

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

COMPONENT UNIT OF THE STATE OF WEST VIRGINIA



**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2003**

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
**DIVISION OF HIGHWAYS**  
COMPONENT UNIT OF THE STATE OF WEST VIRGINIA



**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2003**

PREPARED BY  
FINANCE DIVISION

Pictures Courtesy of

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

Year Ended June 30, 2003

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

Year Ended June 30, 2003

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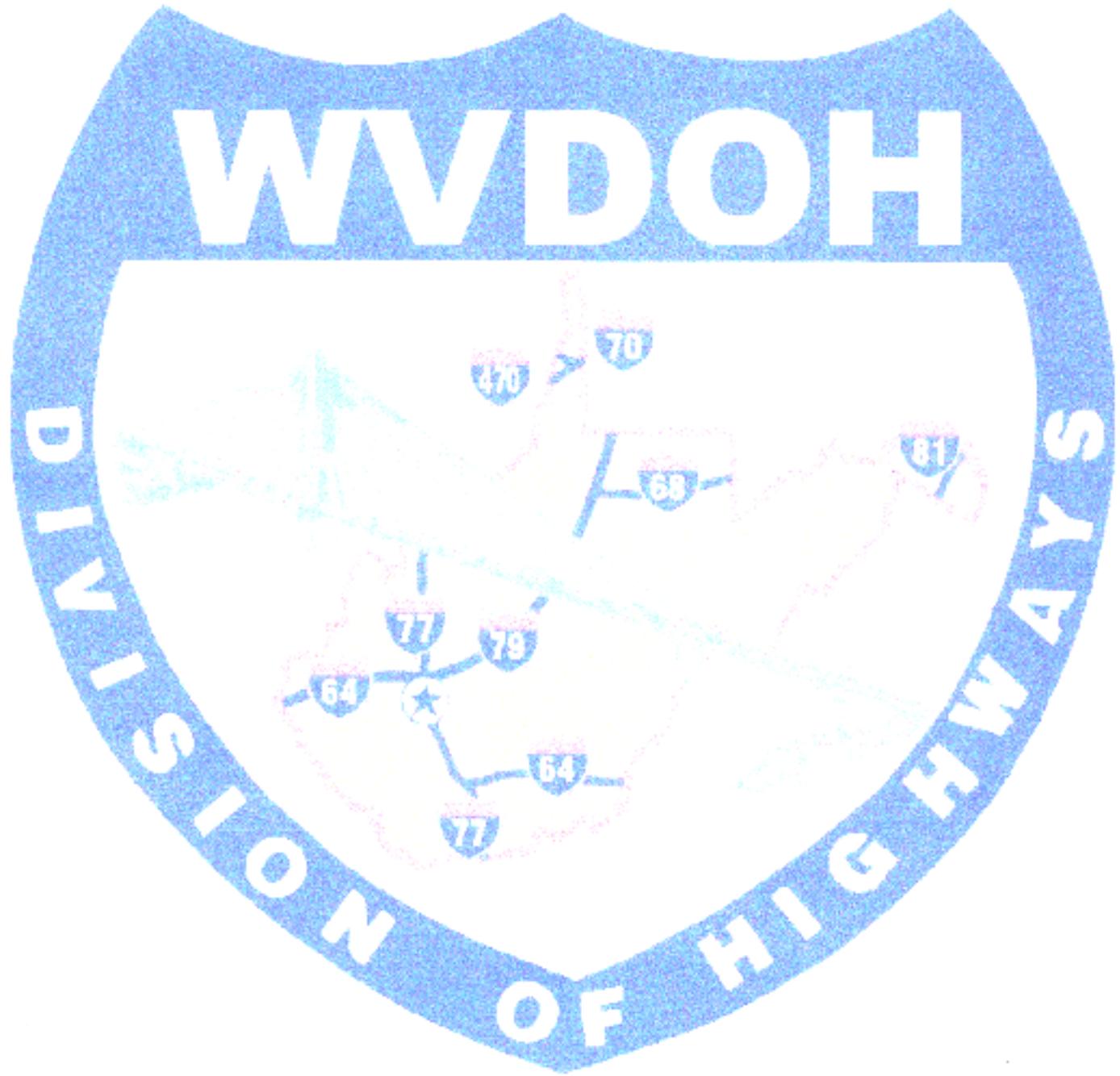


Walkerville



Locust Creek

**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**

**Bob Wise  
Governor**

**Fred VanKirk, P. E.  
Secretary/Commissioner**

**Jerry Bird  
Assistant Commissioner**

December 31, 2003

Honorable Bob Wise, Governor;  
Members of the West Virginia Legislature;  
and 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, 2003. The purpose of the report is to provide the Governor, Legislature, Citizens and other interested parties with reliable financial information about the Division. Responsibility for both the accuracy of the information and the completeness and fairness of presentation, including all disclosures, rests with the Division's management. To the best of our knowledge and belief, the report is accurate in all material respects and is designed to present fairly the financial activity of the Division. All disclosures necessary to enable the reader to gain an understanding of the Division's financial activities have been included.

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 founded 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. The Division has statutory authority for the construction, rehabilitation and maintenance of 36,282 miles of roads in the State.

This comprehensive annual financial report is divided into an introductory section, financial section and statistical section. In addition to this letter of transmittal, the introductory section also contains the list of the Division's principal officers, organizational chart, and the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ended June 30, 2002. The Division was the second West Virginia state agency to be awarded the GFOA Certificate, and is one of only eight State of West Virginia agencies to receive the Certificate for the year ended June 30, 2002. The financial section includes the independent auditors report, Management's Discussion and Analysis (MD&A) which provides an introduction overview and analysis of the "Basic Financial Statements", the Basic Financial Statements, which present the government-wide financial statements and fund financial statements, together with notes to the Basic Financial Statements, and the budgetary comparison statement for the State Road (general) fund. The statistical section includes other financial data that is not part of the financial statements and highway system information. This report provides information relative to the financial position of the Division in accordance with accounting principles generally accepted in the United States of America and state statutes. All funds used to record the financial activities of the Division are included in the report.

## ECONOMIC CONDITIONS AND OUTLOOK

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. Although average fuel consumption rates for motor vehicles have remained fairly constant over the past several years, any future changes in consumption rates would have a significant impact on revenue collections unless there is a corresponding change to the tax rates or structure. For the previous six years, tax and fee revenue collections increased over the previous year. However, tax and fee revenue collections declined by approximately \$18.7 million during the current year. Privilege tax collections were positively impacted in prior years by low interest rates and significant incentives offered by automobile manufacturers. It is possible that the privilege taxes could continue to decline when these factors no longer exist. Declining motor fuel collections reflect the current economic weakness that has led to falling fuel consumption.

The seasonally adjusted unemployment rate in West Virginia was 5.9 percent for October 2003 as compared to the national rate 5.6 %. During the twelve month period November 2002 to October 2003 nonfarm payroll employment decreased by 3,900 jobs. The diversification of the West Virginia labor market over the last twenty years means that the State's economy is more likely to follow the lead of the national economy in the future. These positive economic indicators are a result of economic growth and the State's continuing emphasis on economic development activities and incentives to attract new businesses and to accelerate expansion of businesses currently in the State. The economic outlook remains stable despite a downturn in the overall economy and positive employment trends are expected to continue.

### MAJOR INITIATIVES

Through the efforts of the West Virginia Congressional delegation, the Division has obtained extraordinary federal funding to construct a substantial portion of the Appalachian Development Highway System, and other highways, within the State. Environmental and location work has been nearly completed on Appalachian Development Highway Corridor H (US 33) which is projected to run from Interstate 79 near Weston, West Virginia to Interstate 81 in Virginia. Approximately 55 miles of the estimated 132 miles of this highway within the State have been completed and opened to traffic.

Future construction projects in the planning stages include development of modern four lane highways through southern West Virginia. Several corridors have been studied for route locations, including WV 10 (Logan to Man), the King Coal Highway and the Coal Fields Expressway. Construction has begun on all three of these corridors. Construction of Route 9 improvements in the eastern panhandle of the State will continue in 2004. Construction is underway on the section of Appalachian Development Highway Corridor D in Parkersburg. The first construction project on this section of Corridor D was awarded in November 1999 when additional special federal funds were received. We now have construction underway on the remaining 10 miles of the corridor with the exception of the Ohio River Bridge into Ohio.

In November 1996, the Citizens of the State of West Virginia approved a constitutional amendment authorizing the issuance of \$550 million of general obligation bonds for highway and road construction. The bonds could be used for matching funds for federal monies, as available, and for specific state funded projects. The funds were issued in increments as they were needed and approved by the Legislature. The first increment of \$220 million was issued in July 1998, and the second, third and fourth increments of \$110 million each were issued in July 1999, July 2000 and July 2001. The Division is utilizing the proceeds of these bonds on highway and bridge construction, renovation, and improvement; traffic control improvements, such as adding turn lanes; intersection improvements; and access roads for economic development projects. Total bond proceeds committed to authorized projects as of June 30, 2003 was \$590 million.

In conjunction with improvement of the road system through construction and upgrading, the Division has emphasized roadway and bridge preservation and renovation. Rugged mountainous terrain and numerous streams and rivers characterize the topography of the State. Consequently, the State's road system includes more than 6,400 bridges, some of which are functionally or structurally obsolete. The Division's bridge

program, enhanced by a state-funded program beginning in 1988 for small bridges, has been highly successful in correcting these problems. Since July 1, 1989 some 2,927 bridges have been repaired or replaced at a cost of more than \$1.6 billion. Other accomplishments during the fiscal year ended June 30, 2003 include the resurfacing of approximately 1,315 miles of roadway at a cost of \$91 million.

During the fiscal year ended June 30, 2003, the Division continued to improve the operating efficiency of the heavy equipment road maintenance fleet through the procurement of approximately \$12.1 million in new replacement units.

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.

#### **FINANCIAL INFORMATION**

Management of the Division is responsible for establishing and maintaining internal controls designed to ensure that assets are protected from loss, theft or misuse and to ensure that reliable accounting data are maintained to allow for preparation of financial statements in conformity with generally accepted accounting principles. The internal controls are designed to provide reasonable, but not absolute, assurance that:

- Transactions are executed in accordance with management's general or specific authorization.
- Transactions are recorded as necessary (1) to permit preparation of financial statements in conformity with accounting principles generally accepted in the United States of America or any other criteria, such as finance related legal and contractual compliance requirements applicable to such statements, and (2) to maintain accountability for assets.
- Access to assets is permitted only in accordance with management's authorization.
- The recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of cost and benefits requires estimates and judgments by the Division's management.

**Budgetary Controls.** 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. Formal budgetary control is exercised by the Governor through the Department of Administration which provides preapproval of the Division's spending against appropriation authority. The State auditor is statutorily charged with similar responsibilities. 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.

**Operations.** The schedule on this page presents combined summary revenue and expenditure information for the State Road (General) Fund and the Capital Projects Fund for the year ended June 30, 2003. All data is presented in thousands of dollars.



## OTHER INFORMATION

**Independent Audit.** State statute requires that an annual audit of the Division be performed. The accounting firm of Suttle and Stalnaker, PLLC was engaged to perform the audit for the year ended June 30, 2003. Their report is included in the financial section of this report.

**Single Audit.** The DOT has undergone a single audit in accordance with the provisions of the Single Audit Act of 1984, including 1996 amendments, and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The report on the single audit for the year ended June 30, 2003 is available upon request.

**Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded its Certificate of Achievement for Excellence in Financial Reporting to the Division of Highways for its comprehensive annual financial report for the past eleven consecutive fiscal years (1992-2002). The Certificate of Achievement is a prestigious international award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded the Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR), whose contents conform to program standards. The CAFR must satisfy accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our comprehensive annual financial report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA for review under this program.

**Acknowledgments.** The preparation of the comprehensive annual financial report on a timely basis was made possible by the personnel of the Finance Division and the Business Office. I express my sincere appreciation for the contributions made by these individuals in the preparation of this report, particularly Business Manager Danny Ellis, who has administrative responsibility for this function.



Fred VanKirk, P.E.  
Secretary/Commissioner

# 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, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



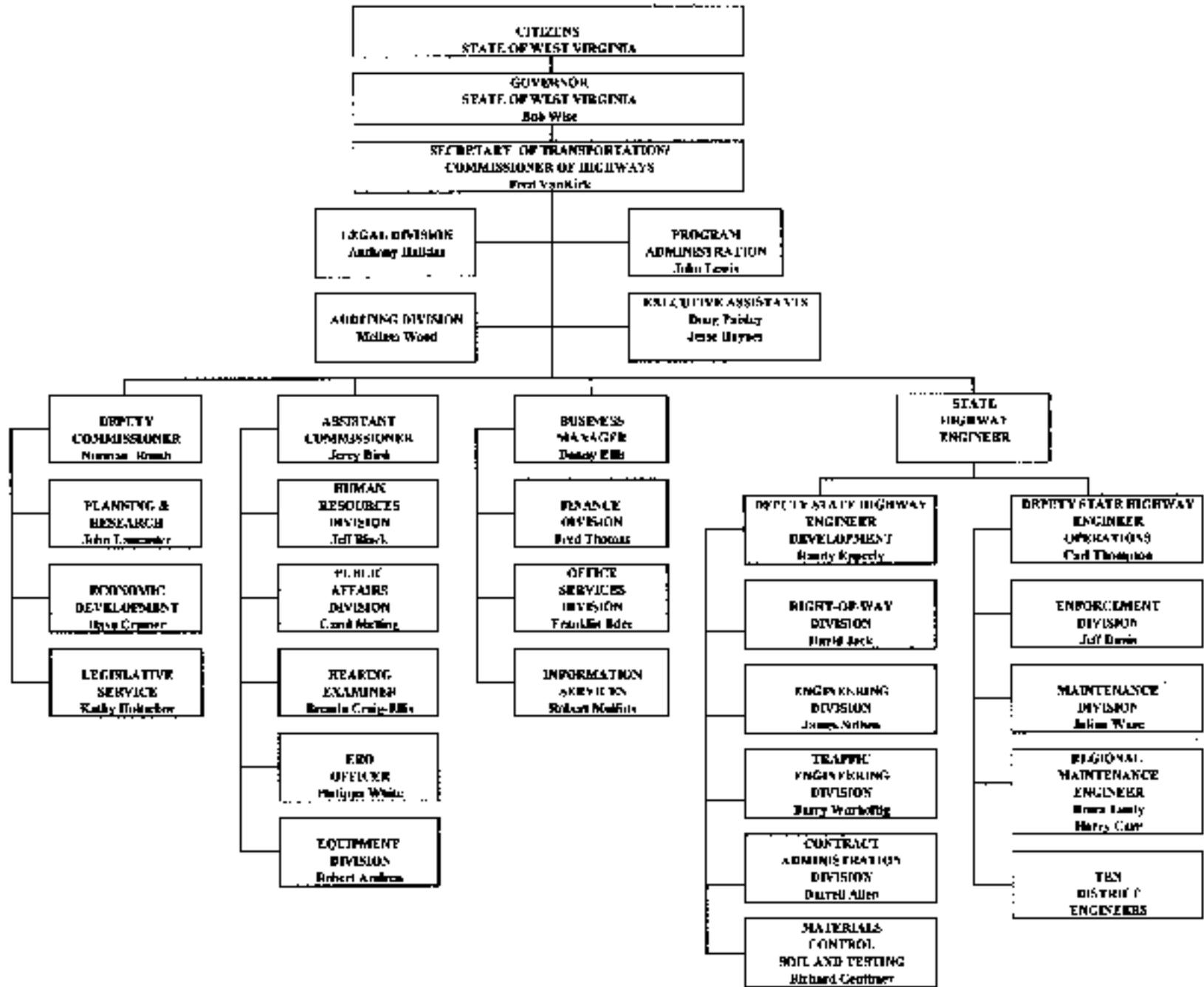
A handwritten signature in black ink, appearing to read "Edward Haney".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Erwin".

Executive Director

**WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,  
DIVISION OF HIGHWAYS  
ORGANIZATIONAL CHART  
June 30, 2003**



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

June 30, 2003

Fred VanKirk	Secretary of Transportation/Commissioner
Jerry Bird	Assistant Commissioner
Doug Paisley	Executive Assistant
Jesse Haynes	Executive Assistant
Danny Ellis	Business Manager
Norman Roush	Deputy Secretary DOT
	State Highway Engineer
Carl Thompson	Deputy State Highway Engineer-Operations
Randy Epperly	Deputy State Highway Engineer-Development
Dave Cramer	Economic Development
Kathy Holtsclaw	Legislative Service
Brenda Craig-Ellis	Hearing Examiner
Philippa White	EEO Officer
Darrell Allen	Director, Contract Administration Division
Melissa Wood	Director, Auditing Division
Jeff Davis	Director, Enforcement Division
James Sothen	Director, Engineering Division
Robert Andrew	Director, Equipment Division
Fred Thomas	Director, Finance Division
Robert Mullins	Director, Information Services Division
Julian Ware	Director, Maintenance Division
Richard Grentner	Director, Materials Control Soil & Testing Division
Anthony Halkias	Director, Legal Division
Franklin Eder	Director, Office Services Division
John Lancaster	Director, Planning and Research Division
John Lewis	Director, Program Administration Division
Carol Melling	Director, Public Affairs Division
David Jack	Director, Right-of-Way Division
Barry Warhofrig	Director, Traffic Engineering Division
Jeff Black	Director, Human Resources Division
Harry Carr	Regional Operations Engineer
Bruce Leedy	Regional Operations Engineer

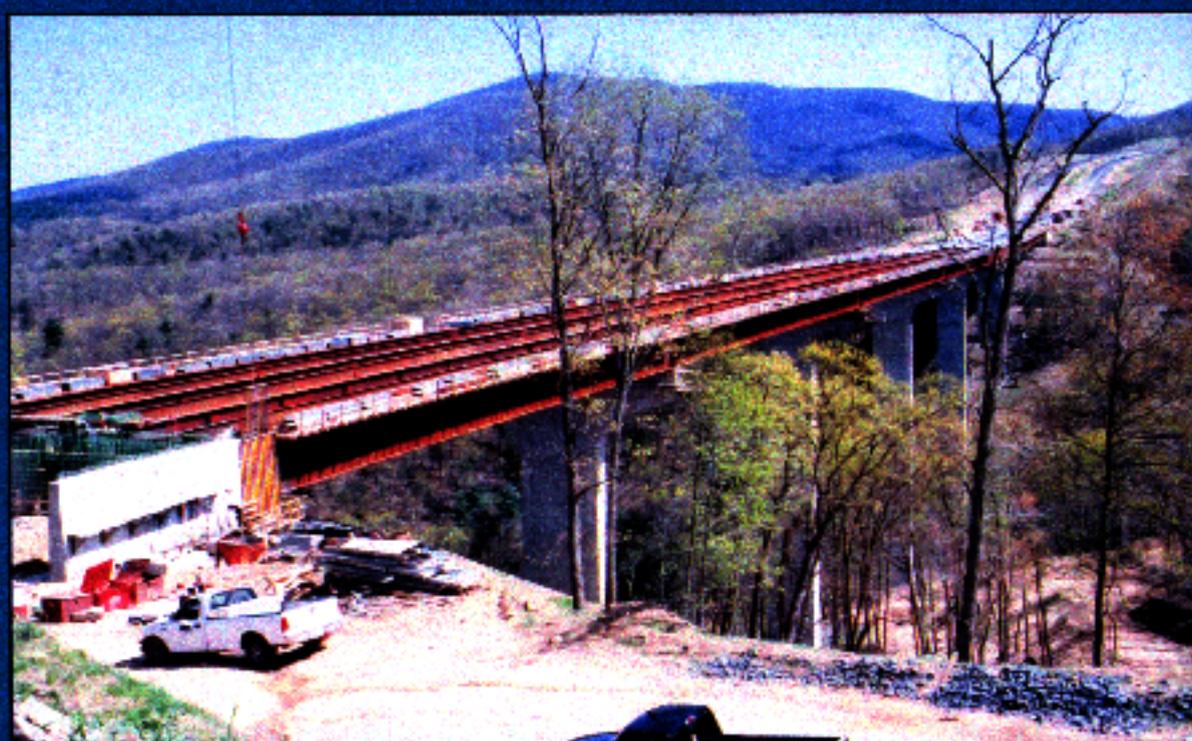
DISTRICT ENGINEERS

District 1	John Dawson	Charleston
District 2	Wilson Braley	Huntington
District 3	Rusty Roten	Parkersburg
District 4	Marvin Murphy	Clarksburg
District 5	William W. Hartman	Burlington
District 6	Bob Whipp	Moundsville
District 7	Gary Clayton	Weston
District 8	Tom Staud	Elkins
District 9	Jim Lagos	Lewisburg
District 10	Bill Bennett	Princeton

F I N A N C I A L  
S E C T I O N

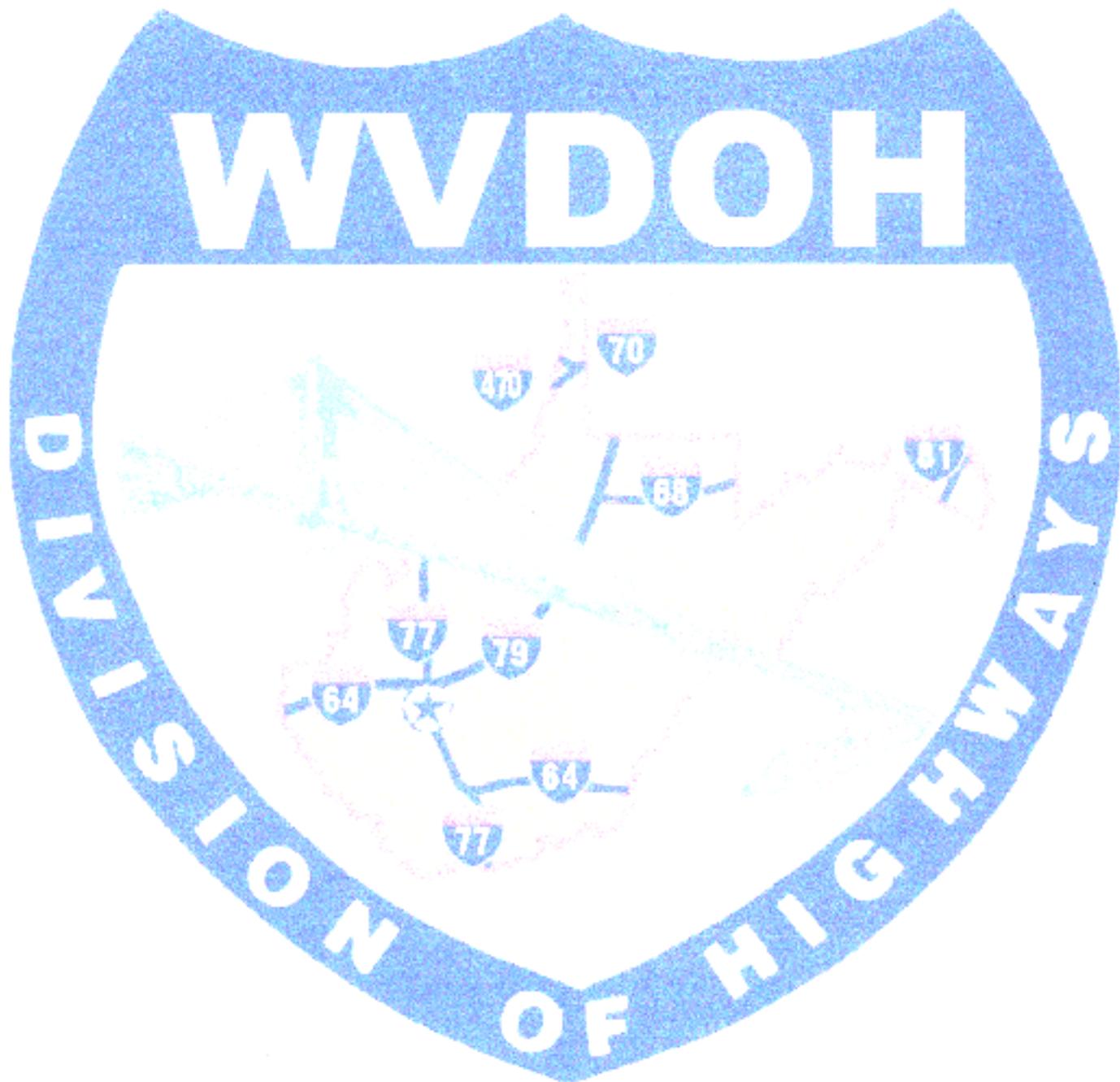


Crooked Creek - Putnam County



Clifford Hollow - Hardy County

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



**INDEPENDENT AUDITORS' REPORT**

To The Secretary  
West Virginia Department of Transportation, Division of Highways

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, as of and for the year ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of the West Virginia Department of Transportation, Division of Highways' management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the West Virginia Department of Transportation, Division of Highways 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 West Virginia Department of Transportation and of the State of West Virginia, that is attributable to the transactions of the Division of Highways. They do not purport to, and do not, present fairly, the financial position of the West Virginia Department of Transportation or the State of West Virginia as of June 30, 2003 and the changes in their financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 West Virginia Department of Transportation, Division of Highways, as of June 30, 2003, and the respective changes in financial position thereof and the respective budgetary comparison for the State Road (General) Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the West Virginia Department of Transportation, Division of Highways basic financial statements. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Suttle & Stalnaker, PLLC*

October 31, 2003

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Members of: American Institution of Certified Public Accountants • Private Companies Practice Section • West Virginia Society of Certified Public Accountants

A Professional Limited Liability Company  
[www.suttlecpa.com](http://www.suttlecpa.com)

MANAGEMENT'S DISCUSSION AND ANALYSIS

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,  
DIVISION OF HIGHWAYS  
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the West Virginia Department of Transportation, Division of Highways (Division) annual financial report presents our discussion and analysis of the Division's financial performance during the fiscal year that ended June 30, 2003. 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.

During the current year it was determined that an undercapitalization of infrastructure assets had occurred in the initial implementation of the provisions of GASB Statement 34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain projects that met the capitalization criteria were excluded from Work in Progress and other projects that were completed were not properly capitalized into infrastructure. This undercapitalization of infrastructure assets affected only the government-wide financial statements. There was no impact on the fund or budgetary comparison financial statements for the year ended June 30, 2002. Applicable prior year amounts included in this section reflect the restated amounts.

#### **FINANCIAL HIGHLIGHTS - PRIMARY GOVERNMENT**

*Net Assets* - The Division's total combined net assets increased by \$235 million, 4.20%, between fiscal year 2002 and 2003.

*Changes in Net Assets* - During the year the Division's expenses were \$235 million less than the \$988 million generated in revenues for governmental activities. This is an improvement over the prior year, when expenses were \$227 million less than revenues.

*Revenues and Expenses* - Total revenues decreased by \$45 million or 4.43%. Total expenses decreased \$54 million or 6.65%. There were no significant changes in the programs carried out by the Division during the year.

*Governmental Funds - Fund Balances* - As of the close of fiscal year 2003, the Division's governmental funds reported combined total fund equity of \$203 million, a decrease of \$44 million in comparison with the prior year. Of this total amount, \$144 million represents the "unreserved fund balances" with substantially all being in the general fund. This is approximately 13.14 % of the total governmental fund expenditures for the year.

*Long-term Debt* - The Division's total long-term debt obligations, net of bond premiums, decreased by \$23 million (4.21%) during the current fiscal year. There were no new bond offerings during the year and principal payments reduced outstanding debt.

#### **OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

The basic financial statements include the following:

- Management's Discussion and Analysis (MD&A), this section
- Basic financial Statements which include:
  - Two kinds of financial statements that present different views of the Division - the Government-Wide Financial Statements and the Fund Financial Statements.
  - The Notes to the Financial Statements that explain some of the information in the financial statements and provide more detail.

#### **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 Assets. Information on how the Division's net assets changed during the fiscal year are presented in the Statement of Activities.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,  
DIVISION OF HIGHWAYS  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Fund Financial Statements**

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

**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.

Refer to Note 1 to the financial statements for more detailed information on the elements of the financial statements. The following Table summarizes the major features of the basic financial statements:

**Major Features of the Basic Financial Statements**

	Government-wide Financial Statements	Fund Financial Statements
<b>Scope</b>	Entire Division	Activities of the Division that are not proprietary or fiduciary
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>▪ Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
<b>Type of asset/liability information</b>	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
<b>Type of inflow/outflow information</b>	All revenues and expenses during the year, regardless of when cash is received or paid	<ul style="list-style-type: none"> <li>• Revenues for which cash is received during or soon after the end of the year</li> <li>• Expenditures when goods or services have been received and payment is due during the year or soon thereafter.</li> </ul>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,  
DIVISION OF HIGHWAYS  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**CONDENSED FINANCIAL INFORMATION**

**Condensed Statement of Net Assets**

The following condensed financial information was derived from the government-wide statement of net assets and summarizes the Division's net assets as of June 30, 2003 and 2002 (amounts in thousands).

**Net Assets as of June 30**

	<u>2003</u>	<u>2002</u>	<u>% Change</u>
Total current assets	\$ 282,141	\$ 358,432	(21.28%)
Capital assets, net of accumulated depreciation	6,245,789	5,979,536	4.45%
Other non-current assets	<u>3,199</u>	<u>3,574</u>	(10.49%)
Total assets	<u>\$ 6,531,129</u>	<u>\$ 6,341,542</u>	2.99%
Current liabilities	125,696	155,607	(19.22%)
Long term liabilities	<u>565,250</u>	<u>581,272</u>	(2.76%)
Total liabilities	<u>690,946</u>	<u>736,879</u>	(6.23%)
Invested in capital assets, net of related debt	5,756,415	5,519,388	4.29%
Unrestricted	<u>83,768</u>	<u>85,275</u>	(1.77%)
Total net assets	<u>\$ 5,840,183</u>	<u>\$ 5,604,663</u>	4.20%

The largest component(98.57%) of the Division's net assets 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 net assets are not available for future spending. The remaining portion, unrestricted net assets, may be used at the Division's discretion.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,  
DIVISION OF HIGHWAYS  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Condensed Statement of Activities**

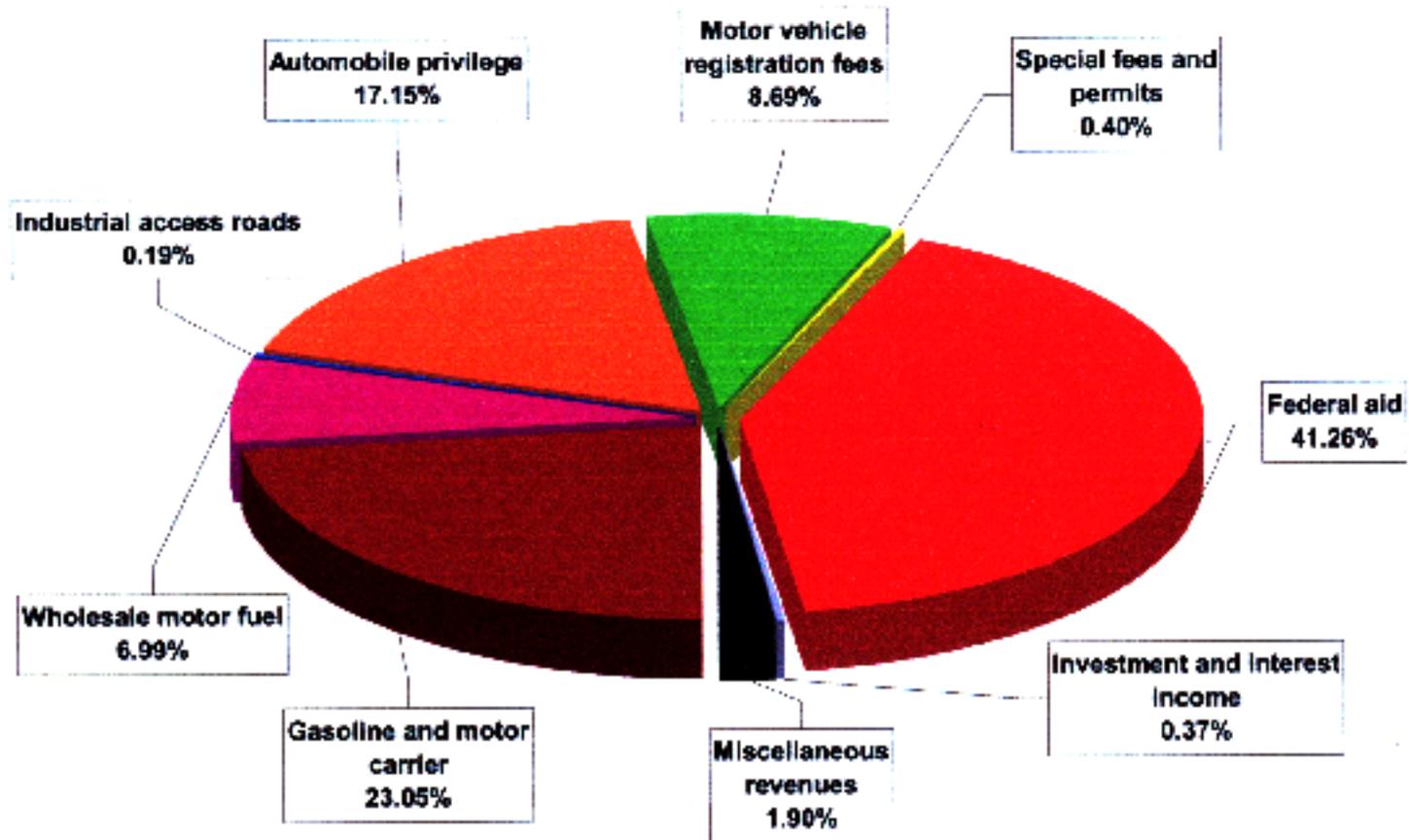
The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the Division's net assets changed during the fiscal year (amounts in thousands):

	2003	2002	<u>% Change</u>
<b>Revenues</b>			
Taxes	\$ 466,273	\$ 481,436	(3.15%)
Licenses, fees and permits	85,880	87,380	(1.72%)
Investment and interest income	3,655	8,148	(55.14%)
Miscellaneous revenues	<u>18,793</u>	<u>15,062</u>	24.77%
Total general revenues	<u>574,601</u>	<u>592,026</u>	(2.94%)
Federal aid	409,555	437,070	(6.30%)
Charges for service	<u>3,965</u>	<u>4,173</u>	(4.98%)
Total program revenues	<u>413,520</u>	<u>441,243</u>	(6.28%)
Total revenues	<u>988,121</u>	<u>1,033,269</u>	(4.37%)
<b>Expenses</b>			
Road maintenance	315,921	309,684	2.01%
Other road operations	329,531	380,281	(13.35%)
General and administration	77,619	85,822	(9.56%)
Interest on long-term debt	27,434	28,168	(2.61%)
Unallocated depreciation	<u>2,096</u>	<u>2,267</u>	(7.54%)
Total expenses	<u>752,601</u>	<u>806,222</u>	(6.65%)
Change in net assets	235,520	227,047	3.73%
Net assets, beginning	<u>5,604,663</u>	<u>5,377,616</u>	4.22%
Net assets, ending	<u>\$ 5,840,183</u>	<u>\$ 5,604,663</u>	4.20%

Over time, increases and decreases in net assets measure whether the Division's financial position is improving or deteriorating. During the fiscal year, the net assets of the governmental activities increased by \$236 million or 4.20% percent.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,  
DIVISION OF HIGHWAYS  
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following chart depicts the revenues of the Division for the fiscal year.



Total revenues decreased by approximately \$45 million. Total tax revenues decreased by approximately \$15 million with the majority of the decrease (\$11 million or 66.26%) due to a decline in automobile privilege tax. Federal aid revenue decreased by approximately \$26 million (5.89%). The following summarizes revenues for the years ended June 30, 2003 and June 30, 2002 (amounts in thousands):

	2003	2002	Increase (decrease)	% Increase (decrease)
Gasoline and motor carrier road tax	\$ 227,793	\$ 229,650	\$ (1,857)	(.81%)
Wholesale motor fuel	69,049	71,314	(2,265)	(3.18%)
Industrial access roads	1,891	3,914	(2,023)	(51.69%)
Automobile privilege	169,431	180,472	(11,041)	(6.12%)
Motor vehicle registration fees	85,880	87,380	(1,500)	(1.72%)
Special fees and permits	3,965	4,173	(208)	(4.98%)
Federal aid	407,664	433,156	(25,492)	(5.89%)
Investment and interest income	3,655	8,148	(4,493)	(55.14%)
Miscellaneous revenues	18,793	15,062	3,731	24.77%
<b>\$</b>	<b>988,121</b>	<b>1,033,269</b>	<b>\$ (45,148)</b>	<b>(4.37%)</b>

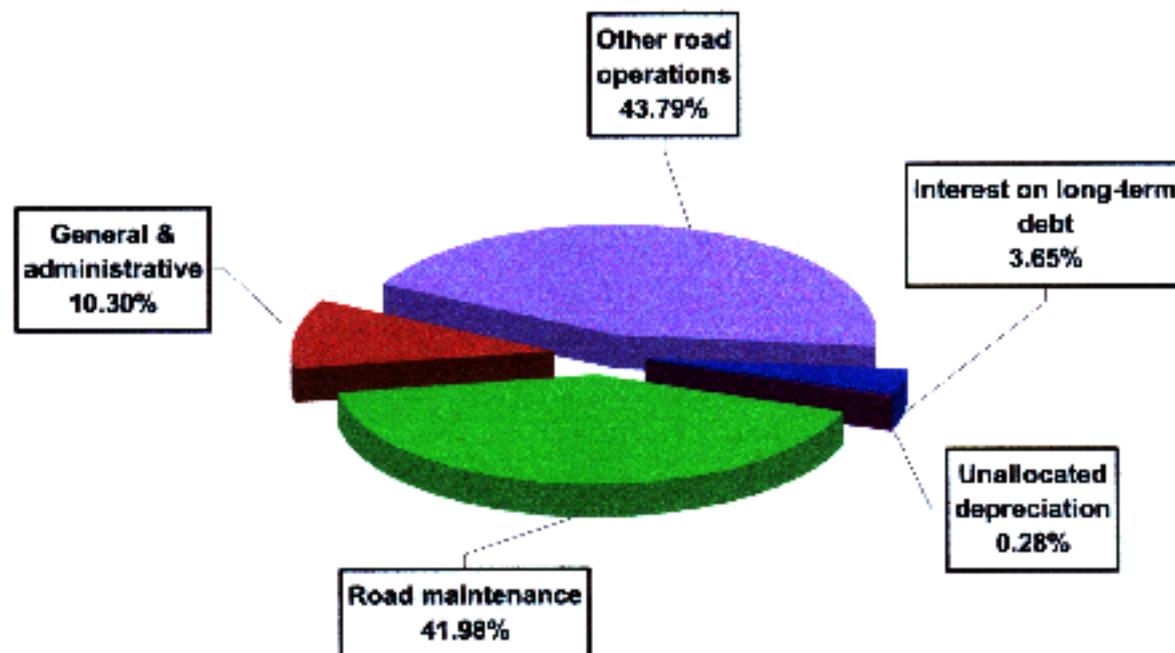
The Division's primary sources of revenue for funding of ongoing administration of the Division, general maintenance and construction of the State Road System and for providing resources to match available Federal funds is derived from fuel taxes, automobile privilege tax, motor vehicle registration 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

Tax collections, especially of automobile privilege tax, exceeded official estimates by a significant amount during the past several years, allowing the Division to undertake additional projects and expand customer services. Unfortunately, both the state and national economies have slowed dramatically. The result was significant reductions in automobile privilege tax collections for the 2003 year. Revenues are projected to remain relatively flat through fiscal year 2006 at the same time it is anticipated that nondiscretionary costs will continue to rise. As a consequence, many programs that operate from the Division will experience little, if any, increase in the foreseeable future and some programs may be funded at lower levels.

The Division also relies on Federal funds as a source of revenue. The Federal Aid is obtained in the form of reimbursable grants. Federal funds received during 2003 were authorized under the "Transportation Equity Act for the 21<sup>st</sup> Century" (TEA21). The recognition of revenue under these grants occurs when expenditures occur on specific projects that have qualified for federal participation. While Federal transportation legislation and special spending authorizations result in funds available for obligation by the Federal Government in specific years, and the Division expects to continue to fully obligate available funds, thus ensuring that all available Federal dollars are received by the Division, the timing of revenue recognition for financial reporting is dependent on the timing of completion of specific construction projects. TEA 21 expired in 2003. The United States Congress is currently working on reauthorization of a new Highway Transit Bill (TEA 3). The results of the reauthorization are yet to be determined.

The following chart depicts expenses of the Division for the fiscal year.



Total expenses decreased by approximately \$54 million (6.65%). The following summarizes expenditures for the years ended June 30, 2003 and June 30, 2002 (amounts in thousands):

	2003	2002	Increase (decrease)	% Increase (decrease)
Road maintenance	\$ 315,921	\$ 309,684	\$ 6,237	2.01%
Other road operations	329,531	380,281	(50,750)	(13.35%)
General and administration	77,619	85,822	(8,203)	(9.56%)
Interest on long-term debt	27,434	28,168	(734)	(2.61%)
Unallocated depreciation	2,096	2,267	(171)	(7.54%)
	<u>\$ 752,601</u>	<u>\$ 806,222</u>	<u>\$ (53,621)</u>	<u>(6.65%)</u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,  
DIVISION OF HIGHWAYS  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The type of routine maintenance expenses incurred is dependent, to a degree, on the level of snow and ice removal that is required in a given year. Operating divisions are allocated amounts for routine maintenance in the Division's annual plan. The State had a relatively severe winter during the year ended June 30, 2003 and incurred approximately \$27 million in costs in excess of those incurred in the prior year. This increase was offset to a large degree by cost containment measures implemented during the year.

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**

As the Division completed the year, the Division reported fund balances of \$203 million. Of this total amount, \$144 million, 70.96%, constitutes unreserved fund balance, which is available for appropriation for the general purposes of the funds. The remainder of fund balance is reserved and is not available for new spending because it has already been dedicated for various commitments, such as capital outlay projects.

#### **State Road Fund**

The State Road Fund is the Division's General Fund. At the end of the 2003 fiscal year, unreserved fund balance of the General fund was \$144 million and reserved fund balance was \$27 million. The total General fund balance increased \$8 million during the year primarily due to cost containment measures instituted which offset the lower than anticipated tax revenues and the impact of the severe winter as discussed above in the financial analysis of the Division as a whole.

#### **Capital Projects Fund**

The Capital Projects Fund is used to account for financial resources to be used for road construction or reconstruction financed by the proceeds from the sale of Safe Road Bonds and matching federal highway funds on such projects. At June 30, 2003, the fund balance of the fund represented unexpended bond funds associated with the 2002 bond issue. The projects to be constructed from the proceeds of these bonds have been programmed, and where applicable, the federal funds for the projects have been obligated.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,  
DIVISION OF HIGHWAYS  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**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. Although average fuel consumption rates for motor vehicles have remained fairly constant over the past several years, any future changes in consumption rates would have a significant impact on revenue collections unless there is a corresponding change to the tax rates or structure. For the previous six years, tax and fee revenue collections increased over the previous year. However, tax and fee revenue collections declined by approximately \$17 million during the current year. The following table summarizes tax and fee collection over the past four years (amounts in thousands):

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2003 vs. 2002</u> Change	<u>%Change</u>
Gasoline and motor carrier	\$ 225,946	\$ 229,650	\$ 227,793	\$ (1,857)	(.81%)
Sales tax on fuel - wholesale	71,521	71,314	69,049	(2,265)	(3.18%)
Motor vehicle registration	78,745	87,380	85,880	(1,500)	(1.72%)
Privilege tax	<u>155,623</u>	<u>180,472</u>	<u>169,431</u>	<u>(11,041)</u>	<u>(6.12%)</u>
	<u>\$ 531,835</u>	<u>\$ 568,816</u>	<u>\$ 552,153</u>	<u>\$ (16,663)</u>	<u>(2.93%)</u>

Automobile privilege tax collections were positively impacted in 2002 by low interest rates and significant incentives offered by automobile manufacturers. It is possible that the automobile privilege taxes could decline significantly when these factors no longer exist and that declines in automobile privilege tax revenues could continue. Declining motor fuel collections reflect the current economic weakness and the impact of the war in Iraq that have lead to falling fuel consumption.

The Division's budget included \$397 million in federal aid revenues to be used primarily for design, right-of-way and construction of Corridor D, Corridor H, WV 9 and other major corridors including King Coal Highway, Coalfields Expressway, WV 2, WV 10, and WV 35. As previously discussed the recognition of revenue under these grants occurs when expenditures occur on specific projects that have qualified for federal participation. 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. The budgeted amounts for federal aid revenue and expenditures are based on projects that have been approved and estimates of the timing of each phase of the project. Federal Aid revenue in each of the last three years are summarized below (amounts in thousands):

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>Change</u>	<u>%Change</u>
Federal reimbursement - budgeted funds	\$ 374,138	\$ 371,548	\$ 380,079	\$ 8,531	2.30%
Federal reimbursement - bond funds	35,802	47,139	23,129	(24,010)	(50.93%)
Federal reimbursement - emergency funds	2,464	14,469	4,456	(10,013)	(69.20%)
Total federal aid	<u>\$ 412,404</u>	<u>\$ 433,156</u>	<u>\$ 407,664</u>	<u>\$ (25,492)</u>	<u>(5.89%)</u>

The State of West Virginia had a severe winter during 2003. As a result, expenditures for snow and ice removal were in excess of the amounts initially budgeted. With total cost of approximately \$45 million, the winter of 2002-2003 was almost exactly double West Virginia's five-year average of \$23 million for snow removal and ice control and half again as much as the previous record expenditure of \$31 million.

As a result of the above items, the original budget was amended. The most significant changes were:

- Decrease anticipated federal aid expenditures and the related revenues by approximately \$67 million
- Increase in maintenance expenditures by approximately \$42 million

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,  
DIVISION OF HIGHWAYS  
MANAGEMENT'S DISCUSSION AND ANALYSIS

There were no over expenditures by the Division in appropriated funds. In addition, there were no over expenditures in specific budget line items.

Although it is anticipated that revenues will increase slightly in the next fiscal year, the Division's revenue increases are not projected to keep pace with increases in costs related to retirement, health insurance, increased debt service and other increases that are non-discretionary in nature. As a result the Division will be required to reduce expenditures on programs that are discretionary and expenditures in these areas will be managed to ensure that the Division maintains a positive fund balance. The fiscal 2004 budget reflects a budgeted increase in fund balance of approximately \$53 million. A portion of this increase is based on projected increase in tax collections as a result of implementation of new legislation that moves the point of fuel tax taxation from the distribution to the rack. Management is taking all necessary steps to ensure that the fund balance of the Division is maintained at levels that are adequate to ensure the soundness of the Division and is confident that adequate discretionary items exist to permit them to continue to operate in a fiscally sound manner. However, the level of funding available and the increases in non-discretionary spending may impact the Division's ability to achieve all operational objectives.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

As of June 30, 2003, the Division had invested \$6.2 billion, net of accumulated depreciation, in a range of capital assets (see note 6 for additional details). Depreciation charges for the fiscal year totaled \$244 million.

The \$266 million increase in capital assets, net of depreciation, reflects the nature of the State's road system. While the Division continues to expand the state road system, these expansions are focused primarily on upgrading existing roadways and completion of Appalachian Highway Corridors. While these are significant construction projects, the additions are offset by \$244 million in depreciation on the infrastructure. The Division expended \$515 million dollars during the year ended June 30, 2003 for additions to infrastructure. Of this amount, \$491 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 \$352 million were reclassified from construction in process to roads and bridges. Major construction expenditures during the year included continued construction related to Corridor II in Randolph and Hardy Counties, Corridor D in Wood County, upgrade of WV 10 in Logan County, upgrade of WV 2 in Brooke County, widening of I-64, and continued environmental studies on various projects in process.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,  
DIVISION OF HIGHWAYS  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Long-term Debt**

The Division has been authorized to issue bonds by constitutional amendments and all bonds are general obligation bonds of the State of West Virginia. All bonds authorized under prior constitutional amendments have been issued. At June 30, 2003, the Division had \$518 million in outstanding bonds. The amount outstanding decreased by \$22 million (4.03%) due to principal payments of \$22 million.

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

Issue	Status of insurance	Bond Rating	Amount (in thousands)
Hetter Highways 73 - All Bonds maturing on or before June 1, 2006	Not insured	Fitch: AA- Moody's: Aa3 S&P: AA-	\$ 10,815
Safe Roads 98A - All Bonds maturing on or before June 1, 2012	Insured by FGIC	Fitch: AAA Moody's: Aaa S&P: AAA	199,750
Safe Roads 99A - All Bonds maturing on or before June 1, 2007	Not Insured	Fitch: AA- Moody's: Aa3 S&P: AA-	103,270
Safe Roads 00A - All Bonds maturing on or before June 1, 2020	Insured by FGIC	Fitch: AAA Moody's: Aaa S&P: AAA	32,290
Safe Roads 00A - Term Bond maturing on June 1, 2025	Insured by MBIA	Fitch: AAA Moody's: Aaa S&P: AAA	77,710
Safe Roads 01A - Bonds maturing between June 1, 2005 to 2013	Insured by FSA	Fitch: AAA Moody's: Aaa S&P: AAA	93,465
Safe Roads 01A - Bonds maturing in 2004	Not insured	Fitch: AA- Moody's: Aa3 S&P: AA-	200
			\$ 517,500

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

BASIC FINANCIAL STATEMENTS

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,  
DIVISION OF HIGHWAYS  
STATEMENT OF NET ASSETS  
JUNE 30, 2003  
(amounts expressed in thousands)

		Governmental Activities
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$	129,076
Accounts receivable		55,707
Taxes receivable		64,180
Due from other State of West Virginia agencies		3,691
Inventories		27,461
Other assets		2,026
Total current assets		282,141
<b>Non-current assets</b>		
<b>Capital assets, net of accumulated depreciation</b>		
Land - non-infrastructure		14,650
Land improvements		3,836
Buildings		39,848
Buildings - work in progress		8,105
Furniture and fixtures		446
Rolling stock		48,488
Scientific equipment		613
Shop equipment		224
Roads		3,787,146
Bridges		974,763
Land - infrastructure		647,247
Work in progress		720,423
Total capital assets		5,245,789
Other non-current assets		3,199
Total assets		6,531,129
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable		43,946
Retainages payable		12,934
Accrued payroll and related liabilities		18,398
Due to other State of West Virginia agencies		4,044
Accrued interest payable		2,241
Current maturities of long term obligations		44,133
Total current liabilities		125,696
<b>Non-current liabilities</b>		
Claims and judgements		6,400
Compensated absences		61,539
General obligation bonds		497,211
Total non-current liabilities		565,250
Total liabilities		690,946
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt		5,756,415
Unrestricted		83,768
Total net assets	\$	5,840,183

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, 2003  
 (amounts expressed in thousands)

Functions/Programs	Expenses	Program Revenues		Net Revenue (Expenses) and Changes in Net Assets
		Charges for Services	Capital Grants and Contributions	
<b>Government activities</b>				
<b>Road maintenance</b>				
Expressway, trunkline & feeder & SLS	\$ 237,026	\$ -	\$ -	\$ (237,026)
Contract paving & secondary roads	43,417	-	-	(43,417)
Small bridge repair & replacement	21,580	-	-	(21,580)
Litter control program	1,492	-	-	(1,492)
Depreciation	12,406	-	-	(12,406)
<b>Other road operations</b>				
Interstate highways	3,152	-	44,372	41,220
Appalachian highways	-	-	168,789	168,789
Other federal aid programs	83,240	-	194,503	111,263
Non federal aid improvements	12,688	-	-	(12,688)
Industrial access roads	523	-	1,891	1,368
Depreciation	229,928	-	-	(229,928)
<b>General and administration</b>				
Support and administrative operations	40,964	3,965	-	(36,999)
Claims	2,461	-	-	(2,461)
Costs associated with DMV	34,194	-	-	(34,194)
Interest on long-term debt	27,434	-	-	(27,434)
Unallocated depreciation	2,096	-	-	(2,096)
	752,601	3,965	409,555	(339,081)
<b>General revenues</b>				
Taxes:				
				227,793
				69,049
				169,431
				85,880
				3,655
				18,793
				574,601
				235,520
				5,604,663
				\$ 5,840,183

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, 2003  
(amounts expressed in thousands)

ASSETS	State Road (General)	Capital Projects	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 94,514	\$ 34,562	\$ 129,076
Receivables	54,754	953	55,707
Taxes receivable	64,180	-	64,180
Due from other State of West Virginia agencies	3,691	-	3,691
Due from other funds	-	178	178
Inventories	27,461	-	27,461
Other assets	2,026	-	2,026
<b>Total assets</b>	<b>\$ 246,626</b>	<b>\$ 35,693</b>	<b>\$ 282,319</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 41,319	\$ 2,627	\$ 43,946
Retainages payable	11,298	1,636	12,934
Accrued payroll and related liabilities	18,398	-	18,398
Due to other State of West Virginia agencies	4,044	-	4,044
Due to other funds	178	-	178
<b>Total liabilities</b>	<b>75,237</b>	<b>4,263</b>	<b>79,500</b>
<b>Fund balances</b>			
Reserved for capital projects	-	31,430	31,430
Reserved for inventories	27,461	-	27,461
Unreserved, undesignated	143,928	-	143,928
<b>Total fund balances</b>	<b>171,389</b>	<b>31,430</b>	<b>202,819</b>
<b>Total liabilities and fund balances</b>	<b>\$ 246,626</b>	<b>\$ 35,693</b>	<b>\$ 282,319</b>

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 ASSETS  
 JUNE 30, 2003  
 (amounts expressed in thousands)

Total fund balances - governmental funds \$ 202,879

Amounts reported for governmental activities in the statement of net assets 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:

Land - non infrastructure	\$	14,650	
Land improvements- non infrastructure		3,836	
Buildings		39,848	
Buildings - work in progress		8,105	
Furniture and Fixtures		446	
Rolling Stock and Shop Equipment		48,488	
Scientific Equipment		613	
Shop Equipment		224	
Roads		3,787,146	
Bridges		974,763	
Infrastructure Land		647,247	
Work in progress		<u>720,423</u>	6,245,789

Bonds issued by the Division have associated costs that are paid from current available financial resources in the funds. However, these costs are deferred on the statement of net assets 3,199

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Accrued interest payable		(2,241)	
Claims and judgments		(6,961)	
Compensated absences		(81,466)	
General obligation bonds		<u>(520,956)</u>	(611,624)

Net assets of governmental activities \$ 5,840,183

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, 2003  
(amounts expressed in thousands)

	State Road (General)	Capital Projects	Total Governmental Funds
<b>Revenues</b>			
<b>Taxes</b>			
Gasoline and motor carrier	\$ 227,793	\$ -	\$ 227,793
Wholesale motor fuel	69,049	-	69,049
Automobile privilege	169,431	-	169,431
Industrial access	1,891	-	1,891
<b>License, fees and permits</b>			
Motor vehicle registrations and licenses	85,880	-	85,880
Special fees and permits	3,965	-	3,965
<b>Federal aid</b>			
Interstate highways	44,226	146	44,372
Appalachian highways	168,789	-	168,789
Other federal aid programs	190,193	4,310	194,503
Investment and interest income, net of arbitrage rebate	1,101	2,554	3,655
Miscellaneous revenues	18,846	-	18,846
	<u>981,164</u>	<u>7,010</u>	<u>988,174</u>
<b>Expenditures</b>			
<b>Current</b>			
<b>Road maintenance</b>			
Expressway, trunkline and feeder, state and local services	238,591	-	238,591
Contract paving and secondary roads	43,417	-	43,417
Small bridge repair and replacement	28,749	-	28,749
Litter control program	1,492	-	1,492
Support and administrative operations	57,655	-	57,655
Division of Motor Vehicles operations	34,194	-	34,194
Claims	595	-	595
<b>Capital outlay and other road operations</b>			
<b>Road construction and other road operations</b>			
Interstate highways	54,404	329	54,733
Appalachian highways	194,507	-	194,507
Other federal aid programs	256,844	5,637	262,481
Nonfederal aid construction and road operations	12,361	53,297	65,658
Industrial access road	523	-	523
Debt service	50,019	-	50,019
	<u>973,351</u>	<u>59,263</u>	<u>1,032,614</u>
Excess (deficiency) of revenues over expenditures	7,813	(52,253)	(44,440)
Fund balances, beginning of year	<u>163,576</u>	<u>83,683</u>	<u>247,259</u>
Fund balances, end of year	<u>\$ 171,389</u>	<u>\$ 31,430</u>	<u>\$ 202,819</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 OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2003  
 (amounts expressed in thousands)

Net change in fund balances - total governmental funds	\$	(44,440)
 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 capital outlays of \$511,467 exceeded depreciation of (\$244,430) in the current period.		
		267,037
 Governmental funds report the proceeds from the sale of capital assets, primarily equipment, as revenue. In the statement of activities revenues is only recognized to the extent that amounts received are in excess of the net book value of the assets sold. The net book value of assets disposed of during the year was (\$785).		
		(785)
 Repayment of bond principal is an expenditure to governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		22,040
 Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This is the amount by which the increase in compensated absences of (\$7,012), accrued claims of (\$1,865) and amortization of bond issuance costs of (\$375) exceeded accretion of bond premiums of \$835 and a decrease in interest payable of \$85.		
		<u>(8,332)</u>
Change in net assets of governmental activities	\$	<u>235,520</u>

The Accompanying Notes Are An Integral  
 Part Of These Financial Statements

**WEST VIRGINIA DEPARTMENT OF TRANSPORTATION, DIVISION OF HIGHWAYS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**(BUDGETARY BASIS) - STATE ROAD FUND**  
**YEAR ENDED JUNE 30, 2003**

(amounts expressed in thousands)

	Original Budget	Budget Amendments	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>					
<b>Taxes</b>					
Gasoline and motor carrier	\$ 226,960	\$ -	\$ 226,960	\$ 220,463	\$ (6,497)
Wholesale motor fuel	72,100	-	72,100	67,376	(4,524)
Automobile privilege	160,868	12,000	172,868	170,478	(2,390)
Motor vehicle registrations and licenses	79,490	-	79,490	85,836	6,346
Federal aid	511,204	(66,910)	444,294	396,631	(47,663)
Miscellaneous revenues	9,000	(3,350)	5,650	8,049	2,399
	<u>1,059,622</u>	<u>(58,260)</u>	<u>1,001,362</u>	<u>949,033</u>	<u>(52,329)</u>
<b>Expenditures</b>					
Road construction and other road operations					
Interstate highways	70,000	(10,000)	60,000	55,198	4,802
Appalachian highways	225,000	(17,000)	208,000	199,670	8,330
Other federal aid programs	325,700	(41,000)	284,700	234,569	50,131
Nonfederal aid construction	20,000	2,000	22,000	14,463	7,537
Road maintenance					
Maintenance	243,700	41,500	285,200	247,250	37,950
Contract paving and secondary roads	45,000	3,500	48,500	45,390	3,110
Small bridge repair and replacement	34,000	(3,000)	31,000	29,066	1,934
Litter control program	1,490	-	1,490	1,490	-
Support and administrative operations					
General operations	43,768	-	43,768	37,019	6,749
Equipment revolving	15,000	-	15,000	14,119	881
Inventory revolving	2,000	-	2,000	(1,959)	3,959
Debt service	50,000	-	50,000	49,798	202
Division of Motor Vehicles operations	38,219	-	38,219	34,194	4,025
Waste tire	3,625	-	3,625	2,004	1,621
Claims	595	-	595	595	-
	<u>1,118,097</u>	<u>(24,000)</u>	<u>1,094,097</u>	<u>962,866</u>	<u>131,231</u>
Excess (deficiency) of revenues over expenditures	(58,475)	(34,260)	(92,735)	(13,833)	78,902
Fund balance, beginning of year	105,992	-	105,992	105,992	-
Fund balance, end of year	\$ 47,517	\$ (34,260)	\$ 13,257	\$ 92,159	\$ 78,902

The Accompanying Notes Are An Integral Part Of These Financial Statements

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,  
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NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2003  
(amounts expressed in thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The financial statements of the Division are intended to present the financial position, and the results of operations of only that portion of the financial reporting entity of the West Virginia Department of Transportation and the State of West Virginia, that is attributable to the transactions of the Division. They do not purport to, and do not, present fairly the financial position of the West Virginia Department of Transportation or the State of West Virginia as of June 30, 2003 and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS** - The government-wide financial statements (the statement of net assets and the statement of activities) report information of all of the non-fiduciary activities of the primary government and its component units, if any. For the most part, 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 Division has no component units, fiduciary activities or business type activities; therefore, the government-wide financial statements of the Division are composed of all of the governmental activities of the Division.

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.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets.

When both restricted and unrestricted resources are available for use, generally it is the Division's policy to use restricted resources first, then unrestricted resources, as they are needed. Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds and similar component units, and major component units, if applicable. However, the fiduciary funds are not included in the government-wide statements. Major individual governmental funds and major individual enterprise funds, if applicable, are reported as separate columns in the fund financial statements.

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 60 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, 2003, 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. However, an employee may convert, at the time of retirement, any unused accumulated sick leave to pay a portion of the employee's post employment health care insurance premium or to increase service credits for retirement purposes. The liability for accumulated sick leave for employees has been recorded only in the government-wide financial statements.
- The Division pays 100% of the health insurance premium for retirees who elected to participate in the health insurance plans prior to July 1, 1988 and 50% of the premium for retirees who elected to participate prior to July 1, 2001. The liability for accumulated post-retirement health insurance has been reported only in the government-wide financial statements.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the 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.

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

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

- **State Road (General) Fund** - This fund serves as the Division's general fund and is used to account for all financial resources, except those required to be accounted for in another fund. The State Road Fund is funded primarily by dedicated highway user taxes and fees and matching federal highway funds.
- **Capital Projects Fund** - This fund accounts for financial resources to be used for road construction or reconstruction financed by proceeds from the sale of the Safe Road Bonds and matching federal highway funds.

**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 Capital Project Fund based on individual projects charged. The interfund balances at June 30, 2003 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 31 days after year-end for goods or services received prior to year-end. Appropriated budgeted expenditures, which lapse 31 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 for special items. Any revisions that alter budgeted expenditures for the expenditure categories for each Division as a whole must be approved by the State Legislature.

The Division's State Road Fund has a legislatively approved budget. However, the capital projects fund, debt service fund, and certain monies reported within the State Road Fund for GAAP purposes, 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, 2003 on the budgetary basis to the GAAP basis for the State Road Fund follows:

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,  
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Excess of revenues over expenditures - budgetary basis	\$ (13,833)
Basis of accounting differences (budgetary to GAAP)	21,783
Unbudgeted funds	<u>(137)</u>
 Excess of revenues over expenditures - GAAP basis.	 \$ <u>7,813</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 Investment Management Board (IMB). In addition, the Division makes interest-earning deposits in certain investment pools maintained by the IMB that are available to the Division with overnight notice. Interest income from these investments is prorated to the Division at rates specified by the IMB based on the balance of the Division's deposits maintained in relation to the total deposits of all state agencies participating in the pool. Because these deposits are held in the IMB investment pools, no other disclosures related to safekeeping, credit or market risk, or GASB 3 risk are required. However, market risk exists as the value of the investment pools underlying investment assets may decline because of an increase in interest rates or a decline in stock prices. The carrying value of the deposits reflected in the financial statements approximates fair value and approximates the value of the shares in the external investment pool.

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 IMB for investment in accordance with the West Virginia Code, policies set by the IMB, and provisions of bond indentures and trust agreements when applicable. The IMB is governed by a thirteen-member Board of Trustees. The Governor, the State Auditor and the State Treasurer are members of the Board and the other members are appointed by the Governor. The Board was formed in 1997 to serve as the Trustee to hold certain public pension funds and insurance funds, as well as to provide prudent fiscal administration, investment, and management of the Consolidated Pension Fund and the State's operating funds.

The Division's cash and cash equivalents were comprised of the following at June 30, 2003:

Investments with IMB	\$ 114,939
Cash	13,938
Cash in transit	<u>199</u>
	 \$ <u>129,076</u>

**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 "Reserve for inventories" in the Government Fund Financial Statements.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,  
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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 assets 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 twenty-five 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 fixed assets are recorded at their fair market value at the date of donation.

The estimates of historical costs of buildings and other improvements were based on values that were compiled in 1983. Building 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, as permitted by GASB 34. 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.

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: 1 - 20 years
- Scientific equipment: 2 - 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 uncollectible 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 gasoline and wholesale fuel 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.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**OTHER ASSETS** - Other assets represent payments that reflect costs applicable to future accounting periods and are recorded as other assets in both government-wide and fund financial statements. They are composed primarily of amounts on deposit with West Virginia Workers' Compensation Fund.

**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. Any unused vacation and sick leave accumulated at employee retirement vests to the employee and may be provided in the form of post-retirement payment of all or a portion of the employee's health insurance premiums, or as service credits for retirement purposes. 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.

**POST EMPLOYMENT BENEFITS** - The Division pays 100% of the health insurance premium for retirees who elected to participate in the health insurance plans prior to July 1, 1988 and 50% of the premium for retirees who elected to participate between that date and July 1, 2001. Employees who were eligible and elected to participate in the Division's health insurance plan at July 1, 1988 and 2001, and who had continuous participation in the Plan since those dates, are eligible for the post retirement benefits. Expenditures for post retirement health insurance premiums are recognized as incurred in the governmental fund financial statements. The government-wide financial statements present the cost of accumulated post-retirement health insurance as a liability.

**RETIREMENT BENEFITS** - The Division's employees are covered by the West Virginia Public Employees Retirement System (PERS), a multi-employer cost-sharing defined benefit pension plan. PERS covers substantially all employees of the Division, with employer contributions prescribed by PERS as a percentage of covered payroll.

**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, as well as issuance costs, are deferred and amortized over the life of the debt. Bonds and notes payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges in other assets and are amortized over the term of the related debt. In the governmental fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. 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, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

**ARBITRAGE REBATE LIABILITY** - The capital project fund accounts for arbitrage rebate payable, if any, as a liability of the fund. The change in the obligation is recorded as an adjustment to current year interest revenue.

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NOTE 2 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2003 consisted of the following:

Federal aid billed and not paid	\$	4,024
Federal aid earned but not billed		<u>44,545</u>
Total federal aid receivable		48,569
Other receivables		9,438
Combined total receivables		58,007
Less: allowance for uncollectibles		<u>(2,300)</u>
Net accounts receivable	\$	<u>55,707</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.

NOTE 3 - TAXES RECEIVABLE

Taxes receivable at June 30, 2003 consisted of the following:

Automobile privilege taxes	\$	26,468
Gasoline and motor fuel taxes		33,686
Registration fees		<u>4,026</u>
		\$ <u>64,180</u>

NOTE 4 - DUE FROM/TO OTHER STATE OF WEST VIRGINIA AGENCIES

Amounts due from other State of West Virginia agencies at June 30, 2003 consisted of the following:

The Department of Motor Vehicles	\$	2,959
The Department of Administration		113
West Virginia University		51
Office of Emergency Services		64
The Governor's Office		237
West Virginia State Police		58
West Virginia Building Commission		40
Other agencies		<u>169</u>
	\$	<u>3,691</u>

Amounts due to other State of West Virginia agencies at June 30, 2003 consisted of the following:

Public Employees Insurance Agency	\$	1,164
Public Employees Retirement		1,141
Bureau of Employment Programs		1,644
The Department of Administration		30
Division of Corrections		47
Other agencies		<u>18</u>
	\$	<u>4,044</u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,  
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NOTE 5 - INVENTORIES

Inventories at June 30, 2003 consisted of the following:

Materials and supplies	\$	17,797
Equipment repair parts		8,268
Gas and lubrication supplies		<u>1,396</u>
	\$	<u>27,461</u>

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2003, was as follows:

	Balance July 1, 2002	Increases	Decreases	Balance June 30, 2003
<b>Capital assets not being depreciated:</b>				
Land - non infrastructure	\$ 14,287	\$ 415	\$ 52	\$ 14,650
Land - infrastructure	579,229	68,018	-	647,247
Construction-in-progress - buildings	188	10,452	2,515	8,105
Construction-in-progress - roads	570,596	271,150	277,545	524,201
Construction in progress - bridges	<u>122,529</u>	<u>151,757</u>	<u>78,064</u>	<u>196,222</u>
Total capital assets not being depreciated	<u>1,246,829</u>	<u>503,792</u>	<u>358,196</u>	<u>1,390,425</u>
<b>Capital assets being depreciated:</b>				
Buildings	65,231	2,341	785	64,787
Furniture and fixtures	3,555	174	275	3,454
Land improvements - non infrastructure	4,490	551	-	5,041
Rolling stock	171,231	12,959	12,501	171,689
Shop equipment	3,044	10	14	3,040
Scientific equipment	1,962	70	5	2,027
Infrastructure - roads	5,912,428	273,826	-	6,186,254
Infrastructure - bridges	<u>1,108,091</u>	<u>77,892</u>	<u>-</u>	<u>1,185,983</u>
Total capital assets being depreciated	<u>7,268,032</u>	<u>367,823</u>	<u>13,580</u>	<u>7,622,275</u>
<b>Less accumulated depreciation:</b>				
Buildings and improvements	24,046	1,620	727	24,929
Furniture and fixtures	3,045	227	264	3,006
Land improvements - non infrastructure	953	252	-	1,205
Rolling stock	122,922	12,118	11,839	123,201
Shop equipment	3,669	160	13	2,816
Scientific equipment	1,291	128	5	1,414
Infrastructure - roads	2,193,900	296,208	-	2,399,108
Infrastructure - bridges	<u>187,500</u>	<u>21,720</u>	<u>-</u>	<u>211,220</u>
Total accumulated depreciation	<u>2,525,326</u>	<u>244,433</u>	<u>12,848</u>	<u>2,766,911</u>
Total capital assets being depreciated, net	<u>4,932,706</u>	<u>123,390</u>	<u>732</u>	<u>4,855,364</u>
Governmental activities capital assets, net	<u>\$ 5,079,535</u>	<u>\$ 625,182</u>	<u>\$ 358,928</u>	<u>\$ 6,245,785</u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,  
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NOTE 6 - CAPITAL ASSETS (Continued)

Current year depreciation totaling \$244,433 was allocated as a separate line item in the statement of activities under the major functions of the Division of Maintenance and Improvements. The remaining 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>
Buildings and improvements	\$ 1,620
Furniture and fixtures	227
Land improvements	<u>252</u>
Total unallocated	<u>2,099</u>
Rolling stock	12,118
Shop equipment	160
Scientific equipment	<u>128</u>
Total road maintenance	12,406
Infrastructure - roads	206,208
Infrastructure - bridges	<u>23,720</u>
Total other road operations	<u>229,928</u>
Total depreciation expense	\$ 244,433

NOTE 7 - RETAINAGES PAYABLE

The Division has entered into an arrangement with the West Virginia Investment Management Board whereby amounts retained from payments to contractors may, at the option of the contractor, be deposited in an interest bearing account in the contractor's name. Retainage payments are made to the contractor when contracts are satisfactorily completed. The funds on deposit in these accounts are not reported as assets of the Division. At June 30, 2003, retainages payable on contracts had been reduced by these amounts on deposit in such accounts by approximately \$8,220.

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

Long-term obligations at June 30, 2003, and changes for the fiscal year then ended are as follows:

	Issue Date	Interest Rate	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance
General obligation bonds payable from tax revenue:							
Better highway bonds	1973	5.625%-6.10%	02/01/2006	\$ 18,660	\$ -	\$ 7,845	\$ 10,815
Safe road bonds	1998	4.30%-5.25%	06/01/2013	204,080	-	4,330	199,750
Safe road bonds	1999	4.30%-5.75%	06/01/2017	105,020	-	1,750	103,270
Safe road bonds	2000	5.50%-5.75%	06/01/2024	110,000	-	-	110,000
Safe road bonds	2001	3.50%-5.50%	06/01/2013	101,780	-	8,115	93,665
Total general obligation bonds				539,540	-	22,040	517,500
Bond premium				4,390	-	834	3,556
Total general obligation bonds payable net of premium				543,930	-	22,874	520,956
Claims and judgments				5,095	1,866	-	6,961
Compensated absences				74,454	7,012	-	81,466
Total long-term obligations				\$ 623,379	\$ 8,878	\$ 22,874	\$ 609,383

General obligation bond issues are authorized by constitutional amendments and are general obligations of the State of West Virginia. Legislation implementing the amendments require 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.

Debt service expenditures for debt service funds included interest of \$28,168 for the year ended June 30, 2003. Total debt service costs, exclusive of coupon redemption costs, for each of the next five years and thereafter, on general obligation bonds payable and liquidated through debt service funds, are as follows:

	2004	2005	2006	2007	2008	2009-2013	2014-2018	2019-2023	2024-2026	Total
General obligation bonds payable from tax revenue:										
Better highway bonds	\$ 6,360	\$ 3,909	\$ 1,567	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,836
State road bonds	43,678	46,087	48,431	49,997	49,996	218,610	157,989	117,598	47,037	799,383
Total general obligation payments	49,998	49,996	49,996	49,997	49,996	218,610	157,989	117,598	47,037	811,219
Less: interest	26,928	25,781	24,638	23,532	22,201	88,105	51,612	27,158	3,787	293,719
Total principal	23,070	24,215	25,370	26,465	27,795	130,505	106,377	90,440	43,270	517,500
Bond premium	675	563	475	400	336	882	125	-	-	3,436
Total principal and bond premium	\$ 23,745	\$ 24,778	\$ 25,845	\$ 26,865	\$ 28,131	\$ 131,387	\$ 106,495	\$ 90,440	\$ 43,270	\$ 520,956

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NOTE 8 - LONG-TERM OBLIGATIONS (Continued)

The portion of long-term and short-term compensated absences, claims payable, and general obligation bonds are as follows:

	Compensated <u>Absences</u>	Claims and <u>Judgments</u>	General Obligation <u>Bonds and Premium</u>	<u>Total</u>
Short-term liability	\$ 19,827	\$ 561	\$ 23,745	\$ 44,133
Long-term liability	<u>61,639</u>	<u>6,400</u>	<u>497,211</u>	<u>565,250</u>
	<u>\$ 81,466</u>	<u>\$ 6,961</u>	<u>\$ 520,956</u>	<u>\$ 609,383</u>

During the year ended June 30, 1972, the State was authorized by constitutional amendment to issue \$500,000 of general obligation bonds to fund highway and road construction projects known as Better Highway Bonds. During the year ended June 30, 1997, the State was authorized by constitutional amendment to issue \$550,000 of general obligation bonds to fund highway and road construction projects known as Safe Road Bonds. These bonds will be repaid from revenues of the State Road Fund. Safe Road Bonds of \$220,000 were issued during July 1998; \$110,000 were issued during July 1999; \$110,000 were issued during July 2000; and an additional \$110,000 were issued during July 2001.

The Division's Safe Road Bonds are subject to the arbitrage rebate provisions of the Internal Revenue Code, which requires 90% of interest earnings in excess of interest expended to be paid to the Internal Revenue Service. The Division has no arbitrage rebate liability as of June 30, 2003.

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

	Year Ended <u>June 30, 2003</u>	Year Ended <u>June 30, 2002</u>	Year Ended <u>June 30, 2001</u>
Estimated claims liability, July 1	\$ 5,095	\$ 11,200	\$ 9,300
Additions for claims incurred during the year	3,246	2,787	1,585
Changes in estimates for claims of prior periods	(785)	(8,877)	415
Payments on claims	<u>(595)</u>	<u>(15)</u>	<u>(100)</u>
Estimated claims liability, June 30	<u>\$ 6,961</u>	<u>\$ 5,095</u>	<u>\$ 11,200</u>

At June 30, 2003, approximately \$19,877 of tort claims and \$5,351 of construction claims, including non-incremental 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 \$6,400, recorded in the government-wide Statement of Net Assets, 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 \$561. During the normal course of operations, the Division may become subject to other litigation. Accordingly, no provision has been made in the financial statements for liabilities, if any, from such litigation.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2003  
(amounts expressed in thousands)

NOTE 8 - LONG-TERM OBLIGATIONS (Continued)

The Division's obligation for accrued vacation leave time includes leave time and related costs expected to be paid to employees in the future and are determined using wage levels in effect at the date the obligation is calculated. Also included in this amount is the Division's unfunded obligation of approximately \$4,604 arising in connection with legislation to fund portions of employee post retirement health insurance costs for retired employees. The Division has 428 former employees currently eligible for post employment health insurance. The Division's total expenditures for post-employment health benefits for the year ended June 30, 2003 were \$2,079. These liabilities are generally liquidated by the State Road Fund.

Upon retirement, an employee may apply unused sick leave or annual leave, or both to reduce their future insurance premiums paid to the West Virginia Public Employees Insurance Agency or to obtain a greater benefit under the West Virginia Public Employees Retirement System. These liabilities are generally liquidated by the State Road Fund.

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 and a portion of State Office Building No. 3 which are 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 these operating leases, which expire December 31, 2003 for rental payments of approximately \$1,796 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, 2003, the Division incurred payroll related expenditures of approximately \$26,999 for employee health insurance benefits provided through the West Virginia Public Employees Insurance Agency and approximately \$16,663 in employer matching contributions to the State Public Retirement System.
- The Division is insured under the West Virginia Workers' Compensation Plan. During the year ended June 30, 2003 the Division paid approximately \$9,321 for employee workers' compensation benefits, which are paid into funds administered by the West Virginia Workers' Compensation Fund.
- The Division made payments to the Department of Military Affairs and Public Safety, Division of Public Safety for various services performed. These expenditures, which were authorized by the Legislature, amounted to approximately \$5,466 during the year ended June 30, 2003.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2003  
(amounts expressed in thousands)

**NOTE 10 - COMMITMENTS AND CONTINGENCIES**

The amount of unexpended balances of highway design and construction contracts entered into by the Division with various contractors approximated \$575,892 at June 30, 2003.

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

During the year ended June 30, 1989, the Division in-substance defeased Huntington Bridge Revenue Bonds dated January 1, 1965, by authorizing the West Virginia Municipal Bond Commission (MBC), the bond fiscal agent, to purchase U.S. government securities which will mature on dates to coincide with the remaining principal and interest payments. At June 30, 2003, \$1,905 of these bonds were outstanding and are considered defeased. Accordingly, the assets and liability for these defeased bonds have been excluded from the Division's financial statements.

**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. Chapter 5, Article 10 of the West Virginia State Code assigns the authority to establish and amend benefit provisions to the PERS Board of Trustees. Employees who retire at or after age 55 and have completed 25 years of credited service are eligible for retirement benefits as established by State statute. Retirement benefits are payable monthly for life, in the form of a straight-line annuity equal to two percent of the employee's final average salary, multiplied by the number of years of the employee's credited service at the time of retirement. PERS also provides deferred retirement, early retirement, death, and disability benefits to plan members and beneficiaries. The West Virginia Consolidated Public Retirement Board issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the West Virginia Consolidated Public Retirement Board, 1900 Kanawha Boulevard East, Building Five, Charleston, West Virginia 25305 or by calling (304) 558-3570.

**FUNDING POLICY** - The PERS funding policy has been established by action of the State Legislature. State statute requires that plan participants contribute 4.5% of compensation. The current combined contribution rate is 14% of annual covered payroll, including the Division's contribution of 9.5% which is established by PERS. The Division's contributions to PERS for the years ended June 30, 2003, 2002, and 2001 were \$16,663, \$15,717, and \$15,275, respectively, equal to the required contributions for each year. Beginning July 1, 2003 the Division's contribution rate will increase to 10.5%.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,  
 DIVISION OF HIGHWAYS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2003  
 (amounts expressed in thousands)

NOTE 12 - 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), the Public Employees Insurance Agency (PEIA), and the Workers' Compensation Fund (WCF) to account for and finance uninsured risks of losses for state agencies, institutions of higher education, and component units.

BRIM is a public entity risk pool that provides coverage for general, property, medical malpractice, and automobile liability. PEIA is also a public entity risk pool and provides coverage for employee and dependent health, life and prescription drug insurance. The WCF provides coverage for work related accidents and is considered an insurance enterprise fund. 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 9, amounts of settlements have not exceeded insurance coverage in the past three years. The Division has evaluated this potential risk of loss as discussed in Note 9.

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

NOTE 13 - RESTATEMENT OF PRIOR YEAR AMOUNTS

During the current year it was determined that an undercapitalization of infrastructure assets had occurred in the initial implementation of the provisions of GASB Statement 34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain projects that met the capitalization criteria were excluded from Work in Process and other projects that were completed were not properly capitalized into infrastructure. This undercapitalization of infrastructure assets had no impact on the fund or budgetary comparison financial statements for the year ended June 30, 2002. The following summarizes the impact of this undercapitalization of infrastructure assets on the government-wide financial statements:

	As Previously Reported	Adjustment	Restated
Total capital assets	\$5,658,540	\$320,996	\$5,979,536
Total assets	\$6,020,546	\$320,996	\$6,341,542
Net assets - investment in capital assets, net of debt	\$5,198,392	\$320,996	\$5,519,388
Total net assets	\$5,283,667	\$320,996	\$5,604,663
Total expenses	\$1,074,962	\$(268,740)	\$806,222
Change in net assets	\$(41,693)	\$268,740	\$227,047

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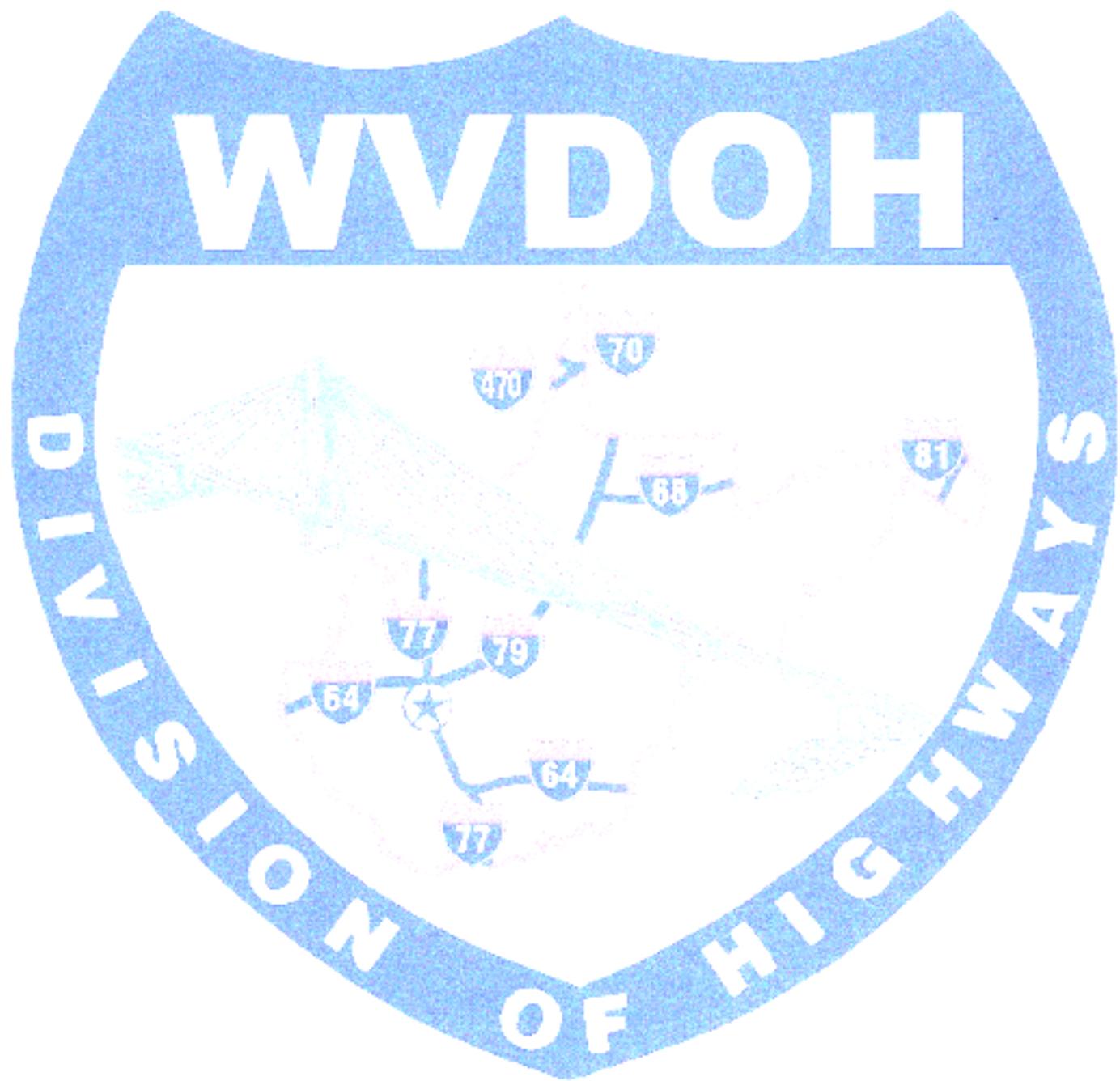


Highlevel Bridge - Fairmont



New River Gorge Bridge

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



WEST VIRGINIA DEPARTMENT OF TRANSPORTATION

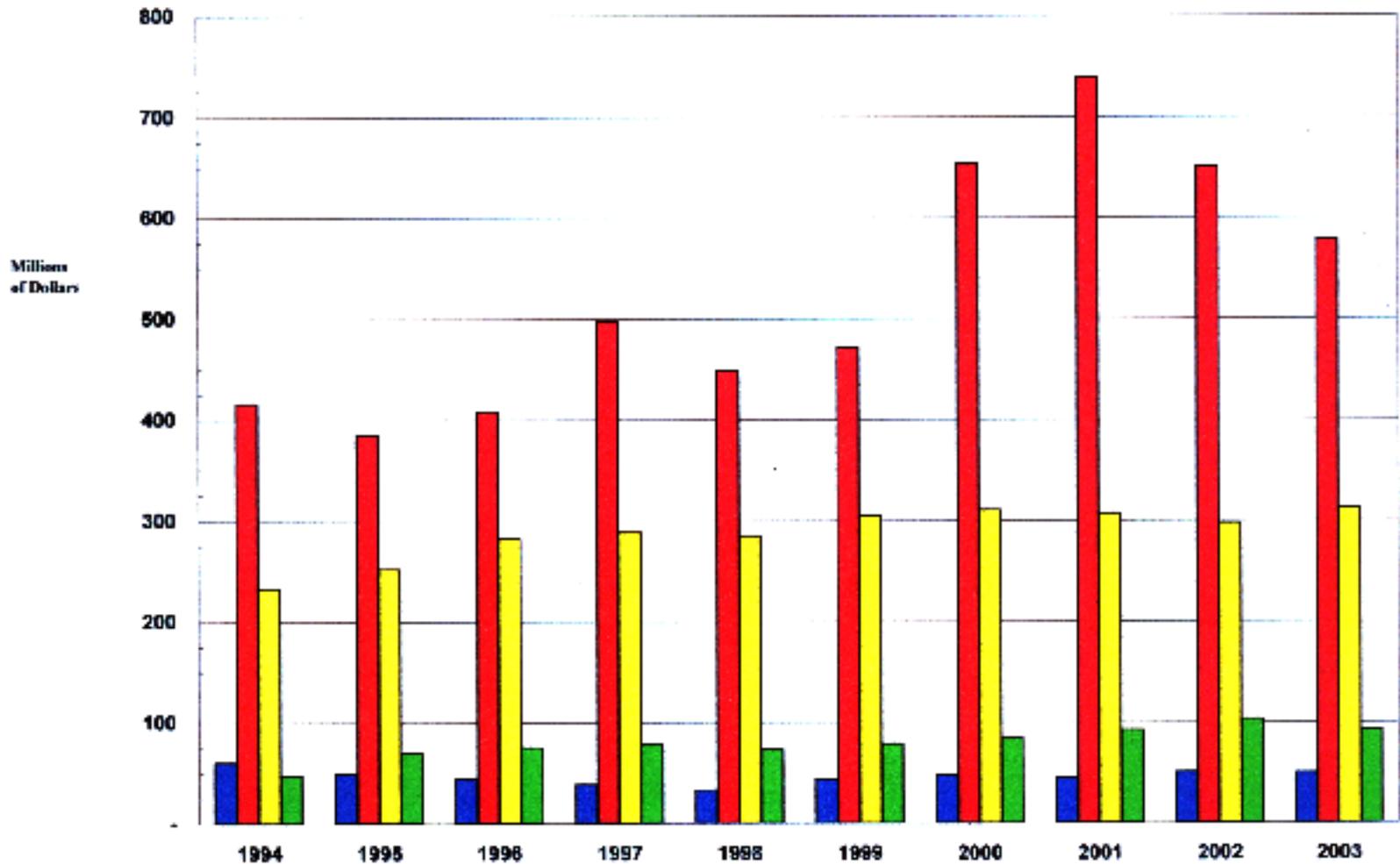
DIVISION OF HIGHWAYS



**TOTAL EXPENDITURES BY FUNCTION (All Funds)  
1994 TO 2003**

*(Amount expressed in thousands)*

Fiscal Year	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Debt Service</b>	\$60,353	\$49,648	\$44,017	\$38,645	\$32,866	\$43,455	\$47,526	\$44,925	\$50,790	\$50,019
<b>Construction</b>	416,229	385,613	408,272	497,106	448,851	471,784	653,659	738,607	650,662	577,902
<b>Maintenance</b>	232,855	252,222	282,382	288,648	284,821	305,062	310,786	307,207	297,190	312,249
<b>Administrative/ Support</b>	46,957	69,764	75,086	77,962	72,887	78,485	83,883	92,231	102,971	92,444
<b>Total</b>	\$756,394	\$757,247	\$809,757	\$902,361	\$839,425	\$898,786	\$1,095,854	\$1,182,970	\$1,101,613	\$1,032,614



WEST VIRGINIA DEPARTMENT OF TRANSPORTATION

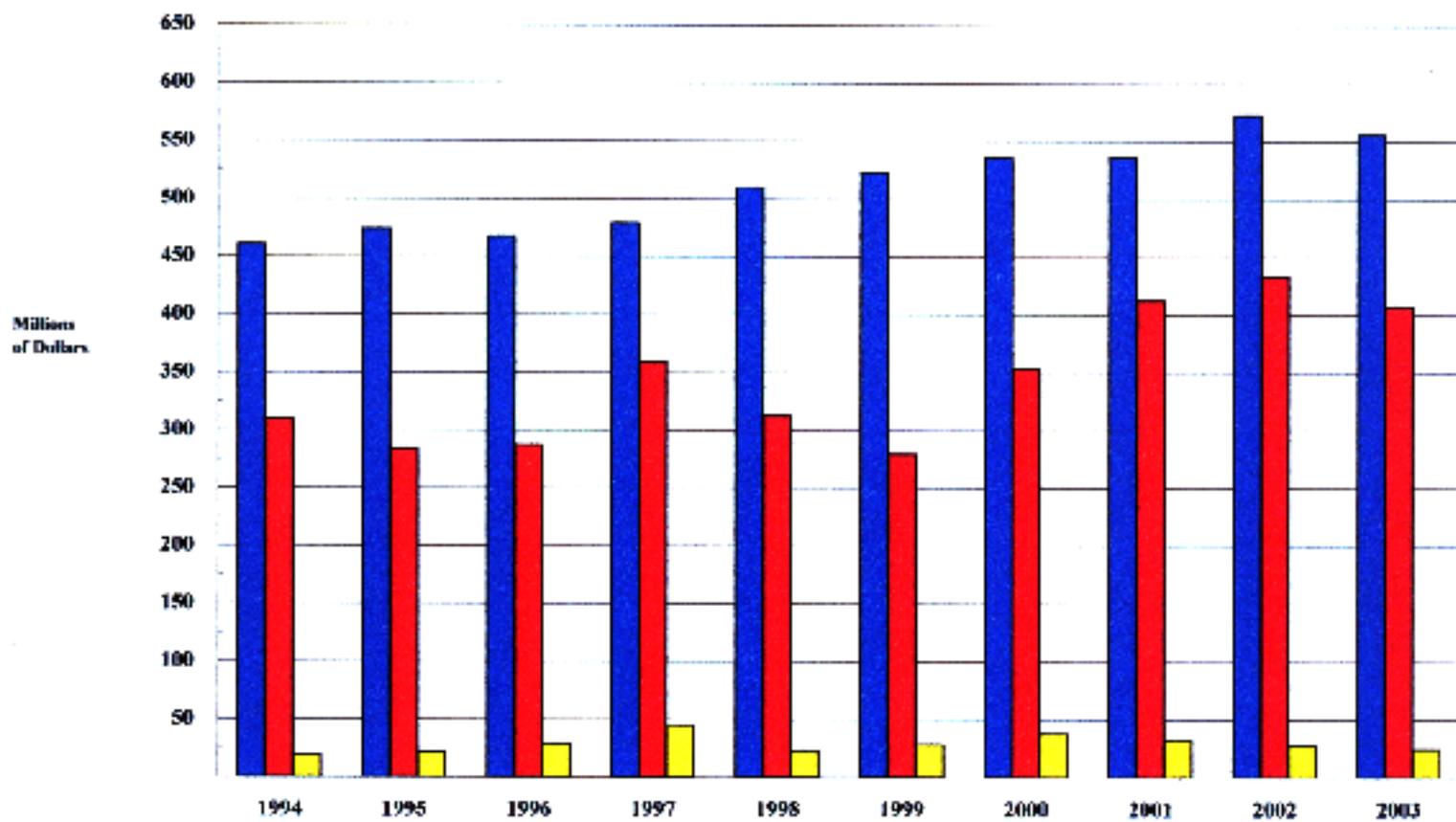
DIVISION OF HIGHWAYS



**TOTAL REVENUE BY SOURCE (All Funds)  
1994 TO 2003**

*(Amount expressed in thousands)*

Fiscal Year	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Taxes and License Fees</b>	\$460,369	\$473,842	\$467,288	\$478,913	\$510,011	\$522,672	\$535,534	\$535,898	\$572,989	\$556,118
<b>Federal Aid</b>	309,628	284,007	287,021	358,750	312,673	279,473	354,080	412,404	433,156	407,664
<b>Miscellaneous</b>	19,174	21,567	29,017	44,597	23,202	28,373	37,548	32,455	27,124	24,392
<b>Total</b>	\$789,171	\$779,416	\$783,326	\$882,260	\$845,886	\$830,518	\$927,162	\$980,757	\$1,033,269	\$988,174



DIVISION OF HIGHWAYS

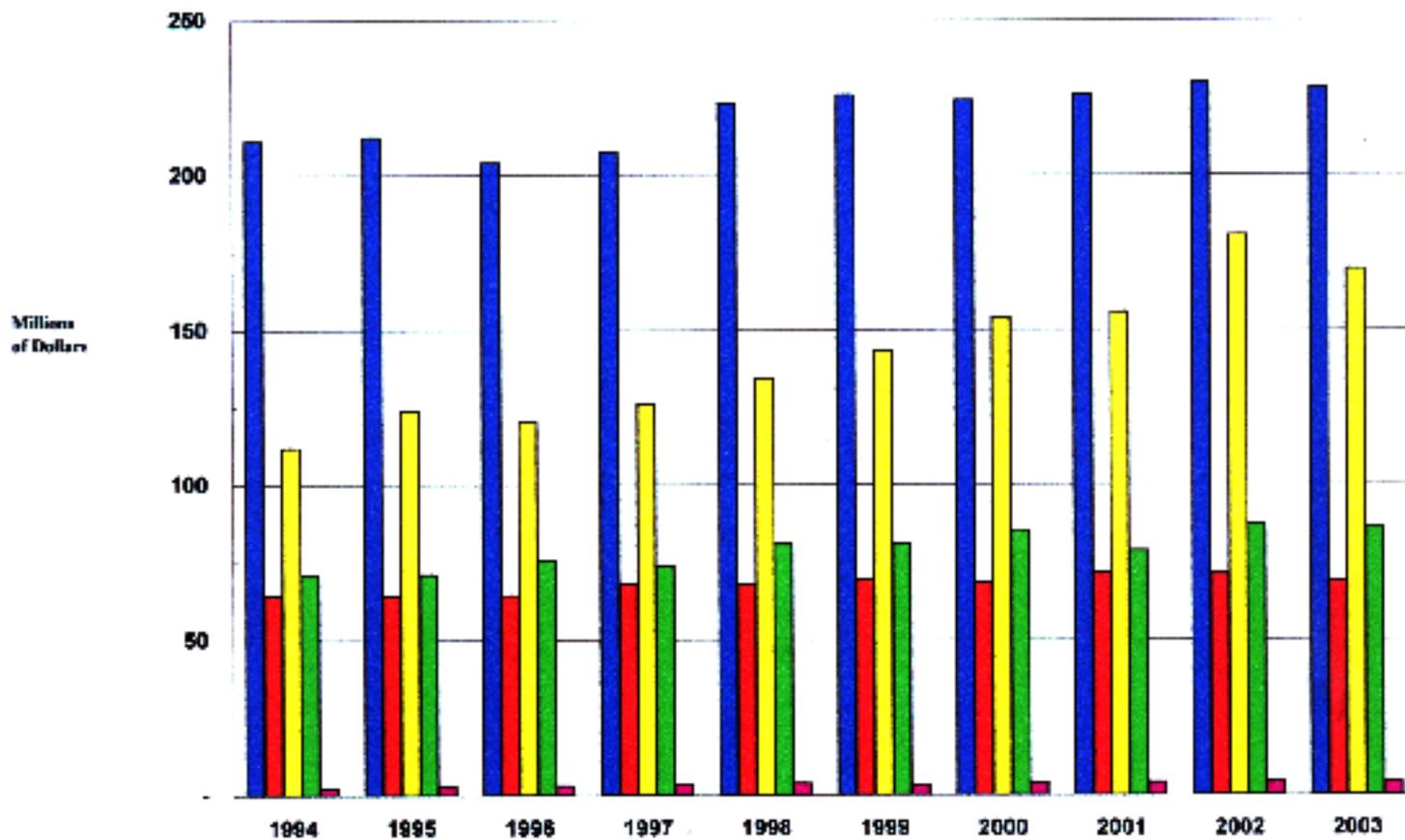


**TAX AND LICENSE FEE REVENUE BY SOURCE <sup>(1)</sup>  
1994 TO 2003**

*(Amount expressed in thousands)*

Fiscal Year	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Gasoline/Motor Carrier</b>	\$210,873	\$212,173	\$203,855	\$207,297	\$223,068	\$225,761	\$224,029	\$225,946	\$229,650	\$227,793
<b>Motor Fuel</b>	64,317	64,137	64,385	68,103	67,945	69,405	68,372	71,521	71,314	69,049
<b>Automobile Privilege</b>	111,882	123,723	120,455	126,157	134,354	143,356	153,927	155,623	180,472	169,431
<b>Registration/License Fees</b>	70,949	71,122	75,552	73,831	80,928	80,935	85,222	78,745	87,380	85,880
<b>Special Fees &amp; Permits</b>	2,348	2,687	3,041	3,525	3,716	3,215	3,984	4,063	4,173	3,965
<b>Total</b>	\$460,369	\$473,842	\$467,288	\$478,913	\$510,011	\$522,672	\$535,534	\$535,898	\$572,989	\$556,118

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



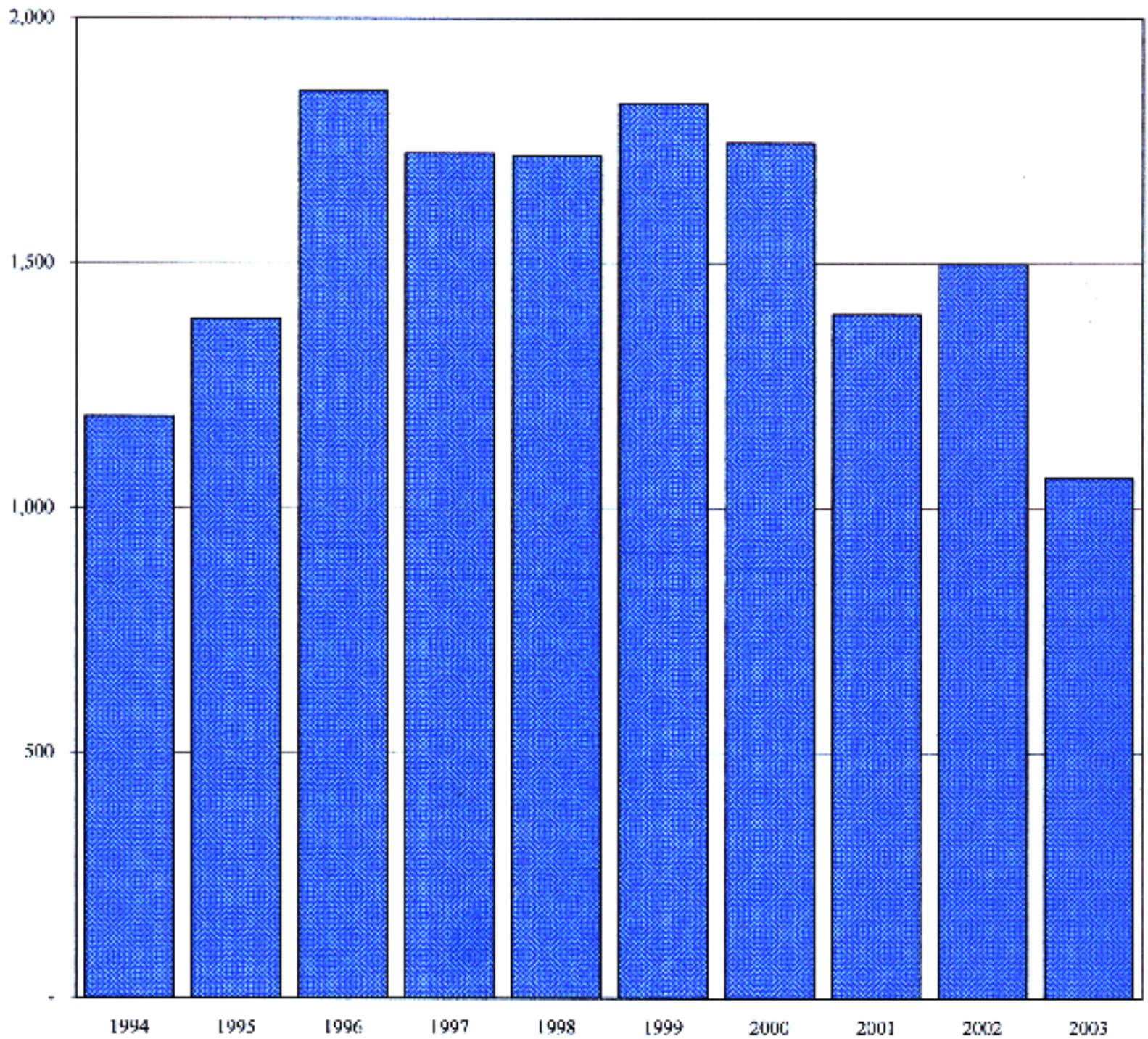
DIVISION OF HIGHWAYS



**HIGHWAY CONSTRUCTION AND IMPROVEMENT  
TOTAL PROJECTS AUTHORIZED  
1994 TO 2003**

Fiscal Year	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	Total Projects
Projects	1,188	1,387	1,852	1,725	1,720	1,825	1,746	1,396	1,499	1,064	15,402

Number of Projects





## DIVISION OF HIGHWAYS

**HIGHWAY CONSTRUCTION AND IMPROVEMENT  
TOTAL PROJECTS AUTHORIZED  
1994 TO 2003**

	<b>Federal Aid (Number of Projects)</b>									
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Bond	0	0	0	0	0	3	5	0	0	1
Interstate Construction	0	1	0	0	0	0	8	2	9	4
Interstate Renovation	24	23	23	59	27	35	41	20	23	26
Non-Interstate Other	102	81	104	88	78	73	58	44	62	68
Appalachian Development	5	7	12	5	0	22	24	22	25	14
Timber Bridge	8	6	5	5	6	0	0	0	0	0
Other Bridge	43	53	49	56	42	44	58	14	62	36
Miscellaneous	108	41	259	213	69	103	132	78	172	149
Total	290	212	452	426	222	280	326	180	353	298
	<b>Non-Federal Aid (Number of Projects)</b>									
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Contract Paving and Secondary Roads										
Maintenance	526	545	672	663	716	574	615	522	448	335
Bridge Replacement and Renovation	65	94	85	77	93	61	65	50	73	48
Miscellaneous Bridge Work	33	54	66	58	47	77	59	44	44	36
Industrial Access Roads	10	8	14	8	12	11	15	6	15	7
Turnpike Refund	2	3	1	1	0	0	0	0	0	0
Bond	0	0	0	0	26	312	209	67	21	11
Roadway Renovation and Improvement	262	471	562	492	604	510	457	527	545	329
Total	898	1175	1400	1299	1498	1545	1420	1216	1146	766
<b>GRAND TOTAL</b>	<b>1188</b>	<b>1387</b>	<b>1852</b>	<b>1725</b>	<b>1720</b>	<b>1825</b>	<b>1746</b>	<b>1396</b>	<b>1499</b>	<b>1064</b>

TOTAL AUTHORIZED PROJECTS = 15,402

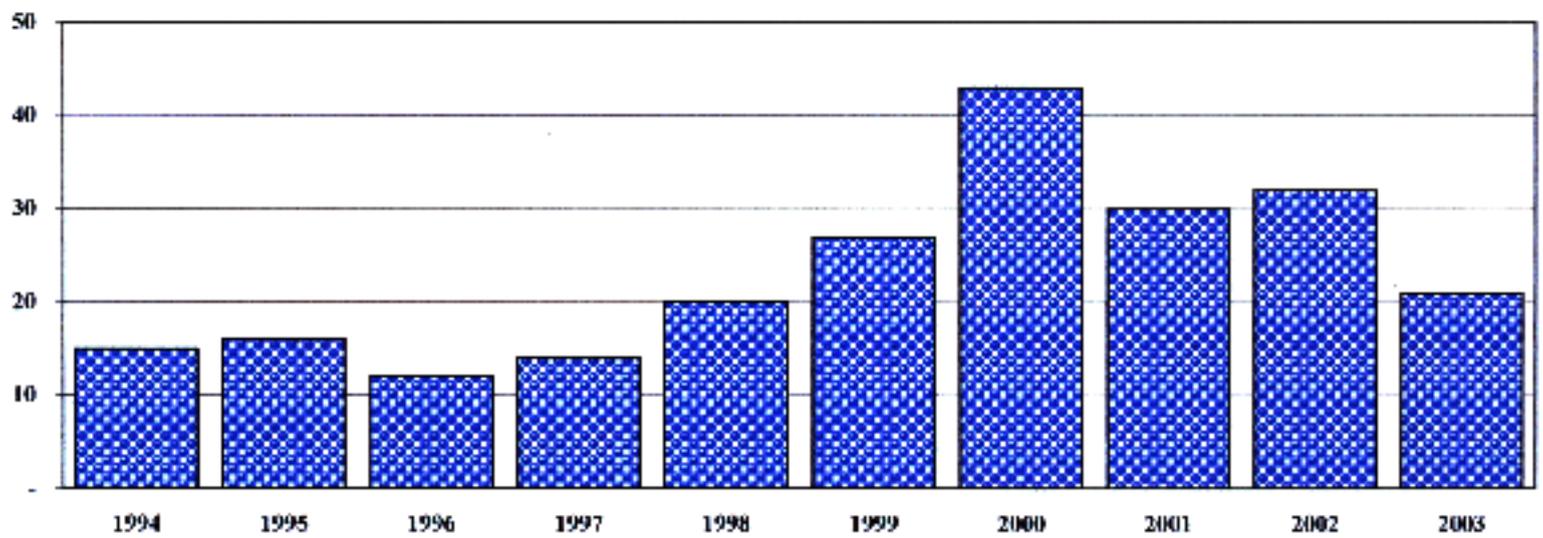
**DIVISION OF HIGHWAYS**



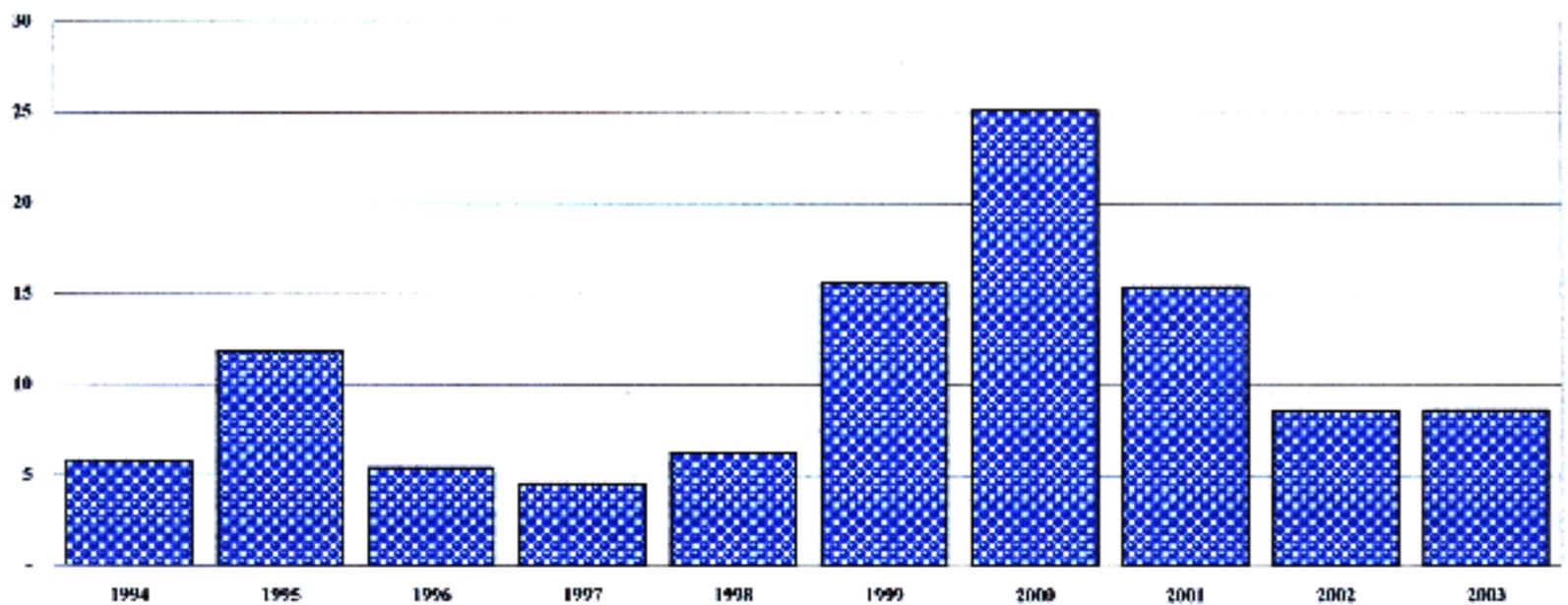
**ROADWAY PROJECTS - SYSTEM EXPANSION ONLY  
1994 TO 2003**

<b>Fiscal Year</b>	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Number of Projects</b>	15	16	12	14	20	27	43	30	32	21
<b>Number of Miles</b>	5.82	11.83	5.41	4.54	6.27	15.60	25.15	15.42	8.60	8.62

Number of Projects



Number of Miles



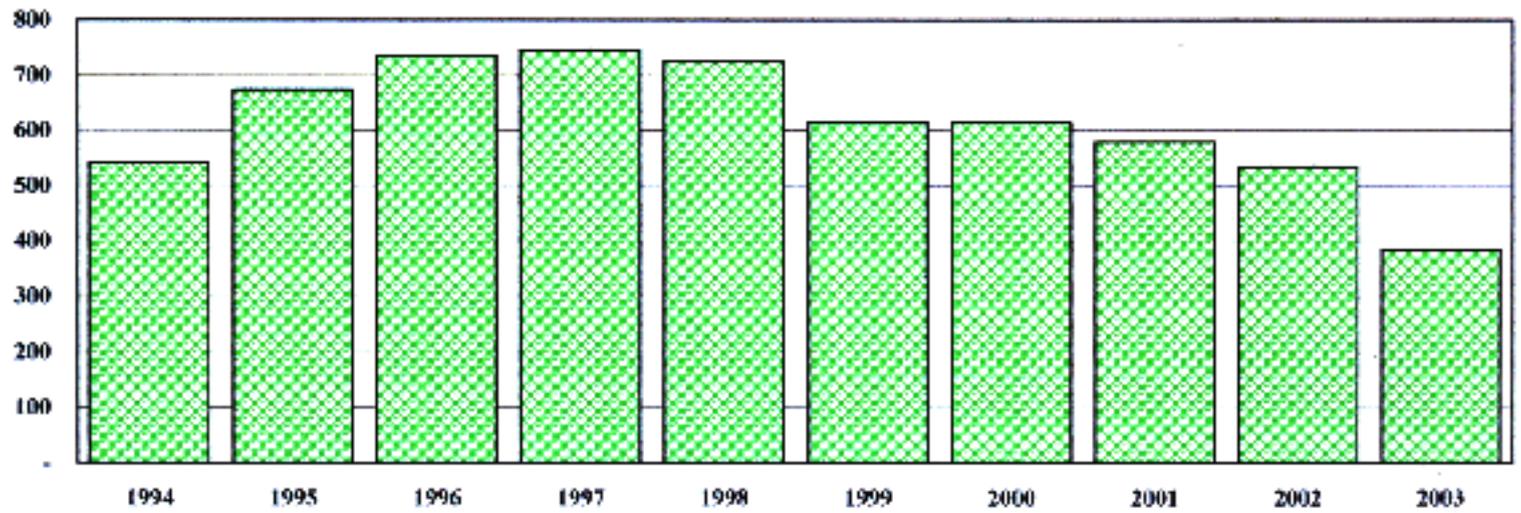


**DIVISION OF HIGHWAYS**

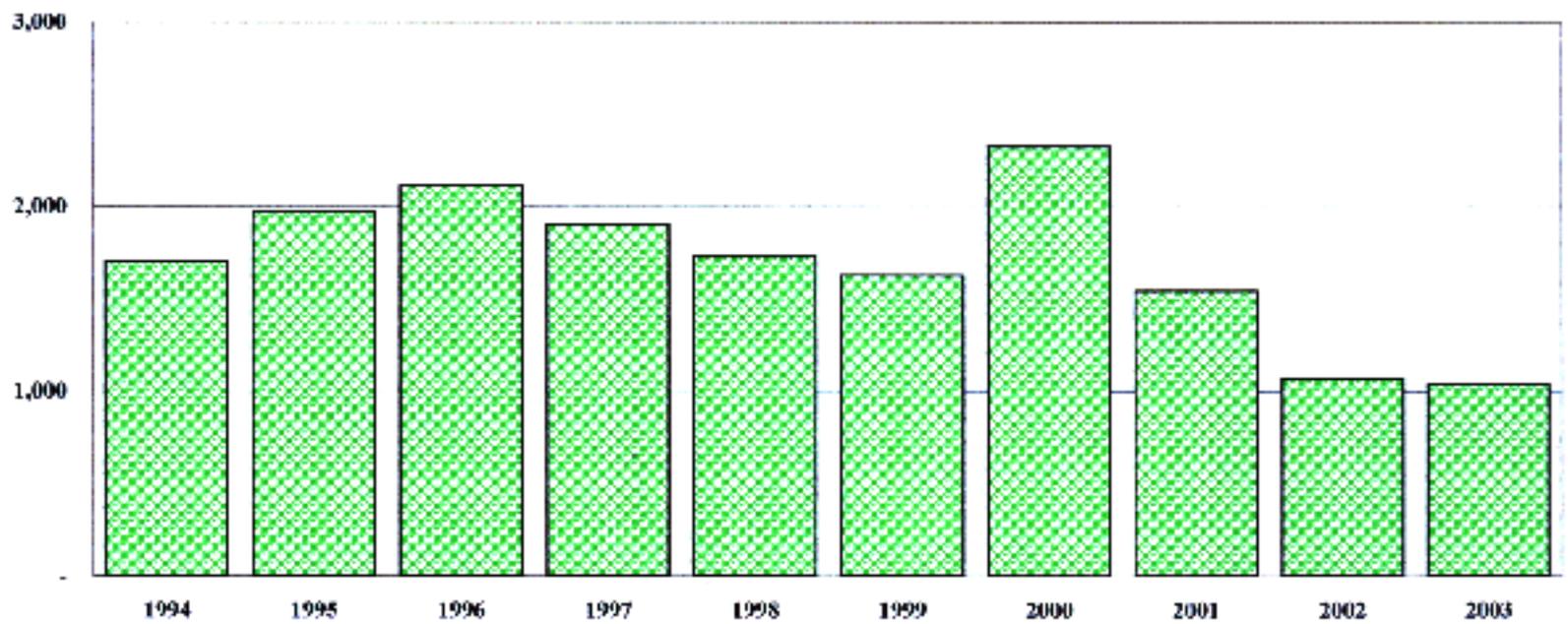
**ROADWAY RESURFACING PROJECTS  
1994 TO 2003**

Fiscal Year	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Number of Projects	541	674	735	746	725	615	616	580	534	384
Number of Miles	1,704	1,970	2,114	1,902	1,730	1,629	2,325	1,545	1,071	1,040

Number of Projects



Number of Miles



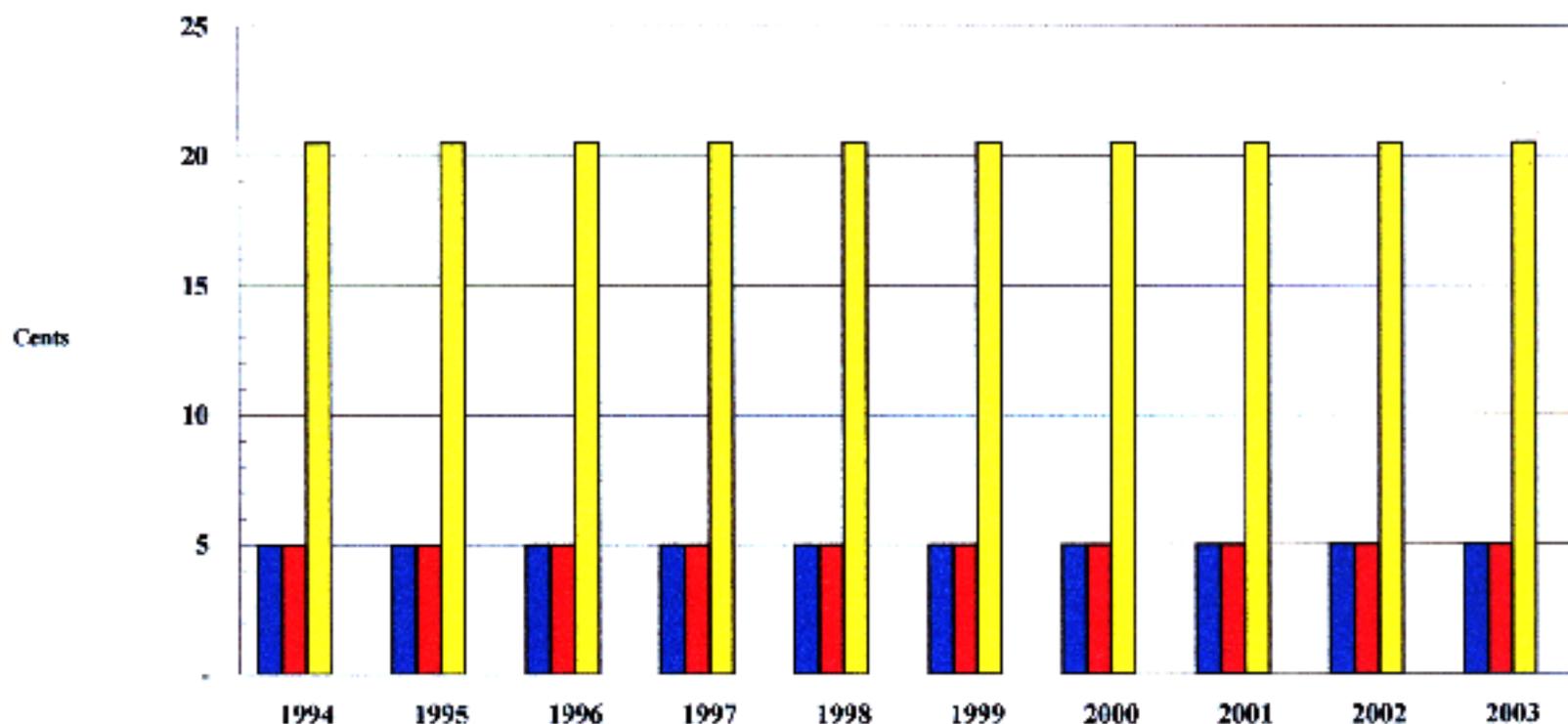
DIVISION OF HIGHWAYS



FUEL AND PRIVILEGE TAX RATES  
1994 TO 2003

Fiscal Year		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Wholesale Motor Fuel(1) (cents per dollar)	■	5	5	5	5	5	5	5	5	5	5
Automobile Privilege(2) (cents per dollar)	■	5	5	5	5	5	5	5	5	5	5
Gasoline (cents per gallon)	■	20.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5

- (1) Gasoline and special fuel furnished or delivered within West Virginia, or purchased outside and used within West Virginia, is subject to a wholesale tax at five percent of the average wholesale price
- (2) A tax equal to five percent of the value of said motor vehicle at the time of this certification.



DIVISION OF HIGHWAYS

***TOTAL HIGHWAY MILEAGE BY CATEGORY***

<u><i>Total Road System</i></u>	
Interstate Highway*	555
U.S. Routes	1,828
W.V. Routes	3,602
County Routes	28,860
Other	<u>1,437</u>
Total Miles	36,282

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

\* Includes 87 miles of the West Virginia Turnpike

	<u>Rural Miles</u>	<u>Urban Miles</u>
<u>Interstate Highways (Part of National Highway System) *</u>	458 **	97 ***
Interstate Highways are multi-lane, fully access-controlled routes that serve the national defense, and connect the nation's principal metropolitan areas, cities, and/or industrial centers.		
** Includes 4 miles of one way connecting ramps		
*** Includes 1 mile of one way connecting ramps		
<u>Other National Highway System</u>	1,077	118
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>	7,615	986
All other roads on which federal Highway funds may be expended.		
Sub-total miles	<u>9,150</u>	<u>1,201</u>
Total Miles	10,351	

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,  
DIVISION OF HIGHWAYS

**Ratio Of Annual Debt Service Expenditures  
To Total General Governmental Expenditures  
Last Ten Fiscal Years**  
(amount expressed in thousands)

<b>Fiscal Year</b>	1994 (a)	1995	1996	1997	1998	1999	2000	2001	2002 (b)	2003 (b)
<b>Principal</b>	\$47,043	\$38,785	\$35,055	\$31,325	\$28,010	\$28,920	\$28,170	\$20,665	\$21,485	\$22,040
<b>Interest</b>	\$13,310	\$10,863	\$8,962	\$7,320	\$4,856	\$14,535	\$19,356	\$24,260	\$28,508	\$27,956
<b>Total Debt Service</b>	\$60,353	\$49,648	\$44,017	\$38,645	\$32,866	\$43,455	\$47,526	\$44,925	\$49,993	\$49,996
<b>Total General Governmental Expenditures</b>	\$696,042	\$707,599	\$756,740	\$863,716	\$806,559	\$853,331	\$1,048,327	\$1,138,045	\$1,050,823	\$982,595
<b>Ratio of Debt Service to General Governmental Expenditures</b>	8.67%	7.02%	5.82%	4.47%	4.07%	5.09%	4.53%	3.95%	4.76%	5.09%

( a ) Includes retirement of \$7,313,418 of Capital Lease and Installment Purchase Obligations

( b ) Does not include bond issuance, coupon redemption, bank costs, or premium amortization