

January 11, 2017

To the Members of the West Virginia Legislative
Joint Committee on Government and Finance and
the West Virginia Division of Highways
Charleston, West Virginia

We have audited the financial statements of the West Virginia Division of Highways (the Division) as of and for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 10, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Division are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the Division during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Division's financial statements was management's estimate of depreciation which is based on the estimated economic useful lives of capital construction and acquisitions assuming normal usage and maintenance. We evaluated the key factors and assumptions used to develop current year and accumulated depreciation in determining that it is reasonable in relation to the financial statement taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were the disclosure of capital assets in Note 7 and long-term obligations in Note 8 to the financial statements, which describe the Division's capital asset activity and the Division's obligations for all future periods based on currently known facts and circumstances.

The financial statement disclosures are neutral, consistent, and clear.



West Virginia Division of Highways
Page 2
January 11, 2017

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit. Our completion of the audit was delayed due to delays in receiving certain supporting documentation from management. We appreciate management's cooperation in completing these requests, which allowed us to complete all the required audit procedures.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedules summarize the uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to each opinion unit's financial statements taken as a whole. The material misstatements related to federal aid receivables detected as a result of audit procedures were corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 11, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Division's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Division's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis and the required pension schedules which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.



West Virginia Division of Highways
Page 3
January 11, 2017

This information is intended solely for the information and use of the members of the West Virginia Legislative Joint Committee on Government and Finance, the West Virginia Division of Highways, and members of its management and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Gibbons & Kawash, A.C.





West Virginia Division of Highways
Page 4
January 11, 2017

West Virginia Division of Highways
Schedule of Uncorrected Misstatements - STATE ROAD FUND

Year Ended June 30, 2016

(In Thousands)

Description	Overstatement (Understatement) of Financial Statements					
	Asset and Deferred Outflows of Resources	Liabilities and Deferred Inflows of Resources	Fund Balance	Revenues	Expenditures	Change in Fund Balance
To consider effects of overstated receivables	\$ 2,165	\$ -	\$ 2,165	\$ 2,165	\$ -	\$ 2,165
Projected overstatement of expenses	-	-	(1,521)	-	1,521	(1,521)
To consider effects of improper cutoff of accounts payable and grant receivables	(3,297)	(3,297)	-	(3,297)	(3,297)	-
	<u>\$ (1,132)</u>	<u>\$ (3,297)</u>	<u>\$ 644</u>	<u>\$ (1,132)</u>	<u>\$ (1,776)</u>	<u>\$ 644</u>



West Virginia Division of Highways
Schedule of Uncorrected Misstatements - GOVERNMENT WIDE FINANCIAL STATEMENTS

Year Ended June 30, 2016

(In Thousands)

Description	Overstatement (Understatement) of Financial Statements					
	Asset and Deferred Outflows of Resources	Liabilities and Deferred Inflows of Resources	Net Position	Revenues	Expenses	Change in Net Position
To consider effects of overstated receivables	\$ 2,165	\$ -	\$ 2,165	\$ 2,165	\$ -	\$ 2,165
Projected overstatement of expenses	-	-	(1,521)	-	1,521	(1,521)
To consider effects of improper cutoff of accounts payable and grant receivables	(3,297)	(3,297)	-	(3,297)	(3,297)	-
	<u>\$ (1,132)</u>	<u>\$ (3,297)</u>	<u>\$ 644</u>	<u>\$ (1,132)</u>	<u>\$ (1,776)</u>	<u>\$ 644</u>