 2 through 9 and statistical section on pages 71 through 92 are presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Division are intended to present the financial position and the changes in financial position, of only that portion of the governmental activities and each major fund of the State of West Virginia and the West Virginia Department of Transportation that is attributable to the transactions of the Division. They do not purport to, and do not present fairly the financial position of the State of West Virginia and West Virginia Department of Transportation, as of June 30, 2019, or the changes in its financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.



Charleston, West Virginia
October 15, 2019



MANAGEMENT'S DISCUSSION AND ANALYSIS

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

This section of the West Virginia Department of Transportation, Division of Highways (Division) annual financial report presents our discussion and analysis of the Division's financial performance during the fiscal year that ended June 30, 2019. This section introduces the basic financial statements and provides an analytical overview of the Division's financial activities. Please read it in conjunction with the Division's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS - PRIMARY GOVERNMENT

Net Position - The net position of the Division was \$8.4 billion at the close of fiscal year 2019.

Changes in Net Position - During the year the Division's net position increased by \$307 million or 3.81%. This percentage is an increase from the prior year, when net position increased \$97 million or 1.21%.

Revenues and Expenses - Total revenues increased by \$457 million or 36.95%. Total expenses increased \$244 million or 21.36%. 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 2019, the Division's governmental funds reported combined total fund equity of \$1.5 billion, an increase of \$143 million in comparison with the prior year.

Long-term Debt - The Division's total outstanding general obligation bonds, net of bond premiums, decreased by \$43 million during the current fiscal year. The Division's total outstanding special obligation notes, net of note premium, increased by \$71 million during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Statements

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

Fund Financial Statements

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

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

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

Notes to the Financial Statements

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

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

Required Supplementary Information

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

CONDENSED FINANCIAL INFORMATION

Condensed Statement of Net Position

The following condensed financial information was derived from the government-wide statement of net position and summarizes the Division's net position as of June 30, 2019 and 2018 (amounts in thousands).

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

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

	2019	2018	% Change
Assets and deferred outflows of resources			
Current assets	\$ 1,747,838	\$ 1,539,571	13.53%
Capital assets	8,430,756	8,255,253	2.13%
Total assets	10,178,594	9,794,824	3.92%
Deferred outflows of resources	41,606	41,921	-0.75%
Total assets and deferred outflows of resources	10,220,200	9,836,745	3.90%
Liabilities and deferred inflows of resources			
Current liabilities	305,427	229,395	33.14%
Long term liabilities	1,468,946	1,477,519	-0.58%
Total liabilities	1,774,373	1,706,914	3.95%
Deferred inflows	65,714	56,930	15.43%
Total liabilities and deferred inflows of resources	1,840,087	1,763,844	4.32%
Net Position			
Net investment in capital assets	8,095,231	7,832,625	3.35%
Restricted	188,310	19,285	876.46%
Unrestricted	96,572	220,991	-56.30%
Total net position	\$ 8,380,113	\$ 8,072,901	3.81%

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

Condensed Statement of Activities

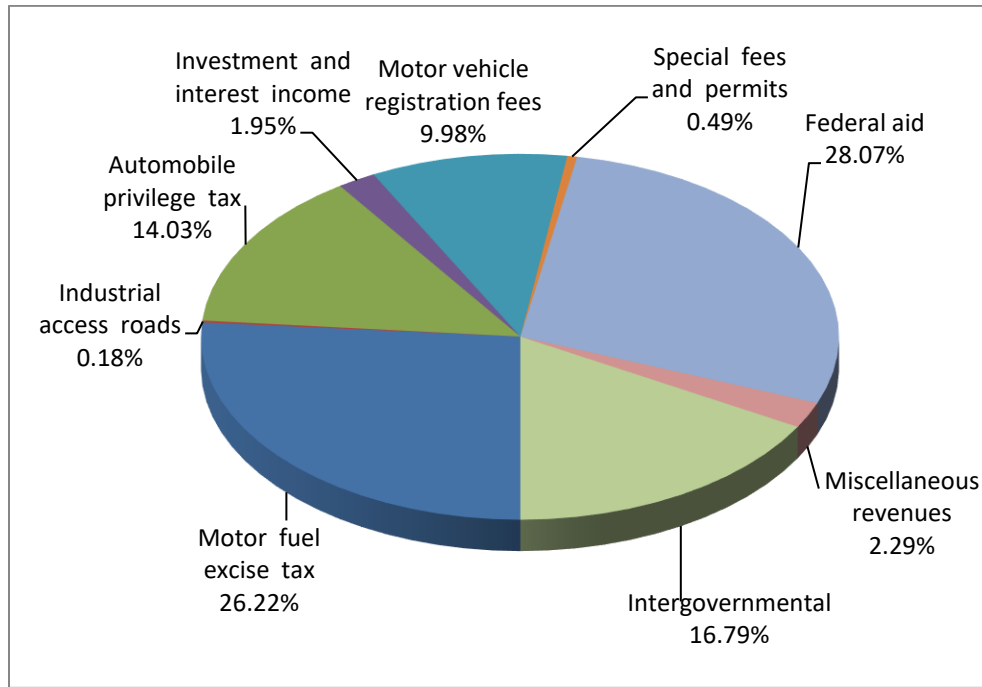
The following condensed financial information was derived from the government-wide statement of activities and reflects how the Division's net position changed during the fiscal year (amounts in thousands):

Condensed Statement of Activities			
Years Ended June 30,			
	<u>2019</u>	<u>2018</u>	<u>% Change</u>
Revenues			
Taxes	\$ 682,331	\$ 674,795	1.12%
Investment and interest income	33,046	6,169	435.68%
Intergovernmental	112,603	8,213	1271.03%
Miscellaneous revenues	<u>38,820</u>	<u>18,364</u>	111.39%
Total general revenues	866,800	707,541	22.51%
Capital grants and contributions	650,747	374,199	73.90%
Charges for service	<u>177,463</u>	<u>155,909</u>	13.82%
Total program revenues	<u>828,210</u>	<u>530,108</u>	56.23%
Total revenues	<u>1,695,010</u>	<u>1,237,649</u>	36.95%
Expenses			
Road maintenance	553,558	452,192	22.42%
Other road operations	675,117	592,081	14.02%
General and administration	108,297	79,129	36.86%
Interest on long-term debt	45,352	14,422	214.46%
Unallocated depreciation	<u>5,474</u>	<u>5,723</u>	-4.35%
Total expenses	<u>1,387,798</u>	<u>1,143,547</u>	21.36%
Change in net position	307,212	94,102	226.47%
Net position, beginning	<u>8,072,901</u>	<u>7,978,799</u>	1.18%
Net position, ending	<u>\$ 8,380,113</u>	<u>\$ 8,072,901</u>	3.81%

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 \$307 million or 3.81%.

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

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



Total revenues increased by approximately \$457 million. Intergovernmental revenues increased by approximately \$276 million. Federal aid revenue increased by approximately \$105 million. Large components of Intergovernmental revenue for 2019 includes 1) legally authorized appropriations under West Virginia State Code by the West Virginia Legislature (\$104,201) and 2) an allocation from the Parkways Authority to be used for the construction of the Division's transportation projects located in counties adjacent to the Turnpike (\$172,000). The following summarizes revenues for the years ended June 30, 2019 and June 30, 2018 (amounts in thousands):

	2019	2018	Increase (Decrease)	% Increase (Decrease)
Motor fuel excise tax	\$ 444,575	\$ 443,273	\$ 1,302	0.29%
Industrial access roads	3,000	3,000	-	0.00%
Automobile privilege tax	237,756	231,522	6,234	2.69%
Motor vehicle registration fees	169,078	149,222	19,856	13.31%
Special fees and permits	8,385	6,687	1,698	25.39%
Federal aid	475,747	371,199	104,548	28.16%
Investment and interest income	33,046	6,169	26,877	435.68%
Intergovernmental	284,603	8,213	276,390	3365.27%
Miscellaneous revenues	38,820	18,364	20,456	111.39%
	<u>\$ 1,695,010</u>	<u>\$ 1,237,649</u>	<u>\$ 457,361</u>	36.95%

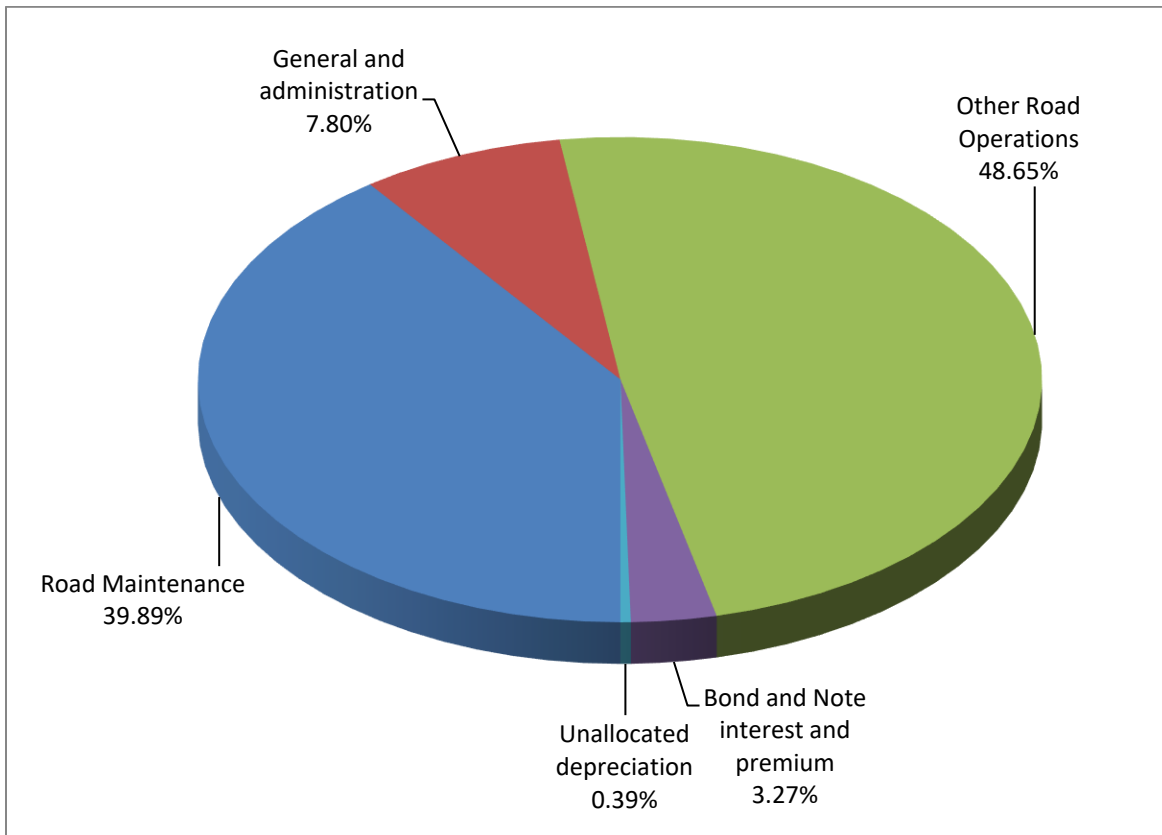
The Division's primary sources of revenue for funding of ongoing administration of the Division, general maintenance and construction of the state road system and for providing resources to match available Federal funds are derived from fuel taxes, automobile privilege taxes, motor vehicle registration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

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

Fiscal year 2019 tax collections reported on a cash basis increased by \$52.7 million (6.63%) from fiscal year 2018 tax collections. Motor fuel tax collections were \$6.6 million (-1.46%) below estimate for the year, but was and \$23.7 million (5.67%) above fiscal year 2018 collections. Privilege tax collections were \$5.1 million (2.20%) above estimates and \$8.7 million (3.83%) above fiscal year 2018 collections. Registration fee collections were \$25.1 million (17.47%) above estimates and \$20.2 million (13.62%) above fiscal year 2018 collections. In fiscal year 2020, motor fuel tax is projected to be slightly higher than fiscal year 2019 actual collections. However, registration fee and privilege tax collections are estimated to be lower than fiscal year 2019 actual numbers.

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.



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

Total expenses increased by approximately \$244 million or 21.36%. The following summarizes expenditures for the years ended June 30, 2019 and June 30, 2018 (amounts in thousands):

	2019	2018	% Increase (Decrease)
Road maintenance	\$ 553,558	\$ 452,192	22.42%
Other road operations	675,117	592,081	14.02%
General and administration	108,297	79,129	36.86%
Interest on long-term debt	45,352	14,422	214.46%
Unallocated depreciation	5,474	5,723	-4.35%
Total expenses	<u>\$ 1,387,798</u>	<u>\$ 1,143,547</u>	21.36%

The maintenance expenses of the Division are comprised primarily of routine maintenance, small bridge repair, contract paving, and various types of renovation such as guardrail, slides, and drainage. Governor Justice, understanding the critical needs of the roadway network in West Virginia, requested funds from the General Fund be transferred to the State Road Fund in order to take care of the critical paving and drainage needs that plague the system. This afforded the Division of Highways a wonderful opportunity to gain ground in this area.

Operating units are allocated yearly amounts of funding for routine maintenance. What the routine maintenance expenses are spent on is dependent, to a degree, on the level of snow removal and ice control (SRIC) that is required in a given year. In fiscal year 2019, the agency continued and enhanced its core maintenance plan, which emphasizes ditching, mowing, brush-cutting, and patching maintenance activities, also with distinct emphasis placed on these activities by the Governor personally. County crews concentrate on these activities during all non-SRIC periods. The intent is to improve safety and perform maintenance that will extend the life of the highway system.

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

FINANCIAL ANALYSIS OF THE DIVISION'S MAJOR FUNDS

At June 30, 2019, the Division reported fund balances of approximately \$1.5 billion. Of this total amount \$264 million constitutes unassigned fund balance while \$1.2 billion is restricted for various purposes. The remainder of the fund balance is non-spendable and is not available for spending because it is comprised of inventories.

State Road Fund

The State Road Fund is the Division's General Fund. At the end of the 2019 fiscal year, unassigned fund balance of the General Fund was \$264 million and non-spendable fund balance was \$53 million while the restricted fund balance was \$312 million. The total General Fund balance increased \$152 million during the fiscal year primarily due to the sale of GARVEE Notes and the intergovernmental allocations from the Parkways Authority and State of West Virginia described above.

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

State Road (General) Fund and Budgetary Highlights

The Division is dependent on revenues generated from the purchase and use of motor fuel, motor vehicle fees, privilege tax on consumer purchases of motor vehicles, and federal funding generated from motor fuel purchases. Revenues are affected by state and national economic conditions, world events affecting availability and pricing of motor fuel, and fuel consumption rates for motor vehicles. The forecast for fuel consumption is still anticipated to trend downward as vehicles continue to become more fuel efficient. However, the recent passage of legislation (WV Senate Bill 1006) raised the average wholesale price for motor fuel. The same bill also provides for increased rates of both Privilege tax collections and registration fee collections and as a result higher revenue in fiscal year 2019 were observed for these two revenue sources. While we still anticipate seeing lower revenues for registration fees and privilege tax, we estimate motor fuel tax to slightly increase in fiscal year 2020. The following table summarizes tax and fee collections over the past two years (amounts in thousands):

	2019	2018	Increase (Decrease)	% Increase (Decrease)
Motor fuel excise and wholesale fuel	\$ 444,575	\$ 443,273	\$ 1,302	0.29%
Motor vehicle registration	169,078	149,222	19,856	13.31%
Privilege tax	237,756	231,522	6,234	2.69%
	<u>\$ 851,409</u>	<u>\$ 824,017</u>	<u>\$ 27,392</u>	3.32%

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

The Division's federal revenue, on a budgetary basis for fiscal year 2019 was \$366.9 million, used primarily for design, right-of-way and construction of Corridor H, US 35, Coalfields Expressway and numerous system preservation projects on other federal-aid highways. As previously discussed, the recognition of revenue under these grants occur when expenditures occur on specific projects that have qualified for federal participation and the Division requests reimbursement. The budgeted amounts for federal revenue and expenditures are based on projects that have been approved and estimates of the timing of each phase of the project. Since the timing of such expenditures are dependent on variables such as the weather, the existence of differing site conditions that require plan modification, or delays caused by environmental issues or the results of public meetings, expenditures often do not occur as planned. Federal revenue recognized in the Statement of Activities in each of the last two years is summarized below (amounts in thousands):

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

	2019	2018	Increase (Decrease)	% Increase (Decrease)
Federal reimbursement-Budgeted funds	\$ 427,467	\$ 366,728	\$ 64,558	17.79%
Federal reimbursement-Surface Transportation	28,226	(513)	24,920	753.78%
Federal reimbursement-Emergency funds	20,054	4,984	15,070	302.37%
	<u>\$ 475,747</u>	<u>\$ 371,199</u>	<u>\$ 104,548</u>	28.16%

It is anticipated that the state revenues will decrease slightly in fiscal year 2020 when compared to fiscal year 2019. As a result of the passage of Senate Bill 1006 during the 2017 WV Legislative session, the Division has experienced an increase in motor fuel, privilege tax and registration fee revenues in fiscal year 2019. Management will continue to monitor and maintain a fiscally sound equity position. The approved fiscal year 2020 budget is \$1.33 billion. If revenues received are lower than estimated, management is confident adequate discretionary expenditure items can be reduced to permit the Division to continue to operate in a fiscally sound manner.

The Division is currently operating under the federal highway funding authorization designated as Fixing America's Surface Transportation Act (FAST) Act (Pub. L. No. 114-94). The effective date for most highway provisions in FAST Act, both funding and changes to policy, was October 1, 2016 extending to September 30, 2020. West Virginia's federal fiscal year 2019 apportionment was \$417.1 million and the total obligation limitation was \$467.6 million (due to additional funds provided through August 2019 redistribution of federal funds to the Division).

Capital Projects Fund

The Capital Projects Fund accounts for financial resources to be used for road construction financed by the sale of General Obligation bonds. On October 7, 2017 the citizens of West Virginia voted to pass a referendum which allows the Division to sell \$1.6 billion dollars in General Obligation bonds. The Division sold \$800 million (face value) in General Obligation bonds during the fiscal year ended June 30, 2018. These bonds will fund the construction of all or a portion of ten projects across the State. At June 30, 2019 the capital projects fund balance of approximately \$905 million represented unexpended bond funds associated with the 2018 General Obligation bond issue.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2019, the Division had invested \$8.4 billion, net of accumulated depreciation, in a range of capital assets (see note 7 for additional details). Depreciation charges for the fiscal year totaled \$318 million.

As the Division continues to expand the state road system, these expansions are focused primarily on upgrading existing roadways and the completion of Appalachian Highway Corridor H. While these are significant construction projects, the additions are offset by \$303 million in depreciation of the infrastructure. The Division expended \$495 million dollars during the year ended June 30, 2019 for additions to capital assets. Of this amount, \$466 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 \$183 million were reclassified from construction in process to roads and bridges. Major construction expenditures during the year included continued construction related to US 35 in Putnam County, the Coalfields Expressway in Wyoming County, Corridor H in Randolph County, and continued environmental studies on various projects in process.

Long-term Debt

The Division has been authorized to issue bonds by constitutional amendments and all bonds are general obligation bonds of the State of West Virginia. The taxpayers have authorized the Division to issue another \$600 million through fiscal year 2020 and \$200 million in fiscal year 2021 per house concurrent resolution 104.

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

The Division has also been authorized to issue revenue notes in the amount of \$500 million by constitutional amendment. The Division issued revenue notes in the amount of \$53 million in December 2016, which were defeased in February 2018. In October 2017, the Division issued revenue notes in the amount of \$220 million. In August 2018, the Division issued revenue notes in the amount of \$79 million. The debt service payments on these notes will be funded through federal aid revenue. The outstanding balance of issued special notes was \$283 million at June 30, 2019.

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

Issue	Bond Rating		Amount (in thousands)
Safe Roads 10A - Bonds maturing on or before June 1, 2023.	Fitch:	AA	
	Moody's:	Aa1	
	S&P:	AA	\$ 28,650
Safe Roads 15A - Bonds maturing on or before June 1, 2025.	Fitch:	AA+	
	Moody's:	Aa1	
	S&P:	AA	89,740
Roads to Prosperity 18A, 18B T1, 18B T2 - Bonds maturing on or before June 1, 2043.	Fitch:	AA	
	Moody's:	Aa2	
	S&P:	AA-	782,305
Surface Transportation Improvements Special Obligation Notes (GARVEE 2017A) - Notes maturing on or before September 1, 2029.	Moody's:	A2	
	S&P:	AA	204,675
Surface Transportation Improvements Special Obligation Notes (GARVEE 2018A) - Notes maturing on or before September 1, 2033.	Moody's:	A2	
	S&P:	AA	78,810
			<u>\$ 1,184,180</u>

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

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
STATEMENT OF NET POSITION
JUNE 30, 2019
(amounts expressed in thousands)

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current assets	
Cash and cash equivalents	\$ 1,419,409
Accounts receivable, net	172,237
Taxes receivable	99,805
Due from other State of West Virginia agencies	3,054
Inventories	53,333
Total current assets	<u>1,747,838</u>
Non-current assets	
Capital assets not being depreciated	
Land - non-infrastructure	25,166
Land - infrastructure	1,226,804
Construction in progress	1,163,867
Capital assets net of accumulated depreciation	
Land improvements	13,645
Buildings	118,651
Furniture and fixtures	686
Rolling stock	60,533
Scientific equipment	33
Shop equipment	220
Roads	3,348,839
Bridges	2,472,312
Total capital ass	<u>8,430,756</u>
Total assets	<u>10,178,594</u>
Deferred outflows of resources	
Deferred outflows of resources - pensions	27,087
Deferred outflows of resources - OPEB	14,519
Total deferred outflows of resources	<u>41,606</u>
Total assets and deferred outflows of resour	<u>10,220,200</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Current liabilities	
Accounts payable	160,874
Retainages payable	861
Accrued payroll and related liabilities	18,962
Due to other State of West Virginia agencies	7,721
Due to Federal Highway Administration	21,326
Accrued interest payable	8,344
Unearned revenue	3,815
Current maturities of long term obligations	83,524
Total current liabilities	<u>305,427</u>
Non-current liabilities	
Claims and judgments	17,594
Compensated absences	6,753
Net pension liability	39,215
Net other postemployment benefits liability	117,167
Bonds and notes	1,288,217
Total non-current liabilities	<u>1,468,946</u>
Total liabilities	<u>1,774,373</u>
Deferred inflows of resources	
Deferred inflows of resources - pension	23,917
Deferred inflows of resources - OPEB	32,586
Deferred inflows of resources - gain on refunding	9,211
Total deferred inflows of resources	<u>65,714</u>
Total liabilities and deferred inflows of resour	<u>1,840,087</u>
NET POSITION	
Net investment in capital assets	8,095,231
Restricted	
Coal Resource	4,736
Waste Tire	7,245
Industrial Access	11,130
Capital projects	165,199
Unrestricted	96,572
Total net posit	<u>\$ 8,380,113</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

Functions/Programs	Expenses	Program Revenues		Net Revenue (Expenses) and Changes in Net Position
		Charges for Services	Capital Grants and Contributions	
Government activities				
Road maintenance				
Expressway, trunkline & feeder & SLS	\$ 459,942	\$ -	\$ -	\$ (459,942)
Contract paving & secondary roads	58,578	-	-	(58,578)
Small bridge repair & replacement	21,951	-	-	(21,951)
Litter control program	3,250	-	-	(3,250)
Depreciation	9,837	-	-	(9,837)
Other road operations				
Interstate highways	167,796	-	76,520	(91,276)
Appalachian highways	3,317	-	154,170	150,853
Other federal aid programs	172,504	-	245,057	72,553
Non federal aid improvements	27,761	-	172,000	144,239
Industrial access roads	1,094	-	3,000	1,906
Depreciation	302,645	-	-	(302,645)
General and administration				
Support and administrative operations	60,383	8,385	-	(51,998)
Claims	9,284	-	-	(9,284)
Costs associated with DMV	37,173	169,078	-	131,905
Costs associated with OAH	1,457	-	-	(1,457)
Interest on long-term debt	45,352	-	-	(45,352)
Unallocated depreciation	5,474	-	-	(5,474)
	<u>\$ 1,387,798</u>	<u>\$ 177,463</u>	<u>\$ 650,747</u>	<u>(559,588)</u>
General revenues				
Taxes:				
Gasoline and motor carrier				444,575
Automobile privilege				237,756
Investment and interest income				33,046
Intergovernmental				112,603
Miscellaneous revenues				<u>38,820</u>
Total general revenues				<u>866,800</u>
Change in net position				307,212
Net position, beginning				<u>8,072,901</u>
Net position, ending				<u>\$ 8,380,113</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019
(amounts expressed in thousands)

	State Road (General)	Capital Projects	Total Governmental Funds
ASSETS			
Assets			
Cash and cash equivalents	\$ 508,858	\$ 910,551	\$ 1,419,409
Receivables	172,237	-	172,237
Taxes receivable	99,805	-	99,805
Due from other funds	4	-	4
Due from other State of West Virginia agencies	3,054	-	3,054
Inventories	53,333	-	53,333
Total	<u>\$ 837,291</u>	<u>\$ 910,551</u>	<u>\$ 1,747,842</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 155,285	\$ 5,589	\$ 160,874
Retainages payable	861	-	861
Accrued payroll and related liabilities	18,962	-	18,962
Due to other funds	-	4	4
Due to other State of West Virginia agencies	7,721	-	7,721
Due to Federal Highway Administration	21,326	-	21,326
Unearned revenue	3,815	-	3,815
Total liabilities	<u>207,970</u>	<u>5,593</u>	<u>213,563</u>
Fund balances			
Non-spendable			
Inventories	53,333	-	53,333
Restricted			
Construction and maintenance of industrial access roads	11,130	-	11,130
Construction and maintenance of coal resource roads	4,736	-	4,736
Waste tire clean up and disposal	7,245	-	7,245
Capital projects	289,169	904,958	1,194,127
Unassigned	263,708	-	263,708
Total fund balances	<u>629,321</u>	<u>904,958</u>	<u>1,534,279</u>
Total liabilities and fund balances	<u>\$ 837,291</u>	<u>\$ 910,551</u>	<u>\$ 1,747,842</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019
(amounts expressed in thousands)

Total fund balance - governmental funds	\$	1,534,279
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Amounts reported for governmental activities in the statement of net position are different because:

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

Capital assets not being depreciated			
Land - non-infrastructure	\$	25,166	
Land - infrastructure		1,226,804	
Construction in progress		1,163,867	
Capital assets net of accumulated depreciation			
Land improvements		13,645	
Buildings		118,651	
Furniture and fixtures		686	
Rolling stock		60,533	
Scientific equipment		33	
Shop equipment		220	
Roads		3,348,839	
Bridges		<u>2,472,312</u>	8,430,756

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.		27,087
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Deferrals of resources related to OPEB that represent a consumption of net position that applies to a future period, and therefore, is reported as a deferred outflow of resources in the statement of net position.		14,519
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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	(39,215)	
Net other postemployment benefits liability	(117,167)	
Accrued interest payable	(8,344)	
Claims and judgments	(21,843)	
Compensated absences	(20,538)	
General obligation bonds and revenue notes	<u>(1,353,707)</u>	(1,560,814)

Deferrals of resources related to pensions and OPEB and gain on refunding that represents an acquisition of net position that applies to a future period, and therefore, are reported as deferred inflows of resources in the statement of net position.		<u>(65,714)</u>
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Net position of governmental activities	\$	<u><u>8,380,113</u></u>
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The Accompanying Notes Are An Integral Part Of These Financial Statements

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	State Road (General)	Capital Projects	Total Governmental Funds
Revenues			
Taxes			
Gasoline and motor carrier	\$ 444,575	\$ -	\$ 444,575
Automobile privilege	237,756	-	237,756
Industrial access roads	3,000	-	3,000
License, fees and permits			
Motor vehicle registrations and licenses	169,078	-	169,078
Special fees and permits	8,385	-	8,385
Federal aid			
Interstate highways	76,520	-	76,520
Appalachian highways	154,170	-	154,170
Other federal aid programs	245,057	-	245,057
Intergovernmental			
Parkway Authority allocation	172,000	-	172,000
State aid and other agencies	112,603	-	112,603
Investment and interest income, net of arbitrage rebate	11,099	21,947	33,046
Miscellaneous revenues	38,820	-	38,820
Total revenues	<u>1,673,063</u>	<u>21,947</u>	<u>1,695,010</u>
Expenditures			
Current			
Road maintenance			
Expressway, trunkline and feeder, state and local services	471,649	-	471,649
Contract paving and secondary roads	59,738	-	59,738
Small bridge repair and replacement	27,657	-	27,657
Litter control program	3,323	-	3,323
Support and administrative operations	91,676	-	91,676
Division of Motor Vehicles operations	37,907	-	37,907
Office of Administration Hearings operations	1,486	-	1,486
Claims	401	-	401
Capital outlay and other road operations			
Road construction and other road operations			
Interstate highways	248,841	26,030	274,871
Appalachian highways	76,551	-	76,551
Other federal aid programs	445,882	5,686	451,568
Nonfederal aid construction and road operations	38,868	-	38,868
Industrial access roads	1,119	-	1,119
Debt service			
Bond issuance costs	443	-	443
Principal	49,790	-	49,790
Interest	57,659	-	57,659
Total expenditures	<u>1,612,990</u>	<u>31,716</u>	<u>1,644,706</u>
Excess (deficiency) of revenues over expenditures	60,073	(9,769)	50,304
Other financing sources (uses)			
Sale of Bonds	78,810	-	78,810
Premium on bonds	12,060	-	12,060
Proceeds of sale of assets	1,515	-	1,515
Total other sources (uses)	<u>92,385</u>	<u>-</u>	<u>92,385</u>
Net change in fund balances	152,458	(9,769)	142,689
Fund balances, beginning of year	<u>476,863</u>	<u>914,727</u>	<u>1,391,590</u>
Fund balances, end of year	<u>\$ 629,321</u>	<u>\$ 904,958</u>	<u>\$ 1,534,279</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

Net change in fund balance - governmental funds	\$	142,689
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.		175,631
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In the statement of activities only the loss on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus the change in the net position differs from the change in fund balance by the depreciated cost of the assets sold.		(131)
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Bond and note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.		(40,638)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This is the change in claims and compensated absences in the current period.		(10,530)
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Some expenses do not require the use of current financial resources and, therefore, are not reported in governmental funds. This is the amount of amortization of bond premium, change in interest payable, pension expense, OPEB expense, and amortization of gain on bond refunding.		40,191
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Change in net position of governmental activities	\$	307,212
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WEST VIRGINIA DEPARTMENT OF TRANSPORTATION DIVISION OF HIGHWAYS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
(BUDGETARY BASIS) - STATE ROAD (GENERAL) FUND
YEAR ENDED JUNE 30, 2019

	(amounts expressed in thousands)				
Revenues	Original Budget	Budget Amendments	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Taxes					
Gasoline and motor carrier	\$ 450,000	\$ -	\$ 450,000	\$ 443,428	\$ (6,572)
Automobile privilege	231,061	-	231,061	236,137	5,076
Litter Control Program	1,719	-	1,719	1,666	(53)
Motor vehicle registrations and licenses	143,682	-	143,682	168,785	25,103
Revenue transfer to Industrial Access Roads	3,000	-	3,000	3,000	-
Federal aid	467,400	-	467,400	366,919	(100,481)
Intergovernmental	-	104,201	104,201	104,201	-
Miscellaneous revenues	28,995	-	28,995	18,471	(10,524)
	<u>1,325,857</u>	<u>104,201</u>	<u>1,430,058</u>	<u>1,342,607</u>	<u>(87,451)</u>
Expenditures					
Road construction and other road operations					
Interstate highways	95,000	-	95,000	89,259	5,741
Appalachian highways	110,000	(15,000)	95,000	88,091	6,909
Other federal aid programs	370,000	(10,000)	360,000	359,361	639
Nonfederal aid construction	156,500	-	156,500	156,256	244
Road maintenance					
Maintenance	386,386	34,500	420,886	419,489	1,397
Contract paving and secondary roads	-	-	-	-	-
Small bridge repair and replacement	-	-	-	-	-
Litter control program	1,719	-	1,719	582	1,137
Support and administrative operations					
General operations	68,295	-	68,295	48,497	19,798
Equipment revolving	22,500	-	22,500	20,134	2,366
Inventory revolving	4,000	-	4,000	2,184	1,816
Debt service	89,000	(9,500)	79,500	78,803	697
Courtesy Patrol	5,000	-	5,000	2,947	2,053
Division of Motor Vehicles operations	43,479	-	43,479	38,755	4,724
Office of Administrative Hearings operations	1,952	-	1,952	1,458	494
Claims - DOH and DMV	408	-	408	401	7
Industrial Access Road	3,000	-	3,000	3,000	-
	<u>1,357,239</u>	<u>-</u>	<u>1,357,239</u>	<u>1,309,217</u>	<u>48,022</u>
Excess (deficiency) of revenues over expenditures	\$ (31,382)	\$ 104,201	\$ 72,819	\$ 33,390	\$ (39,429)

The Accompanying Notes Are An Integral Part Of These Financial Statements

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The financial statements of the Division are intended to present the financial position and the changes in financial position, of only that portion of the governmental activities and each major fund of the State of West Virginia and the West Virginia Department of Transportation that is attributable to the transactions of the Division. They do not purport to, and do not present fairly the financial position of the State of West Virginia and West Virginia Department of Transportation, as of June 30, 2019, or the changes in its financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

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

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

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

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION -

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

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

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

- Employees' vested annual leave is recorded as expenditures when utilized. The amount of accumulated annual leave unpaid at June 30, 2019, has been reported only in the government-wide financial statements.
- Division employees earn sick leave benefits, which accumulate, but do not vest. When separated from employment with the Division, an employee's sick leave benefits are considered ended and no reimbursement is provided. Any employee who retires, however, may convert any unused accumulated sick leave to increase service credits for retirement purposes. Additionally, certain employees may choose to apply any unused accumulated sick leave to pay a portion of the employee's postemployment health care insurance premium in lieu of increasing their service credits. Those employees cannot split their unused leave between the two options.
- Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in a debt service fund for transfer to the fiscal agent or for payment to be made early in the following year.
- Claims and judgments are recorded only when payment is due.
- Pension and other post-employment benefits expense is recorded when contributions are due in the governmental fund financial statements and recorded when incurred in the government-wide financial statements.

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

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

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

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

INTERFUND ACTIVITY - As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges from the government's various functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. The Division processes certain routine payments, such as payroll through the State Road Fund and allocates those costs to the other governmental funds based on individual projects charged. The interfund balances at June 30, 2019 generally are a result of these routine payments and transfers.

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

The Division's State Road (General) Fund which includes the State Road Fund and A. James Manchin Fund has a legislatively approved budget. However, the Capital Projects Fund, Coal Resource Fund, Industrial Access Fund and certain monies reported within the State Road Fund in accordance with accounting principles generally accepted in the United States of America are not considered appropriated funds in accordance with the Division's budgetary reporting policy. Accordingly, these funds have not been reported in the Division's Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budgetary Basis) - State Road Fund. A reconciliation of the excess of revenues over expenditures and other financing uses for the year ended June 30, 2019, on the budgetary basis to the GAAP basis for the State Road fund follows:

Excess of revenues over expenditures - budgetary basis	\$ 33,390
Basis of accounting differences (budgetary to GAAP)	38,053
Unbudgeted funds	<u>(11,370)</u>
Excess of revenues over expenditures - GAAP basis	<u>\$ 60,073</u>

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

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

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

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

DEFERRED OUTFLOWS OF RESOURCES/DEFERRED INFLOWS OF RESOURCES - The statement of net position reports a separate financial statement element called *deferred outflows of resources*. This financial statement element represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense) until that time. The Division reports \$41,606 as deferred outflows of resources related to pensions and OPEB on the statement of net position.

The statement of net position reports a separate financial statement element called *deferred inflows of resources*. This financial statement element represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The Division reports \$65,714 as deferred inflows of resources related to pensions and OPEB and gain on the refunding of debt on the statement of net position.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INTERGOVERNMENTAL REVENUE - Intergovernmental revenue primarily represents 1) legally authorized appropriations under West Virginia State Code by the West Virginia Legislature (\$104,201), 2) payments on behalf related to the OPEB special funding situation described in Note 12 (\$7,402), and 3) an allocation from the Parkways Authority to be used for the construction of the Division's transportation projects located in counties adjacent to the Turnpike (\$172,000).

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

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

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

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

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

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

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

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, 2019.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned fund balances are constrained by the Division's intent to use such funds for specific purposes, but are neither restricted nor committed. The specific purpose for which the funds are intended is expressed within the appropriation requests of the Division and approved by the State Budget Office, according to the West Virginia State Code. Assigned fund balances include all remaining amounts that are not classified as non-spendable and are neither restricted nor committed. The Division has no assigned fund balances at June 30, 2019.

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

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

Newly Adopted Statements Issued by the Governmental Accounting Standards Board

The Governmental Accounting Standards Board has issued Statement No. 83, *Certain Asset Retirement Obligations*. The requirements of this Statement enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain asset retirement obligations (AROs), including obligations that may not have been previously reported. This Statement also enhances the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs. The implementation of this standard had no significant impact on the 2019 financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The requirements of this Statement improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt are disclosed. As a result, users have better information to understand the effects of debt on a government's future resource flows. Disclosure requirements have been incorporated into these financial statements.

Recent Statements Issued by the Governmental Accounting Standards Board

The following accounting pronouncements have been issued by the Governmental Accounting Standards Board but are not yet effective. The Division has not yet determined the effect that the adoption of these pronouncements may have on its financial statements.

The Governmental Accounting Standards Board has issued Statement No. 84, *Fiduciary Activities*, effective for fiscal years beginning after December 15, 2018. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship.

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

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Governmental Accounting Standards Board has issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, effective for fiscal years beginning after December 15, 2019. The requirements of this Statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities.

The Governmental Accounting Standards Board has issued Statement No. 90, *Majority Equity Interests*, which is effective for fiscal years beginning after December 15, 2018. The requirements of this Statement will improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and will improve the relevance of financial statement information for certain component units. This Statement also provides guidance for reporting a component unit if a government acquires a 100% equity interest in that component unit. An equity interest is a financial interest in a legally separate organization evidenced by the ownership of shares of the organization's stock or by otherwise having an explicit, measurable right to the net resources of the organization that is usually based on an investment of financial or capital resources by a government. An equity interest is explicit and measurable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable.

The Governmental Accounting Standards Board has also issued Statement No. 91, *Conduit Debt Obligations*, which is effective for fiscal years beginning after December 15, 2020. This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

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	\$ 101,017
Cash on deposit with State Treasurer in Debt Service Fund	165
Cash on deposit with State Treasurer invested in BTI WV Money Market Pool	406,823
Cash on deposit with State Treasurer invested in BTI WV Money Market Pool (Roads to Prosperity)	908,689
Cash on deposit with BNY Mellon Bank	2
Cash in transit	<u>2,713</u>
Total cash and cash equivalents	<u>\$ 1,419,409</u>

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.

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NOTE 2: CASH AND CASH EQUIVALENTS (Continued)

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

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

Credit Risk

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

The BTI limits the exposure to credit risk in the WV Money Market Pool by requiring all long-term corporate debt to be rated A+ or higher by Standard & Poor’s (or its equivalent) and short-term corporate debt be rated at A-1 by Standard & Poor’s (or its equivalent). The pool must have at least 15% of its assets in U.S. Treasury obligations or obligations guaranteed as to repayment of interest and principal by the United States of America. At June 30, 2019, the WV Money Market Pool investment had a total carrying value of \$3,956,476 of which the Division’s ownership represents 33.25%.

Interest Rate Risk

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

The overall weighted average maturity of the investments of the WV Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 762 days. The following table provides information on the weighted average maturities for the various asset types in the WV Money Market Pool:

Security Type	Carrying Value (In Thousands)	WAM (Days)
U.S. Treasury notes	\$ 24,927	125
U.S. Treasury bills	329,390	34
Commercial paper	2,236,198	57
Negotiable certificates of deposit	714,142	33
Repurchase agreements	473,200	3
Money market funds	178,619	3
	<u>\$ 3,956,476</u>	<u>42</u>

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NOTE 2: CASH AND CASH EQUIVALENTS (Continued)

Other Risks

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

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

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

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

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2019 consisted of the following:

Federal aid billed and not paid	\$ 2,348
Federal aid earned but not billed	152,970
Total federal aid receivable	<u>155,318</u>
Other receivables	17,170
Combined total receivables	<u>172,488</u>
Less: allowance for uncollectibles	<u>(251)</u>
Net accounts receivable	<u><u>\$ 172,237</u></u>

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, 2019 consisted of the following:

Automobile privilege taxes	\$ 22,743
Motor fuel excise taxes	73,182
Registration fees	<u>3,880</u>
Total taxes receivable	<u><u>\$ 99,805</u></u>

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

Amounts due from other State of West Virginia agencies at June 30, 2019 consisted of the following:

The Department of Motor Vehicles	\$ 2,754
Other agencies	<u>300</u>
Total amounts due from other State of West Virginia agencies	<u>\$ 3,054</u>

Amounts due to other State of West Virginia agencies at June 30, 2019 consisted of the following:

Public Employee's Insurance Agency	\$ 2,401
Public Employee's Retirement	1,688
Other agencies	<u>3,632</u>
Total amounts due to other State of West Virginia agencies	<u>\$ 7,721</u>

NOTE 6: INVENTORIES

Inventories at June 30, 2019 consisted of the following:

Material and supplies	\$ 36,201
Equipment repair parts	13,864
Gas and lubrication supplies	<u>3,268</u>
Total inventories	<u>\$ 53,333</u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
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NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019
Capital assets not being depreciated:				
Land - non infrastructure	\$ 24,380	\$ 786	\$ -	\$ 25,166
Land - infrastructure	1,204,877	21,927	-	1,226,804
Construction-in-progress - buildings	19,159	10,659	14,917	14,901
Construction-in-progress - land improvements	547	750	1,102	195
Construction-in-progress - roads	756,486	304,120	119,272	941,334
Construction-in-progress - bridges	131,595	139,831	63,989	207,437
Total capital assets not being depreciated	2,137,044	478,073	199,280	2,415,837
Capital assets being depreciated:				
Buildings	178,337	14,917	140	193,114
Furniture and fixtures	4,167	536	120	4,583
Land improvements - non infrastructure	22,685	1,102	-	23,787
Rolling stock	278,318	16,168	8,279	286,207
Shop equipment	2,857	143	67	2,933
Scientific equipment	2,774	-	43	2,731
Infrastructure - roads	9,381,660	119,272	1,333	9,499,599
Infrastructure - bridges	3,392,459	63,989	-	3,456,448
Total capital assets being depreciated	13,263,257	216,127	9,982	13,469,402
Less accumulated depreciation:				
Buildings	70,318	4,254	109	74,463
Furniture and fixtures	3,811	198	112	3,897
Land improvements - non infrastructure	9,120	1,022	-	10,142
Rolling stock	224,080	9,783	8,189	225,674
Shop equipment	2,734	47	68	2,713
Scientific equipment	2,734	7	43	2,698
Infrastructure - roads	5,916,021	234,739	-	6,150,760
Infrastructure - bridges	916,230	67,906	-	984,136
Total accumulated depreciation	7,145,048	317,956	8,521	7,454,483
Total capital assets being depreciated, net	6,118,209	(101,829)	1,461	6,014,919
Governmental activities capital assets, net	\$ 8,255,253	\$ 376,244	\$ 200,741	\$ 8,430,756

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NOTE 7: CAPITAL ASSETS (Continued)

Current year depreciation totaling \$312,482 was allocated as separate line items in the statement of activities under the major functions of the Division of Maintenance and Improvements. The remaining \$5,474 unallocated depreciation expense is included as a separate line item in the statement of activities. Infrastructure depreciation is primarily related to construction type activities; depreciation of shop and rolling stock assets is primarily related to maintenance type activities; and depreciation of buildings and improvements and furniture and fixtures support all of the various activities of the Division.

A summary of depreciation on each capital asset type follows:

<u>Asset Type</u>	<u>Depreciation</u>
Road Maintenance	
Rolling stock	\$ 9,783
Shop equipment	47
Scientific equipment	7
Total road maintenance	<u>9,837</u>
Other Road Operations	
Infrastructure - roads	234,739
Infrastructure - bridges	67,906
Total other road operations	<u>302,645</u>
Total allocated depreciation expense	<u>312,482</u>
Unallocated	
Buildings and improvements	4,254
Furniture and fixtures	198
Land improvements	1,022
Total unallocated	<u>5,474</u>
Total depreciation expense	<u>\$ 317,956</u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
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NOTE 8: LONG-TERM OBLIGATIONS

Long-term obligations at June 30, 2019, and changes for the fiscal year then ended are as follows:

	Issue Date	Interest Rates	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance
General obligation bonds payable from tax revenue:							
Safe road bonds	2010	4.00%	06/01/2023	\$ 35,135	\$ -	\$ 6,485	\$ 28,650
Safe road bonds	2015	5.00%	06/01/2025	100,040	-	10,300	89,740
Roads to prosperity bonds	2018	2.00%-5.00%	06/01/2043	800,000	-	17,695	782,305
Total general obligation bonds				935,175	-	34,480	900,695
Bond premium safe road bonds				19,087	-	2,826	16,261
Bond premium roads to prosperity bonds				112,992	-	5,320	107,672
Total general obligation bonds payable net of premium				1,067,254	-	42,626	1,024,628
Revenue notes payable from federal aid revenue:							
Surface transportation improvements							
special notes (Garvee 2017A)	2017	5.00%	09/01/2029	219,985	-	15,310	204,675
special notes (Garvee 2018A)	2018	5.00%	09/01/2033	-	78,810	-	78,810
Total revenue notes payable				219,985	78,810	15,310	283,485
Note premium				37,637	12,060	4,103	45,594
Total revenue notes payable net of premium				257,622	90,870	19,413	329,079
Claims and judgments				12,961	9,290	408	21,843
Compensated absences				18,888	14,041	12,391	20,538
Net Pension liability				64,651	5,346	30,782	39,215
Net OPEB liability				130,248	1,682	14,763	117,167
Total long-term obligations				\$ 1,551,624	\$ 121,229	\$ 120,383	\$ 1,552,470

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 8: LONG-TERM OBLIGATIONS (Continued)

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

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

Debt service expenditures included interest of \$57,659 for the year ended June 30, 2019. 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:

	2020	2021	2022	2023	2024	2025- 2029	2030- 2034	2035- 2039	2040- 2043	Total
General obligation bonds payable from tax revenue:										
Safe road bonds	\$ 23,193	\$ 23,193	\$ 23,194	\$ 23,196	\$ 23,197	\$ 23,195	\$ -	\$ -	\$ -	\$ 139,168
Roads to prosperity bonds	55,425	55,423	55,425	55,424	55,421	277,110	277,105	277,105	221,683	1,330,121
Less: interest	43,208	41,585	40,079	38,240	36,303	154,620	119,110	75,010	20,439	568,594
Total principal	35,410	37,031	38,540	40,380	42,315	145,685	157,995	202,095	201,244	900,695
Bond Premium	8,145	8,145	8,145	8,126	7,918	28,980	26,598	18,826	9,050	123,933
Total principal and bond premium	<u>\$ 43,555</u>	<u>\$ 45,176</u>	<u>\$ 46,685</u>	<u>\$ 48,506</u>	<u>\$ 50,233</u>	<u>\$ 174,665</u>	<u>\$ 184,593</u>	<u>\$ 220,921</u>	<u>\$ 210,294</u>	<u>\$ 1,024,628</u>
Revenue notes payable due from federal aid revenue:										
Surface transportation special obligation notes	\$ 31,495	\$ 31,787	\$ 31,769	\$ 31,738	\$ 31,711	\$ 158,135	\$ 61,338	\$ -	\$ -	\$ 377,973
Less: interest	13,730	12,812	11,839	10,818	9,746	30,670	4,873	-	-	94,488
Total principal	17,765	18,975	19,930	20,920	21,965	127,465	56,465	-	-	283,485
Note premium	4,170	4,170	4,170	4,170	4,170	20,850	3,894	-	-	45,594
Total principal and note premium	<u>\$ 21,935</u>	<u>\$ 23,145</u>	<u>\$ 24,100</u>	<u>\$ 25,090</u>	<u>\$ 26,135</u>	<u>\$ 148,315</u>	<u>\$ 60,359</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 329,079</u>

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NOTE 8: LONG-TERM OBLIGATIONS (Continued)

General Obligation Bonds

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

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

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

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

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

Revenue Notes

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

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

In 2016, GARVEE Notes of \$53,380 were defeased due to the cancelation of the related project. At June 30, 2019 \$36,745 of the defeased debt remained outstanding.

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

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

	Compensated Absences	Claims and Judgments	Net Pension Liability	Net OPEB Liability	General Obligation Bonds and Revenue Notes and Premium	Total
Current liabilities	\$ 13,785	\$ 4,249	\$ -	\$ -	\$ 65,490	\$ 83,524
Long-term liabilities	6,753	17,594	39,215	117,167	1,288,217	1,468,946
Totals	<u>\$ 20,538</u>	<u>\$ 21,843</u>	<u>\$ 39,215</u>	<u>\$ 117,167</u>	<u>\$ 1,353,707</u>	<u>\$ 1,552,470</u>

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NOTE 8: LONG-TERM OBLIGATIONS (Continued)

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

	Year Ended June 30, 2019	Year Ended June 30, 2018	Year Ended June 30, 2017
Estimated claims liability, July 1	\$ 12,961	\$ 29,480	\$ 67,183
Additions for claims incurred during the year	4,250	408	1,500
Changes in estimates for claims of prior periods	5,040	1,053	(23,173)
Payments on claims	<u>(408)</u>	<u>(17,980)</u>	<u>(16,030)</u>
Estimated claims liability, June 30	<u>\$ 21,843</u>	<u>\$ 12,961</u>	<u>\$ 29,480</u>

At June 30, 2019, approximately \$17,343 of tort claims and \$4,500 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 \$21,843 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 \$4,250. During the normal course of operations, the Division may become subject to other litigation. No provision has been made in the financial statements for liabilities, if any, from such litigation.

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

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

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

The Division leases from the Department of Administration substantially all of State Office Building No. 5 which is owned by the State Building Commission. The Division may be released from its obligation only at the option of the lessor. The Division is obligated under the operating leases, which expire June 30, 2021 for rental payments of approximately \$2.3 million annually. Management expects the leases to be renewed upon expiration.

The Division's employees participate in various benefit plans offered by the State of West Virginia. Employer contributions to these plans are mandatory. During the year ended June 30, 2019 the Division incurred payroll related expenditures of approximately \$24,252 for employee health insurance benefits provided through the West Virginia Public Employees Insurance Agency, approximately \$23,167 in employer matching contributions to the State Public Employees Retirement System and approximately \$11,354 for employee OPEB benefits provided by the West Virginia Retiree Health Benefits Trust Fund.

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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 \$597,482 at June 30, 2019.

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

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

Various legal proceedings and claims related to condemnation and eminent domain cases are pending against the Division. At June 30, 2019, there were approximately 309 open cases. These cases involve the acquisitions of properties by the Division for right of way purposes. The Division has paid the applicable courts on behalf of the land grantors, estimated fair values of the properties acquired. The open cases may result in condemnation commissioners or jury verdicts awarding amounts in excess, of the previously paid estimated fair value amounts. In these situations, the excess award amount plus a statutory interest rate of 10% would be paid to the grantor. The interest amount would be calculated on the excess award amount from the date of the petition filing to the date of the excess payment amount to the court. Several of these cases relate to condemnations from the 1960s and 1970s. There is no estimate available as to the amount of monies needed to resolve these cases. Management is of the opinion, that any liability resulting from these claims would have no adverse effect on the financial position of the Division.

NOTE 11: RETIREMENT PLAN

Plan Description

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

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NOTE 11: RETIREMENT PLAN (Continued)

Benefits Provided

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

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

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

Contributions

While contribution rates are legislatively determined, actuarial valuations are performed to assist PERS and the State Legislature in determining contribution rates. The funding policy required employer contributions of 10.0%, 11.0%, and 12.0% for the years ended June 30, 2019, 2018, and 2017, respectively. The contribution rate for fiscal year 2020 remained at 10.0%. The employee contribution rate is 4.5% and 6.0% for Tier I and Tier II employees, respectively.

During the years ended June 30, 2019, 2018, and 2017, the Division's contributions to PERS required and made were approximately \$23,167, \$22,709, and \$24,853 respectively.

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

At June 30, 2019, the Division reported a liability of \$39,215 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017, rolled forward to the measurement date of June 30, 2018. 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, 2018. At June 30, 2018, the Division's proportion was 15.18%, which was an increase of 0.20% from its proportion measured as of June 30, 2017.

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DIVISION OF HIGHWAYS
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(amounts expressed in thousands)

NOTE 11: RETIREMENT PLAN (Continued)

For the year ended June 30, 2019, the Division recognized pension expense of \$5,267. At June 30, 2019, the Division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 23,076
Deferred difference in assumptions	-	-
Changes in proportion and differences between Division contributions and proportionate share of contributions	1,975	744
Division contributions made subsequent to the measurement date of June 30, 2018	23,167	-
Differences between expected and actual experience	1,945	97
Total	<u>\$ 27,087</u>	<u>\$ 23,917</u>

Deferred outflows of resources related to pensions of \$23,167 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, 2020. 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,

2020	\$ 3,778
2021	(3,450)
2022	(16,460)
2023	(3,865)
	<u>\$ (19,997)</u>

Actuarial Assumptions and Methods

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

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

Mortality rates were based on 100% of RP-2000 Non-Annuitant, Scale AA fully generational for active members, 110% of RP-2000 Healthy Annuitant, Scale AA fully generational for retired healthy males, 101% of RP-2000 Healthy Annuitant, Scale AA fully generational for retired healthy females, 96% of RP-2000 Disabled Annuitant, Scale AA fully generational for disabled males, and 107% of RP-2000 Disabled Annuitant, Scale AA fully generational for disabled females.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2009 through June 30, 2014.

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NOTE 11: RETIREMENT PLAN (Continued)

Long-term Expected Rates of Return

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	15.0%	3.3%
U.S. equity	27.5%	4.5%
International equity	27.5%	8.6%
Real estate	10.0%	6.0%
Private equity	10.0%	6.4%
Hedge funds	10.0%	4.0%
Total	<u>100.0%</u>	

Discount Rate

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

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

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

	<u>1% Decrease (6.5)%</u>	<u>Current Discount Rate (7.5)%</u>	<u>1% Increase (8.5)%</u>
The Division's proportionate share of the net pension liability (asset)	<u>\$ 157,928</u>	<u>\$ 39,215</u>	<u>\$ (61,214)</u>

Pension Plan Fiduciary Net Position

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

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NOTE 12: OTHER-POST EMPLOYMENT BENEFITS

The following are the Division's net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, revenues, and the OPEB expense and expenditures for the fiscal year ended June 30, 2019:

Net OPEB liability	\$ 117,167
Deferred outflows of resources	14,519
Deferred inflows of resources	32,586
Revenues (payments on behalf)	7,402
OPEB expense	9,084
Contributions made by the Division	11,354

Plan Description

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

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

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

Benefits Provided

The Plan provides the following benefits:

- Medical and prescription drug insurance
- Life insurance

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

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

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NOTE 12: OTHER-POST EMPLOYMENT BENEFITS (Continued)

Contributions

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

Paygo premiums are established by the PEIA Finance Board annually. All participating employers are required by statute to contribute this premium to the RHBT at the established rate for every active policyholder per month. The paygo rates related to the measurement date of June 30, 2018 were:

	July 2017-June 2018 2018
Paygo premium	\$ 177

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

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

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

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

The Division's contributions to the OPEB plan for the years ended June 30, 2019, 2018, and 2017, were \$11,354, \$11,159, and \$10,880, respectively.

Special Funding

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

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NOTE 12: OTHER-POST EMPLOYMENT BENEFITS (Continued)

Assumptions

The total OPEB liability for financial reporting purposes was determined by an actuarial valuation as of July 1, 2017 and rolled forward to June 30, 2018. The following actuarial assumptions were used and applied to all periods included in the measurement, unless otherwise specified:

- Actuarial cost method: Entry age normal cost method.
- Asset valuation method: Investments are reported at fair (market) value.
- Amortization method: Level percentage of payroll over closed period.
- Remaining amortization period: 20 years closed as of June 30, 2017.
- Investment rate of return: 7.15%, net of OPEB plan investment expense, including inflation.
- Healthcare cost trend rates: Actual trend used for fiscal year 2018. For fiscal years on and after 2019, trend starts at 8.00% and 10.00% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Excess trend rate of 0.13% and 0.00% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims cost beginning in 2022 to account for the Excise Tax.
- Projected salary increases: Dependent upon pension system ranging from 3.0-6.5%, including inflation.
- Inflation rate: 2.75%.
- Mortality rates based on RP-2000 Mortality Tables.

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

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

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

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NOTE 12: OTHER-POST EMPLOYMENT BENEFITS (Continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the long-term geometric rates of return for each major asset class included in RHBT's target asset allocation as of June 30, 2018, are summarized below.

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

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

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

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NOTE 12: OTHER-POST EMPLOYMENT BENEFITS (Continued)

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the Division's proportionate share of the net OPEB liability as of June 30, 2019 calculated using the discount rate of 7.15%, as well as what the Division's proportionate net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate.

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Net OPEB liability	\$ 137,706	\$ 117,167	\$ 100,045

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate. The following presents the Division's proportionate share of the net OPEB liability as of June 30, 2019 calculated using the healthcare cost trend rate, as well as what the Division's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB liability	\$ 96,949	\$ 117,167	\$ 141,801

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

The June 30, 2019 net OPEB liability was measured as of June 30, 2018, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to the measurement date of June 30, 2018.

At June 30, 2019, the Division's proportionate share of the net OPEB liability was \$141,382. Of this amount, the Division recognized \$117,167 as its proportionate share on the statement of net position. The remainder of \$24,215 denotes the Division's proportionate share of net OPEB liability attributable to the special funding.

The allocation percentage assigned to each participating employer and non-employer contributing entity is based on its proportionate share of employer and non-employer contributions to OPEB for each of the fiscal years ended June 30, 2018 and 2017. Employer contributions are recognized when due. At the June 30, 2018 measurement date, the Division's proportion was 5.46%, an increase of 0.16% from its proportion of 5.30% calculated as of June 30, 2017.

For the year ended June 30, 2019, the Division recognized OPEB expense of \$9,084. Of this amount, \$1,682 was recognized as the Division's proportionate share of OPEB expense and \$7,402 as the amount of OPEB expense attributable to special funding from a non-employer contributing entity.

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(amounts expressed in thousands)

NOTE 12: OTHER-POST EMPLOYMENT BENEFITS (Continued)

At June 30, 2019, deferred outflows of resources and deferred inflows of resources related to OPEB are as follows.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,733
Changes in proportion and difference between employer contributions and proportionate share of contributions	3,165	16,985
Change in assumptions	-	11,699
Net difference between projected and actual investment earnings	-	2,169
Contributions after the measurement date	<u>11,354</u>	<u>-</u>
Total	<u>\$ 14,519</u>	<u>\$ 32,586</u>

The Division will recognize the \$11,354 reported as deferred outflows of resources resulting from OPEB contributions after the measurement date as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended June 30,	Amortization
2020	\$ (8,961)
2021	(8,961)
2022	(8,961)
2023	<u>(2,538)</u>
	<u>\$ (29,421)</u>

Payables to the OPEB Plan

The Division reported \$567 and \$194 as amounts payable for normal contributions to the OPEB plan as of June 30, 2019 and 2018, respectively.

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.

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NOTE 13: RISK MANAGEMENT (Continued)

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2019

	Last 10 Fiscal Years* (In Thousands)									
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Government's proportion of the net pension liability (asset) (percentage)	15.18%	14.98%	15.20%	14.54%	14.48%					
Government's proportionate share of the net pension liability (asset)	\$ 39,215	\$ 64,651	\$ 139,665	\$ 81,197	\$ 53,405					
Government's covered payroll	\$ 206,445	\$ 207,108	\$ 209,422	\$ 198,305	\$ 193,990					
Government's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	19.00%	31.22%	66.69%	40.95%	27.53%					
Plan fiduciary net position as a percentage of the total pension liability	96.33%	93.67%	86.11%	91.29%	93.98%					

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

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
JUNE 30, 2019

Last 10 Fiscal Years
(In Thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Statutorily required contribution	\$ 23,167	\$ 22,709	\$ 24,853	\$ 28,272	\$ 27,693	\$ 28,128	\$ 27,797			
Contributions in relation to the statutorily required contribution	(23,167)	(22,709)	(24,853)	(28,272)	(27,693)	(28,128)	(27,797)			
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
Government's covered payroll	\$ 231,670	\$ 206,445	\$ 207,108	\$ 209,422	\$ 198,305	\$ 193,990	\$ 198,552			
Contributions as a percentage of covered payroll	10.00%	11.00%	12.00%	13.50%	14.00%	14.50%	14.00%			

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

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
JUNE 30, 2019

Last 10 Fiscal Years*
(In Thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Government's proportion of the net OPEB liability (asset) (percentage)	5.46%	5.30%								
Government's proportionate share of the net OPEB liability (asset)	\$ 117,167	\$ 130,248								
State's proportionate share of the net OPEB liability (asset)	24,215	26,753								
Total proportionate share of the net OPEB liability (asset)	<u>\$ 141,382</u>	<u>\$ 157,001</u>								
Government's payroll (1)	\$ 199,967	\$ 195,322								
Government's proportionate share of the net OPEB liability (asset) as a percentage of its payroll (1)	58.59%	66.68%								
Plan fiduciary net position as a percentage of the total OPEB liability	30.98%	25.10%								

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

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

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS
JUNE 30, 2019

Last 10 Fiscal Years*
(In Thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Statutorily required contribution	\$ 11,354	\$ 11,159	\$ 10,880							
Contributions in relation to the statutorily required contribution	\$ (11,354)	\$ (11,159)	\$ (10,880)							
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>							
Government's payroll (1)	\$ 223,350	\$ 199,967	\$ 195,322							
Contributions as a percentage of payroll (1)	5.08%	5.58%	5.57%							

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

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

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019

Actuarial Changes Pension Plan

An experience study, which was based on the years 2009 through 2014, was approved by the Consolidated Public Retirement Board. As a result, valuation assumptions were changed as of June 30, 2018 to reflect the most recent experience study:

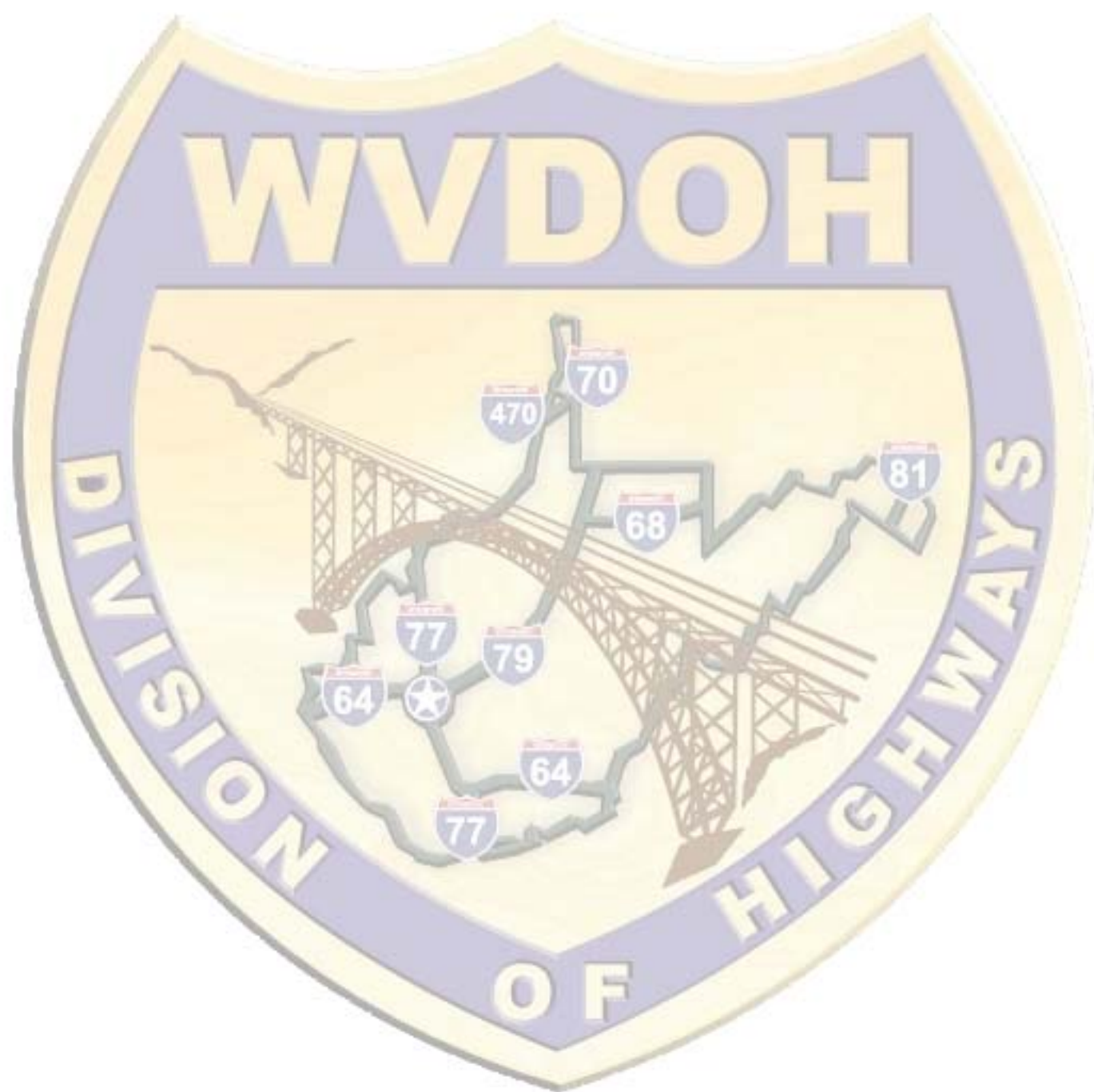
	Projected Salary Increases			Mortality Rates	Withdrawal Rates		
	State	Nonstate	Inflation rate		State	Nonstate	Disability Rates
<u>2018</u>	3.00% - 4.6%	3.35% - 6.0%	3.00%	Active-100% of RP-2000 Non-Annuitant, Scale AA fully generational Retired healthy males-110% of RP-2000 Healthy Annuitant, Scale AA fully generational Retired healthy females-101% of RP-2000 Healthy Annuitant, Scale AA fully generational Disabled Males-96% of RP2000 Disabled Annuitant, Scale AA fully generational Disabled Females-107% of RP-2000 Disabled Annuitant, Scale AA fully generational	1.75-35.10%	2-35.88%	0.007-.675%
<u>2017</u>	3.00% - 4.6%	3.35% - 6.0%	3.00%	Active-100% of RP-2000 Non-Annuitant, Scale AA fully generational Retired healthy males-110% of RP-2000 Healthy Annuitant, Scale AA fully generational Retired healthy females-101% of RP-2000 Healthy Annuitant, Scale AA fully generational Disabled Males-96% of RP2000 Disabled Annuitant, Scale AA fully generational Disabled Females-107% of RP-2000 Disabled Annuitant, Scale AA fully generational	1.75-35.10%	2-35.88%	0.007-.675%
<u>2016</u>	3.00% - 4.6%	3.35% - 6.0%	3.00%	Active-100% of RP-2000 Non-Annuitant, Scale AA fully generational Retired healthy males-110% of RP-2000 Healthy Annuitant, Scale AA fully generational Retired healthy females-101 % of RP-2000 Healthy Annuitant, Scale AA fully generational Disabled Males-96% of RP2000 Disabled Annuitant, Scale AA fully generational Disabled Females-107% of RP-2000 Disabled Annuitant, Scale AA fully generational	1.75-35.10%	2-35.88%	0.007-.675%
<u>2015</u>	3.00% - 4.6%	3.35% - 6.0%	1.90%	Healthy males - 110% of RP-2000 Non-Annuitant, Scale AA; Healthy females - 101% of RP-2000 Non-Annuitant, Scale AA; Disabled males - 96% of RP-2000 Disabled Annuitant, Scale AA; Disabled females - 107% of RP-2000 Disabled Annuitant, Scale AA	1.75-35.1%	2-35.8%	0-.675%
<u>2014</u>	4.25% - 6.0%	4.25% - 6.0%	2.20%	Healthy males - 1983 GAM; Healthy females-1971; disabled males - 1971 GAM; Disabled females - Revenue ruling 96-	1-26%	2-31.2%	0-.8%

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019

Actuarial Changes Other Postemployment Benefits Plan

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

	Inflation rate	Salary Increases	Investment Rate of Return	Mortality	Discount Rate	Healthcare Cost Trend Rates
<u>2018</u>	2.75%	Dependent upon pension system. Ranging from 3.0% to 6.5%	7.15%, net of OPEB plan investment expense, including inflation	Post-Retirement: RP – 2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis	7.15%	Actual trend used for fiscal year 2018. For fiscal years on and after 2019, trend starts at 8.0% and 10.0% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend rate of 4.50%. Excess trend rate of 0.13% and 0.00% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2022 to account for the Excise Tax.
<u>2017</u>	2.75%	Dependent upon pension system. Ranging from 3.0% to 6.5%	7.15%, net of OPEB plan investment expense, including inflation	Post-Retirement: RP – 2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis	7.15%	Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.5% and 9.75% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend rate of 4.50%. Excess trend rate of 0.14% and 0.29% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2020 to account for the Excise Tax.

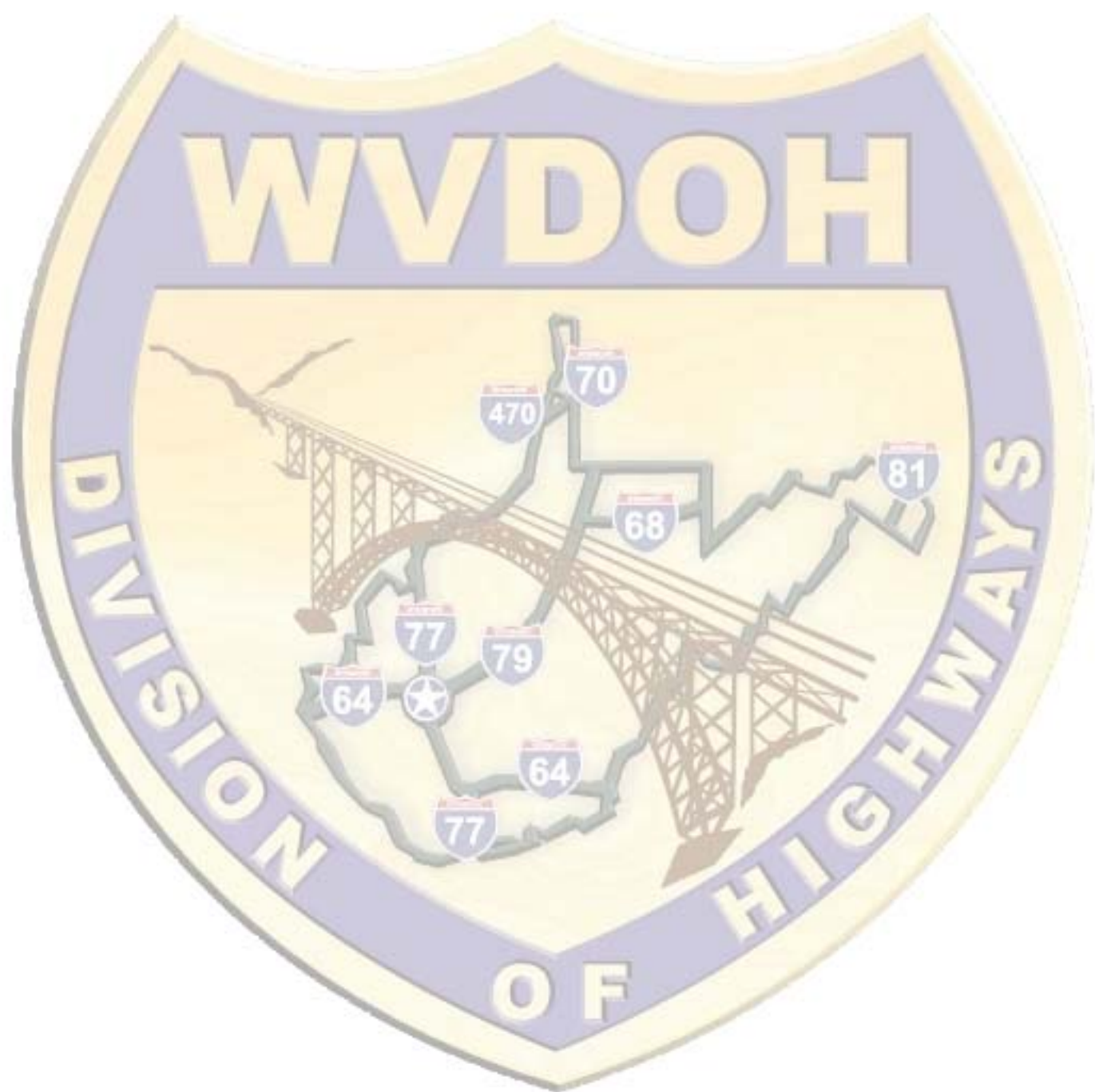


Statistical Section

West Virginia Department of Transportation

Division of Highways





Statistical Section Narrative and Table of Contents

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.

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

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

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

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

	Fiscal Year			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Governmental Activities				
Net investment in capital assets	\$ 8,095,231	\$ 7,832,625	\$ 7,967,600	\$ 7,969,214
Restricted	188,310	19,285	12,737	12,031
Unrestricted	96,572	220,991	(4,164)	(106,540)
Total governmental activities net position	<u>\$ 8,380,113</u>	<u>\$ 8,072,901</u>	<u>\$ 7,976,173</u>	<u>\$ 7,874,705</u>

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

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

Fiscal Year					
<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 7,911,050	\$ 7,868,183	\$ 7,871,718	\$ 7,712,955	\$ 7,654,175	\$ 7,358,147
12,968	14,224	11,077	17,350	14,584	17,035
(90,098)	59,515	3,189	(25,347)	84,841	152,578
\$ 7,833,920	\$ 7,941,922	\$ 7,885,984	\$ 7,704,958	\$ 7,753,600	\$ 7,527,760

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

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

	Fiscal Year			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenues				
Governmental activities:				
General Revenues				
Motor fuel excise tax	\$ 444,575	\$ 443,273	\$ 389,753	\$ 404,321
Automobile privilege tax	237,756	231,522	203,405	201,082
Investment and interest income	33,046	6,169	987	420
Payments from primary government	112,603	8,213	11,285	12,492
Miscellaneous revenues	38,820	18,364	26,346	38,253
(Loss) gain on sale of assets	-	-	-	1,608
Total General Revenues	866,800	707,541	631,776	658,176
Program Revenues				
Capital grants and contributions:				
Federal aid	647,747	371,199	505,313	460,870
Industrial access roads	3,000	3,000	3,000	3,000
Charges for services:				
Motor vehicle registration fees	169,078	149,222	104,923	89,560
Special fees and permits	8,385	6,687	5,576	5,530
Total Program Revenues	828,210	530,108	618,812	558,960
Total governmental revenues	1,695,010	1,237,649	1,250,588	1,217,136
Expenses				
Governmental activities:				
Road maintenance				
Expressway, trunkline & feeder & SLS	459,942	384,193	329,786	332,765
Contract paving & secondary roads	58,578	40,269	41,259	60,643
Small bridge repair & replacement	21,951	12,093	15,960	17,516
Litter control program	3,250	4,603	4,138	5,674
Depreciation	9,837	11,034	14,235	16,945
Other road operations				
Interstate highways	167,796	75,911	52,200	77,180
Appalachian highways	3,317	8,340	18,796	22,785
Other federal aid programs	172,504	192,506	292,281	248,861
Non federal aid improvements	27,761	11,145	7,582	9,253
Industrial Access Roads	1,094	1,005	1,573	730
Depreciation	302,645	303,174	299,992	299,760
General and administration				
Support and administrative operations	60,383	55,963	57,053	48,170
Claims	9,284	(15,963)	(36,732)	(10,212)
Costs associated with DMV	37,173	37,722	38,574	36,148
Costs associated with OAH	1,457	1,407	1,479	1,533
Interest on long-term debt	45,352	14,422	5,087	3,473
Unallocated depreciation	5,474	5,723	5,857	5,127
Transfer out	-	-	-	-
Total governmental expenses	1,387,798	1,143,547	1,149,120	1,176,351
Change in net position	307,212	94,102	101,468	40,785
Effect of adoption of accounting principle	-	2,626	-	-
Net position, beginning	8,072,901	7,976,173	7,874,705	7,833,920
Net position, ending	\$ 8,380,113	\$ 8,072,901	\$ 7,976,173	\$ 7,874,705

Fiscal Year					
<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 432,642	\$ 433,252	\$ 417,571	\$ 408,571	\$ 406,347	\$ 393,557
204,994	195,737	188,197	186,300	168,602	147,466
156	98	87	209	517	(457)
9,480	11,951	11,340	28,078	14,171	41,318
35,738	31,629	36,351	34,695	31,945	25,012
1,302	(78)	985	2,149	1,673	-
684,312	672,589	654,531	660,002	623,255	606,896
350,133	451,710	462,329	497,814	534,602	532,020
3,000	3,000	3,000	3,000	3,000	3,000
96,294	96,983	90,062	89,741	91,475	87,600
6,681	6,333	7,676	8,380	7,083	5,793
456,108	558,026	563,067	598,935	636,160	628,413
1,140,420	1,230,615	1,217,598	1,258,937	1,259,415	1,235,309
330,656	333,336	337,436	380,283	334,484	319,219
64,339	54,642	57,386	66,721	65,809	62,542
16,385	13,885	20,628	22,794	12,199	10,416
555	555	1,880	1,682	1,699	1,688
19,111	20,852	21,037	19,564	19,714	17,951
61,373	91,832	26,404	105,899	12,497	86,148
12,607	24,586	714	51,584	4,462	5,482
167,057	193,458	159,235	212,896	142,964	129,913
5,857	15,119	14,021	9,561	2,760	5,500
2,719	2,055	2,651	1,583	355	3,121
306,030	304,103	300,195	290,728	285,612	292,602
45,485	49,484	34,179	81,441	95,358	55,956
56,901	4,307	2,147	6,540	(2,940)	11,172
35,943	36,066	36,702	33,838	33,222	31,990
1,538	1,607	1,793	1,578	1,064	-
9,446	11,780	15,728	17,136	20,041	22,514
5,199	5,405	4,436	3,751	4,275	3,442
-	11,605	-	-	-	-
1,141,201	1,174,677	1,036,572	1,307,579	1,033,575	1,059,656
(781)	55,938	181,026	(48,642)	225,840	175,653
(107,221)	-	-	-	-	-
7,941,922	7,885,984	7,704,958	7,753,600	7,527,760	7,352,107
\$ 7,833,920	\$ 7,941,922	\$ 7,885,984	\$ 7,704,958	\$ 7,753,600	\$ 7,527,760

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

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenues				
Taxes				
Gasoline and motor carrier	\$ 444,575	\$ 443,273	\$ 389,753	\$ 404,321
Automobile privilege	237,756	231,522	203,405	201,082
Industrial access roads	3,000	3,000	3,000	3,000
License, fees and permits				
Motor vehicle registrations and licenses	169,078	149,222	104,923	89,560
Special fees and permits	8,385	6,687	5,576	5,530
Federal aid				
Interstate highways	76,520	46,157	54,484	98,180
Appalachian highways	154,170	56,161	88,782	39,843
Other federal aid programs	245,057	268,881	362,047	322,847
Investment and interest income, net of arbitrage rebate	33,046	6,169	987	420
Intergovernmental	284,603	8,213	11,285	12,492
Miscellaneous revenues	38,820	17,548	26,346	38,253
Total Revenues	<u>1,695,010</u>	<u>1,236,833</u>	<u>1,250,588</u>	<u>1,215,528</u>
Expenditures				
Current				
Road maintenance				
Expressway, trunkline and feeder, sls	471,649	396,373	342,494	347,099
Contract paving and secondary roads	59,738	40,331	41,317	60,700
Small bridge repair and replacement	27,657	19,541	17,766	19,890
Litter control program	3,323	4,604	4,140	5,676
Support and administrative operations	91,676	81,765	59,019	75,468
Division of Motor Vehicles operations	37,907	37,722	38,574	37,437
Office of Administrative Hearings operations	1,486	1,407	1,479	1,626
Claims	401	556	971	710
Capital outlay and other road operations				
Road construction and other road operations				
Interstate highways	274,871	102,773	71,261	107,837
Appalachian highways	76,551	86,001	127,751	76,651
Other federal aid programs	451,568	411,885	495,221	476,115
Nonfederal aid construction and road op.	38,868	19,123	18,581	18,965
Industrial access roads	1,119	1,005	1,573	730
Debt service				
Bond issuance costs	443	1,963	1	1
Principal	49,790	15,985	15,225	29,335
Interest	57,659	12,360	8,479	9,360
Defeasance of debt	-	59,336	-	-
Total Expenditures	<u>1,644,706</u>	<u>1,292,730</u>	<u>1,243,852</u>	<u>1,267,600</u>
Excess (deficiency) of revenues over expenditures	50,304	(55,897)	6,736	(52,072)
Other financing sources (uses)				
Proceeds from issuance of debt	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Refunding bonds issued	-	-	-	-
Premium on refunding bonds	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Sale of Bonds	78,810	1,019,985	57,803	-
Premium on bonds	12,060	153,317	-	-
Proceeds from sale of assets	1,515	1,635	1,222	2,304
Total other financing sources (uses)	<u>92,385</u>	<u>1,174,937</u>	<u>59,025</u>	<u>2,304</u>
Prior period adjustment	-	152,729	-	-
Net change in fund balance	<u>\$ 142,689</u>	<u>\$ 1,271,769</u>	<u>\$ 65,761</u>	<u>\$ (49,768)</u>
Debt Service as a percentage of noncapital expenditures	9%	10%	3%	4%

Fiscal Year					
<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 432,642	\$ 433,252	\$ 417,571	\$ 408,571	\$ 406,347	\$ 393,557
204,993	195,737	188,197	186,300	168,602	147,466
3,000	3,000	3,000	3,000	3,000	3,000
96,294	96,983	90,062	89,741	91,475	87,600
6,681	6,333	7,676	8,380	7,083	5,793
61,162	93,593	90,213	109,422	112,134	112,435
44,625	56,501	49,451	82,989	63,239	81,840
244,346	301,616	322,665	305,403	359,229	337,746
156	98	87	209	517	(457)
9,480	11,951	11,340	28,078	14,171	41,318
35,738	31,629	36,351	34,695	31,945	25,012
1,139,117	1,230,693	1,216,613	1,256,788	1,257,742	1,235,310
345,897	333,355	337,538	380,301	334,608	318,389
64,425	54,642	57,386	66,721	65,809	62,542
29,154	20,413	29,148	39,731	23,595	27,638
556	555	1,880	1,682	1,699	1,688
73,957	80,273	76,203	112,652	129,104	96,251
37,550	36,066	36,702	33,838	33,222	31,990
1,673	1,607	1,793	1,578	1,064	-
607	744	2,092	2,327	1,563	497
85,274	109,529	108,503	129,221	128,278	125,499
62,526	73,637	68,957	108,798	84,470	102,626
365,263	363,658	396,979	387,429	444,804	426,980
15,935	17,282	21,500	19,908	27,717	26,714
2,719	2,055	2,651	1,583	355	3,121
613	1	4	3	442	4
51,740	49,315	48,600	57,290	52,980	52,435
12,499	14,961	17,349	20,078	22,829	25,134
-	-	-	-	-	-
1,150,388	1,158,093	1,207,285	1,363,140	1,352,539	1,301,508
(11,271)	72,600	9,328	(106,352)	(94,797)	(66,198)
-	-	-	-	-	-
-	-	-	-	-	-
-	(11,605)	-	-	-	-
133,710	-	-	-	35,135	-
26,198	-	-	-	2,913	-
(159,300)	-	-	-	(37,730)	-
-	-	-	-	-	-
-	-	-	-	-	-
1,658	1,734	1,185	2,446	2,506	-
2,266	(9,871)	1,185	2,446	2,824	-
-	-	-	-	-	(14,100)
\$ (9,005)	\$ 62,729	\$ 10,513	\$ (103,906)	\$ (91,973)	\$ (80,298)
8%	7%	9%	7%	10%	10%

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

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

	Fiscal Year		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
General Fund			
Nonspendable			
Inventories	\$ 53,333	\$ 47,060	\$ 51,145
Restricted			
Construction and maintenance of coal resource roads	4,736	2,598	1,141
Construction and maintenance of industrial access roads	11,130	9,099	7,104
Waste tire clean-up	7,245	5,853	4,492
Capital projects	289,169	-	-
Unassigned	263,708	412,253	55,939
Reserved for inventories	-	-	-
Unreserved	-	-	-
Total General Fund	<u>\$ 629,321</u>	<u>\$ 476,863</u>	<u>\$ 119,821</u>
 All Other Governmental Funds			
Restricted, capital projects fund	\$ 904,958	\$ 914,727	\$ -
Reserved, capital projects fund	-	-	-
Total all funds	<u><u>\$ 1,534,279</u></u>	<u><u>\$ 1,391,590</u></u>	<u><u>\$ 119,821</u></u>

Fiscal Year							
<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	
\$ 48,113	\$ 46,984	\$ 36,087	\$ 42,950	\$ 45,765	\$ 38,779	\$ 37,157	
3,710	4,584	7,786	2,189	4,739	3,266	-	
5,676	4,039	3,758	6,283	10,240	8,823	-	
2,645	4,345	2,680	2,605	2,371	2,495	-	
-	-	-	-	-	-	-	
(6,084)	43,876	62,522	(3,923)	(23,524)	90,134	180,285	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
\$ 54,060	\$ 103,828	\$ 112,833	\$ 50,104	\$ 39,591	\$ 143,497	\$ 217,442	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,028	
-	-	-	-	-	-	-	
\$ 54,060	\$ 103,828	\$ 112,833	\$ 50,104	\$ 39,591	\$ 143,497	\$ 235,470	



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

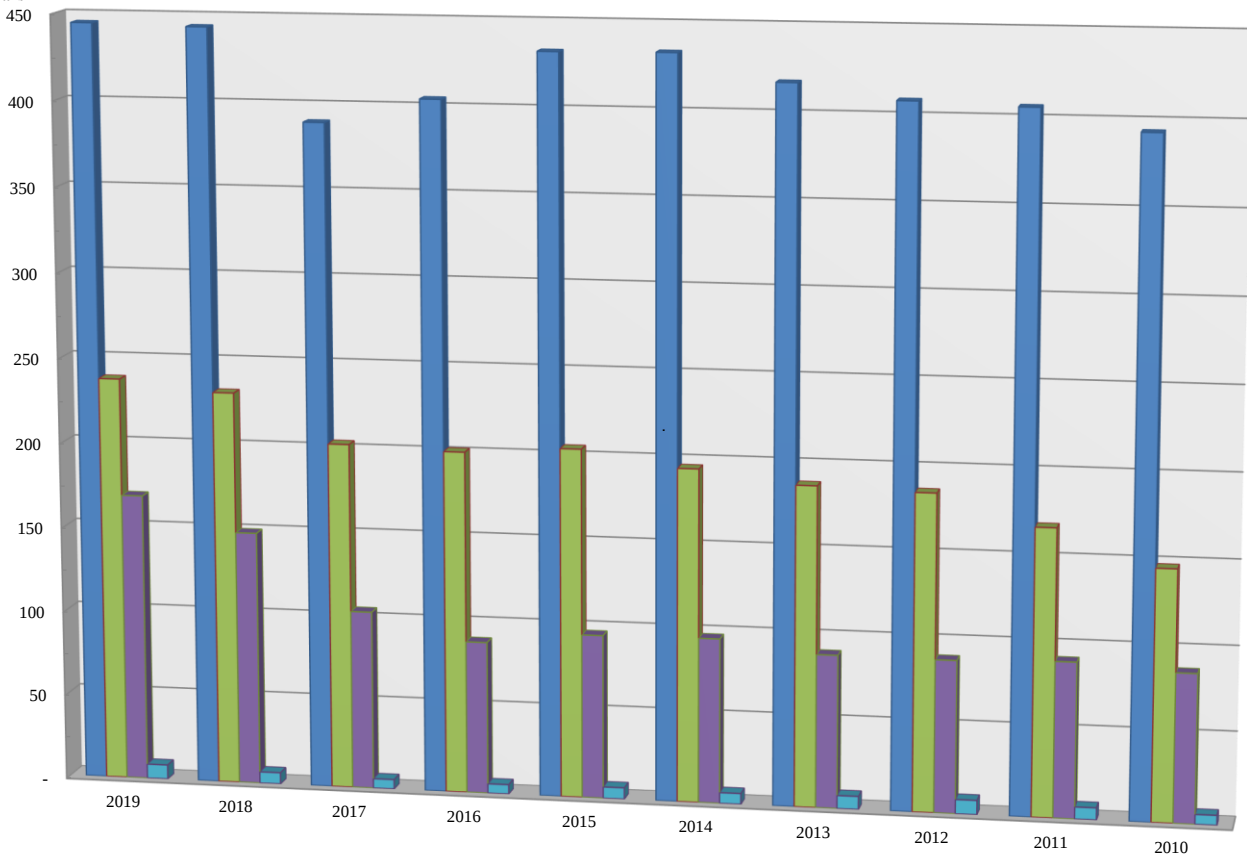
Last Ten Fiscal Years
(Amount expressed in thousands)

Fiscal Year		2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Gasoline/Motor Carrier		\$444,575	\$443,273	\$389,753	\$404,321	\$432,642	\$433,252	\$417,571	\$408,571	\$406,347	\$393,557
Automobile Privilege		237,756	231,522	203,405	201,082	204,994	195,737	188,197	186,300	168,602	147,466
Registration/ License Fees		169,078	149,222	104,923	89,560	96,294	96,983	90,062	89,741	91,475	87,600
Special Fees & Permits		8,385	6,687	5,576	5,530	6,681	6,333	7,676	8,380	7,083	5,793
Total		\$859,794	\$830,704	\$703,657	\$700,493	\$740,611	\$732,305	\$703,506	\$692,992	\$673,507	\$634,416

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

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

Millions
of Dollars





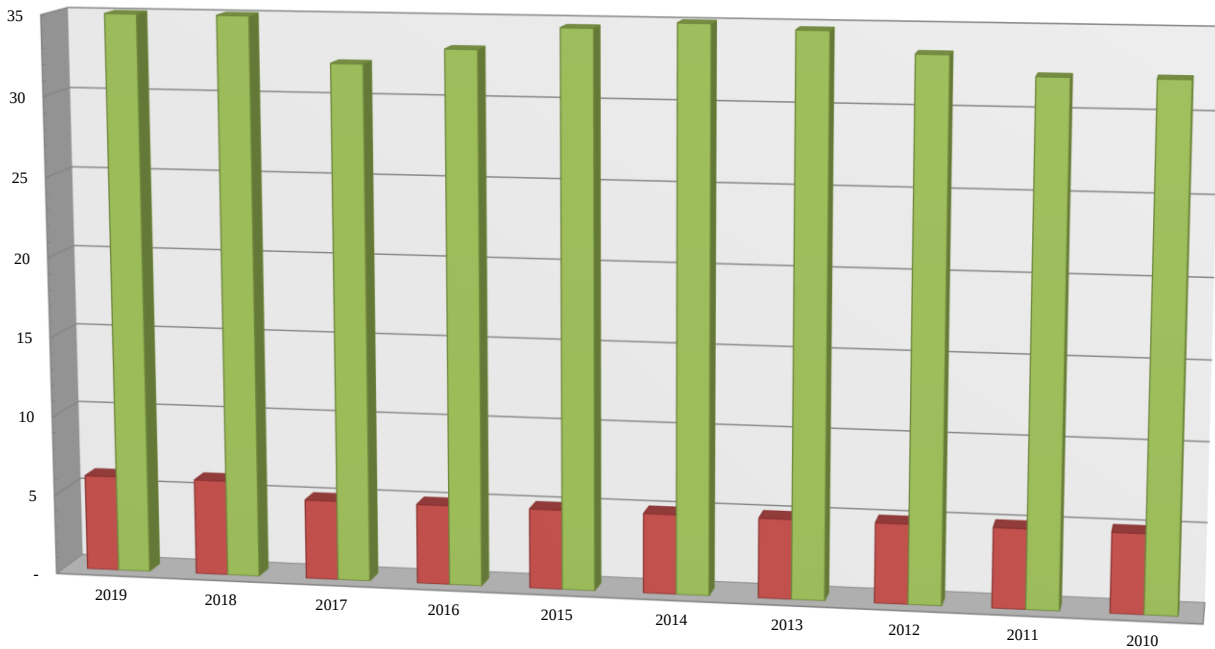
**DIVISION OF HIGHWAYS
FUEL AND PRIVILEGE TAX RATES**
Last Ten Fiscal Years

Fiscal Year		2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Automobile Privilege(2) (cents per dollar)		6	6	5	5	5	5	5	5	5	5
Motor Fuel Excise Tax(1) (cents per gallon)		35.7	35.7	32.2	33.2	34.6	35.7	34.7	33.4	32.2	32.2

(1) The motor fuel excise tax is the combination of a flat 20.5 cents per invoiced gallon rate and a variable sales and use tax rate of 15.2 cents per invoiced gallon as of July 1, 2019.

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

Cents



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

Fiscal Year	Primary Government - Debt				
	General Obligation Bonds	Revenue Notes	Total Primary Government	Percentage of Personal Income*	Per Capita*
2019	\$ 1,024,628	\$ 329,079	\$ 1,353,707	1.85%	749.63
2018	1,067,254	257,622	1,324,876	1.90%	729.61
2017	173,072	57,786	230,858	0.34%	126.08
2016	191,122	-	191,122	0.28%	103.64
2015	196,405	27,896	224,301	0.34%	121.22
2014	238,979	54,565	293,544	0.45%	158.30
2013	265,541	80,059	345,600	0.54%	186.27
2012	292,497	104,448	396,945	0.64%	213.94
2011	329,130	127,892	457,022	0.77%	246.64
2010	362,066	150,431	512,497	0.89%	281.63

Fiscal Year	Government Activities Tax and Fee Income				
	Gasoline and Motor Carrier	Automobile Privilege	Motor Vehicle Registrations and Licenses	Special Fees and Permits	Total
2019	\$ 444,575	\$ 237,756	\$ 169,078	\$ 8,385	\$ 859,794
2018	443,273	231,522	149,222	6,687	830,704
2017	389,753	203,405	104,923	5,576	703,657
2016	404,321	201,082	89,560	5,530	700,493
2015	432,642	204,994	96,294	6,681	740,611
2014	433,252	195,737	96,983	6,333	732,305
2013	417,571	188,197	90,062	7,676	703,506
2012	408,571	186,300	89,741	8,380	692,992
2011	406,347	168,602	91,475	7,083	673,507
2010	393,557	147,466	87,600	5,793	634,416

Fiscal Year	General Obligation Bond Debt Ratio			
	General Obligation Bonds	Percentage of Tax and Fee Income	Percentage of Personal Income*	Per Capita*
2019	\$ 1,024,628	119.17%	1.40%	567.40
2018	1,067,254	128.48%	1.53%	587.74
2017	173,072	24.60%	0.26%	94.52
2016	191,122	27.28%	0.28%	103.64
2015	196,405	26.52%	0.29%	106.15
2014	238,979	32.63%	0.36%	128.88
2013	265,541	37.75%	0.42%	143.12
2012	292,497	42.21%	0.47%	157.65
2011	329,130	48.87%	0.55%	177.62
2010	362,066	57.07%	0.63%	198.96

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

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

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

Calendar Year	Total Population	Total Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate	Median Age
2018	1,805,832	73,277,600	40,578	5.3%	42.8
2017	1,815,857	69,872,741	38,479	5.3%	42.4
2016	1,831,102	67,061,987	36,624	5.0%	42.3
2015	1,844,128	67,787,227	36,758	6.0%	42.2
2014	1,850,326	66,857,000	36,132	7.6%	41.9
2013	1,854,304	65,889,000	35,533	6.6%	41.3
2012	1,855,413	63,968,000	34,477	7.3%	41.3
2011	1,855,364	62,178,000	33,513	8.0%	41.1
2010	1,852,994	59,417,000	32,042	9.1%	41.3
2009	1,819,777	57,535,000	31,137	7.9%	40.5

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

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

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

	Largest Employer Rank			
	2019	2018	2017	2016
WVU Medicine	1	1	1	1
Wal-Mart Associates, Inc.	2	2	2	2
Charleston Area Medical Center, Inc.	3	3	3	3
Kroger	4	4	4	4
Cabell Huntington Hospital	5	5	8	8
Mylan Pharmaceuticals, Inc.	6	6	5	5
Lowe's Home Centers, Inc.	7	7	6	6
St. Mary's Medical Center, Inc.	8	8	7	7
Wheeling Hospital, Inc	9	9	9	9
Res-Care, Inc.	10	10	10	10
Murray American Energy, Inc.	-	-	-	-
American Electric Power	-	-	-	-
Mentor Management, Inc (Mentor Network, The)	-	-	-	-
Consolidation Coal Company	-	-	-	-

Source: Workforce West Virginia Research, Information and Analysis

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

Largest Employer Rank					
2015	2014	2013	2012	2011	2010
2	2	2	2	2	2
1	1	1	1	1	1
3	3	3	3	3	3
4	4	4	4	4	4
9	-	-	-	-	-
5	5	6	7	6	10
8	8	7	6	7	7
7	7	8	9	8	8
-	-	-	-	-	9
10	10	10	-	-	-
6	6	-	8	10	-
-	-	-	10	9	5
-	9	9	5	5	6
-	-	5	-	-	-

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

**Employees by Program
Last Ten Fiscal Years**

<u>Program</u>	Employees as of June 30			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Maintenance	3,331	3,211	3,382	3,317
Construction	952	917	966	948
General and administration	476	459	483	474
Total	4,759	4,587	4,831	4,739

Source: Division of Highways Budget Office.

Employees as of June 30					
<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
3,383	3,404	3,401	3,466	3,547	3,534
966	973	973	853	950	927
483	486	486	520	309	298
4,832	4,863	4,860	4,839	4,806	4,759

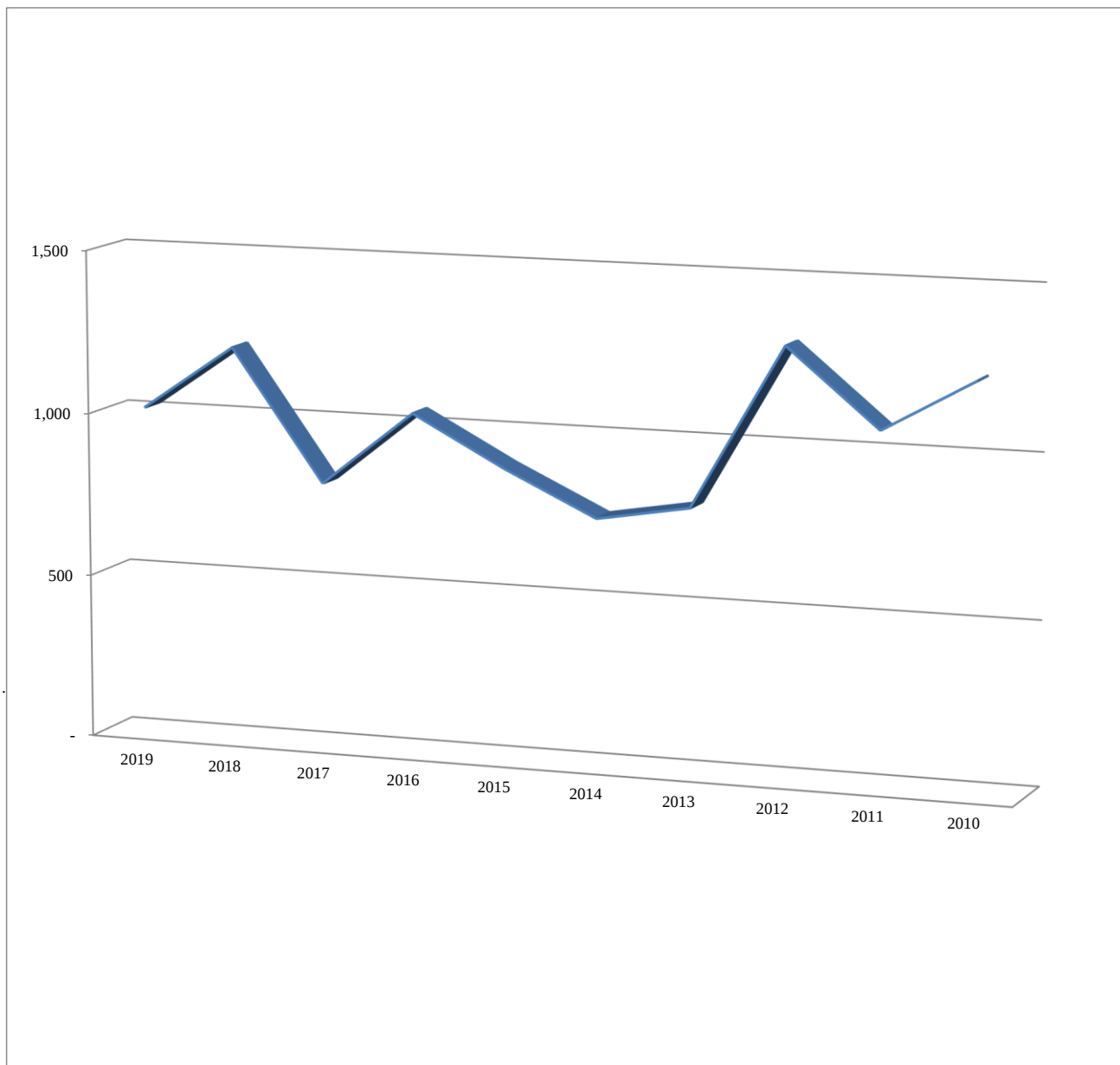


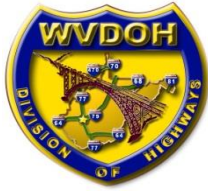
**DIVISION OF HIGHWAYS
HIGHWAY CONSTRUCTION AND IMPROVEMENT
TOTAL PROJECTS AUTHORIZED
Last Ten Fiscal Years**

Fiscal Year	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	Total Projects
Projects	1,014	1,213	813	1,042	891	757	806	1,305	1,070	1,231	10,142

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)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Interstate Construction	5	13	2	3	7	6	7	5	7	6
Interstate Renovation	17	47	21	22	24	14	24	24	19	20
Interstate Expansion	0	0	0	1	0	0	0	0	1	0
Non-Interstate Other	52	108	56	35	68	64	71	99	75	44
ARRA	0	0	0	0	0	0	0	1	8	70
Appalachian Development	14	12	20	24	15	14	17	14	30	16
Other Bridge	26	58	22	29	41	35	40	43	50	51
Miscellaneous	100	157	238	399	179	194	143	131	201	205
Total	214	395	359	513	334	327	302	317	391	412

Non-Federal Aid
 (Number of Projects)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Maintenance	163	230	206	261	320	178	220	378	276	415
Bridge Replacement and Renovation	21	22	28	17	31	34	23	31	28	26
Miscellaneous Bridge Work	44	69	34	62	34	29	45	45	70	63
Industrial Access Roads	4	2	4	1	5	4	4	10	4	8
Roadway Renovation and Improvement	568	495	182	188	167	185	212	524	301	307
Total	800	818	454	529	557	430	504	988	679	819
Grand Total	1,014	1,213	813	1,042	891	757	806	1,305	1,070	1,231

TOTAL AUTHORIZED PROJECTS = 10,142

Source: Division of Highways Program Planning & Administration Division

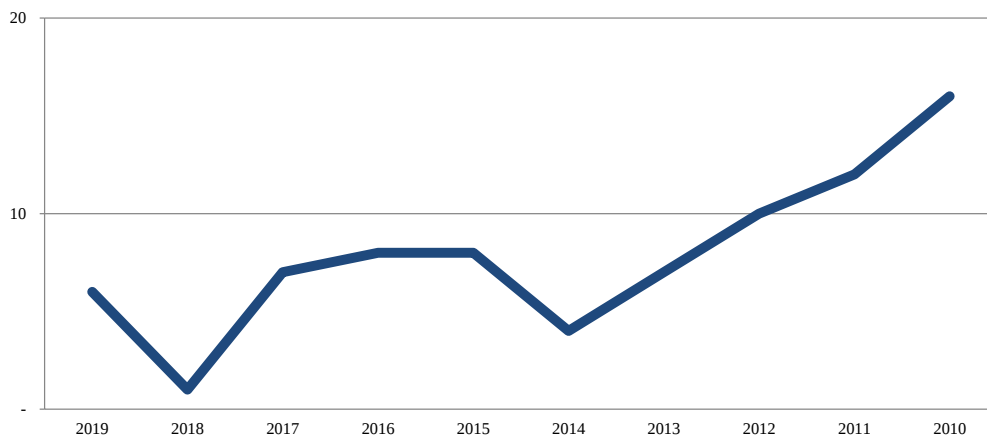


DIVISION OF HIGHWAYS
ROADWAY PROJECTS - SYSTEM EXPANSION ONLY
 Last Ten Fiscal Years

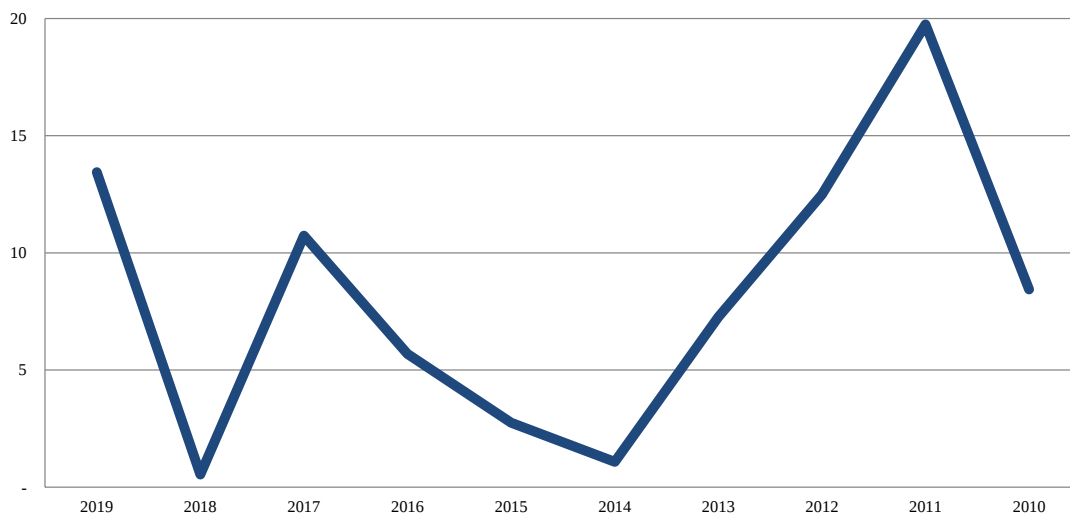
Fiscal Year	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Number of Projects	6	1	7	8	8	4	7	10	12	16
Number of Miles	13.44	0.54	10.73	5.69	2.75	1.08	7.26	12.49	19.75	8.44

Source: Division of Highways Program Planning & Administration Division

Number of Projects:



Number of Miles:



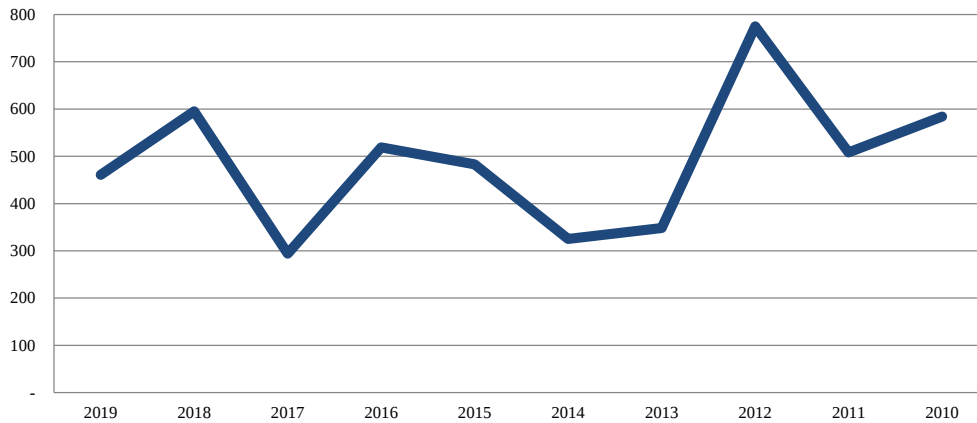


**DIVISION OF HIGHWAYS
ROADWAY RESURFACING PROJECTS
Last Ten Fiscal Years**

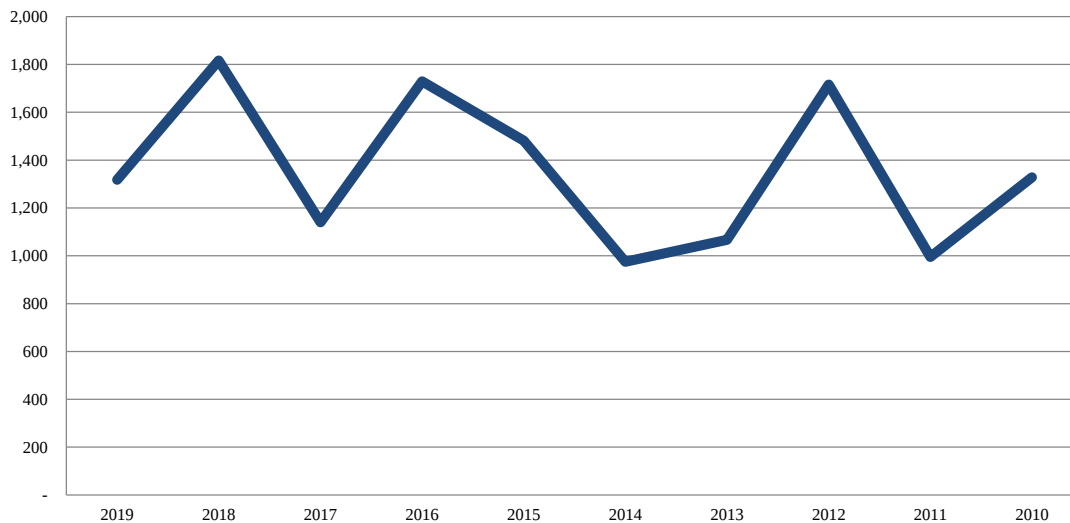
Fiscal Year	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Number of Projects	461	595	294	519	483	325	348	775	508	584
Number of Miles	1,318	1,816	1,140	1,729	1,481	975	1,067	1,716	995	1,328

Source: Division of Highways Program Planning & Administration Division

Number of Projects:



Number of Miles:



DIVISION OF HIGHWAYS
Total Highway Mileage by Category

<u>Total Road System</u>	
Interstate excluding Turnpike	468
U.S. Routes	1,851
W.V. Routes	3,652
County Routes	28,873
Other (Parks, Forests, HARP)	<u>1,078</u>
Total Road System Miles	<u><u>35,922</u></u>

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

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

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

* Includes 5.54 miles of one way connecting ramps

<u>Other National Highway System</u>	1,017	414
Other major routes, including most principal arterials that are the most important to interstate travel and national defense, roads that connect with other modes of transportation, and roads essential for international commerce.		
<u>Other Federal-Aid Highways</u>	6,872	1,622
All other roads on which Federal Highway funds may be expended including Federal Aid Non-State (FANS) roads.	<u> </u>	<u> </u>
Sub-total miles	<u>8,208</u>	<u>2,271</u>
Total Federal Aid Routes Miles	<u><u>10,479</u></u>	

Source: 2018 Public Certified Mileage



"IN MEMORIAM OF THE EMPLOYEES WHO HAVE PAID
THE ULTIMATE SACRIFICE WHILE WORKING ON OUR
HIGHWAYS, BYWAYS AND BACK ROADS."

Prepared by the Finance and Administration Division

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