



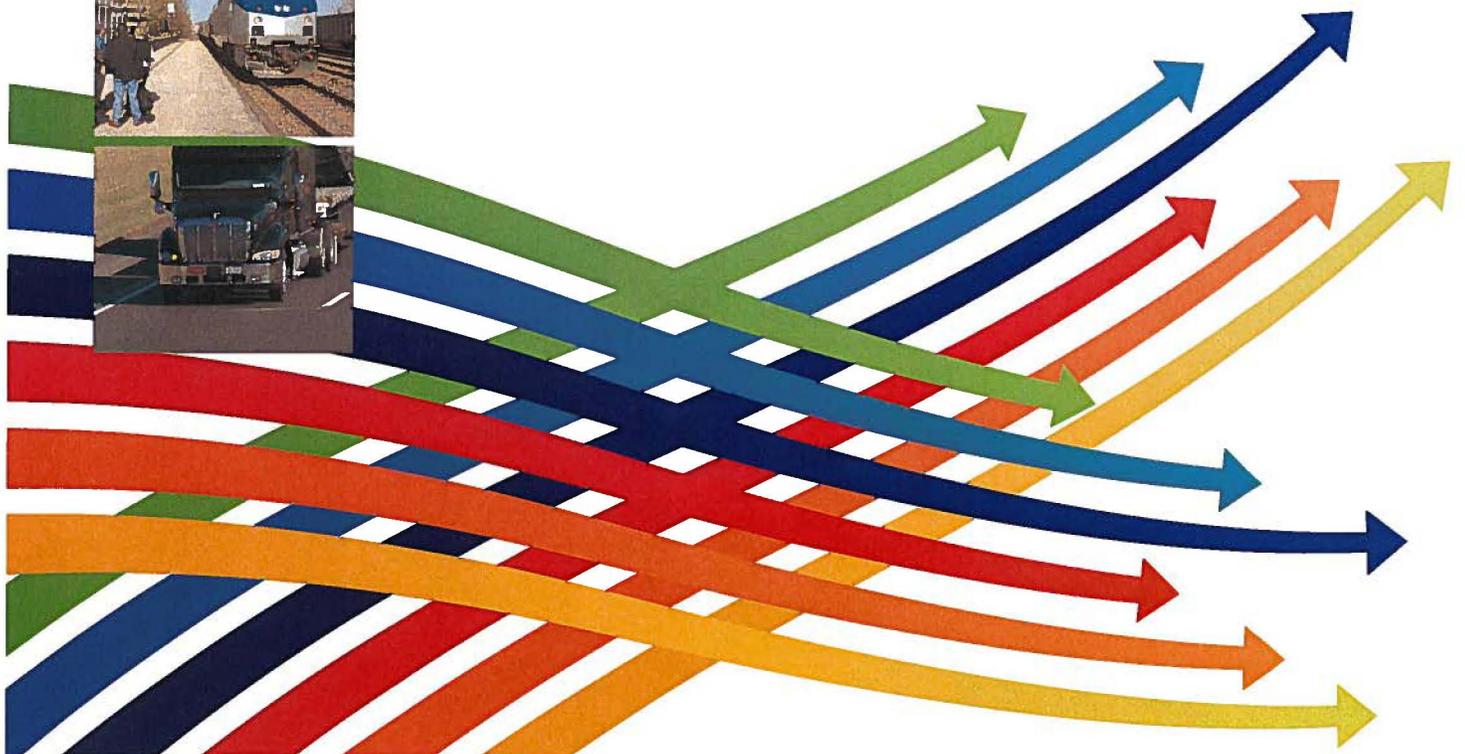
Missouri Department  
of Transportation

*An agency of the  
State of Missouri*



Comprehensive  
**Annual**  
Financial Report

For the fiscal year ended June 30, 2010



# **Comprehensive Annual Financial Report**

for the fiscal year ended  
**June 30, 2010**

Prepared by the Controller's Division  
under the direction of  
Roberta Broeker, CPA, Chief Financial Officer  
and Debbie Rickard, CPA, Controller

Missouri Department of Transportation  
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**Missouri Department  
of Transportation**  
an agency of the State of Missouri

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# Introductory Section

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Missouri  
Department  
of Transportation



Kevin Keith, Interim Director

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September 30, 2010

The Honorable Jay Nixon, Governor  
Members of the Missouri Legislature  
Members of the Missouri Highways and Transportation Commission  
Citizens of the State of Missouri

The Missouri Department of Transportation (MoDOT or the Department) is pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Department for the fiscal year ended June 30, 2010.

Revised Statutes of Missouri, Section 21.795, require the Department, an agency of the State of Missouri, to have an annual financial report audit performed by independent certified public accountants. In fulfillment of this requirement, as well as bond requirements, the Department prepared this CAFR and contracted with the independent auditing firm of BKD, LLP to audit the financial statements.

The objective of the independent audit is to provide a reasonable assurance the financial statements are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion and that the Department's financial statements for the fiscal year ended June 30, 2010, are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). Their report is presented as the first component in the financial section of this report.

GAAP requires management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis. This letter of transmittal is designed to complement Management's Discussion and Analysis, which can be found immediately following the report of the independent auditors, and should be read in conjunction with it.

The CAFR includes all funds from which MoDOT spends, with only MoDOT appropriations reported for other State of Missouri funds. These funds are used to record the financial activities of the Department. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Department.

To provide a reasonable basis for making these representations, the Department has established a comprehensive internal control framework designed to protect the Department's assets from loss, theft, or misuse and to compile reliable information for the preparation of the financial statements in conformity with GAAP. The Department's internal control includes both automated controls, which are an integral component of the financial accounting system, and comprehensive policies and procedures. In addition, the Department's Audits and Investigations Unit is an independent audit unit that performs operational audits of the various districts, divisions, and units of the Department.

Because the cost of internal controls should not outweigh their benefits, the Department's comprehensive framework of internal control has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatements.

*Our mission is to provide a world-class transportation experience that delights our customers and promotes a prosperous Missouri.*

To the best of our knowledge and belief, this financial report is complete and reliable in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds. All disclosures necessary to enable the reader to gain an understanding of the Department's financial activities have been included.

### **Profile of the Department**

MoDOT works to provide a world-class transportation experience that delights our customers and promotes a prosperous Missouri. The Department is responsible for designing, building, operating, and maintaining Missouri's transportation system - the seventh largest in the United States with more than 33,000 miles of highway and 10,000 bridges. The Department also works to improve airports, river ports, railroads, public transit systems, and pedestrian and bicycle travel.

In 1979 voters of the State passed a constitutional amendment merging the State Highway Department with the Department of Transportation, becoming the Missouri Highways and Transportation Department. In 1996 the Missouri Highways and Transportation Department became the Missouri Department of Transportation by legislative action. The Missouri Highways and Transportation Commission (MHTC or Commission), a six-member bipartisan board, governs the Department. Commission members are appointed by the governor and are confirmed by the Missouri Senate. No more than three commission members may be of the same political party. The Commission appoints MoDOT's director.

The Commission is responsible for the annual update of the Department's five-year Statewide Transportation Improvement Program (STIP) and awards contracts each month for highway projects. The Commission has authority to issue bonds secured by highway revenues.

As shown on the organizational chart following this letter, the Department is organized in three operating wheels.

- The System Delivery Wheel includes Program Delivery, System Management, Multimodal Operations, and MoDOT's ten districts. This wheel is responsible for design and construction of new highways and facilities; external civil rights; transportation planning and the five-year STIP; maintenance and safety of the existing highway system; motor vehicle regulations for motor carriers, including registration and other licenses, taxes, and fees, and all other modes of transportation.
- The Organizational Support Wheel is responsible for community relations, governmental relations, legal counsel, audits and investigations, and the overall results of the organization to ensure the Department is accountable to taxpayers.
- The System Facilitation Wheel provides support to the Department's districts and divisions, including personnel, workforce diversity, budget and finance, accounting, general services, risk management and employee benefits, and information systems.

### **Budgetary Controls**

The Commission approves the appropriation request submitted to the State Legislature for all governmental funds reported by MoDOT. The request is developed with input from the districts and central office divisions. The legal authority of the State Road Fund budget and amendments is the Commission. The legal authority for all other funds rests with the Legislature, with action on appropriation requests in January through May for the subsequent year's appropriations.

The Department relies on the statewide accounting system to control total expenditures by appropriation, utilizing features in the system to ensure budgetary compliance. Management control reports are used to monitor spending by program, division, or appropriation.

## Missouri Economy

Missouri is in the midst of recovery from the recession, but it may be slow and uncertain. Unemployment rates are often a lagging indicator, continuing to rise for a period after overall economic and employment growth resume. The unemployment rate began to stabilize late in 2009. Missouri's rate reached 9.7 percent in a four-month period from July to October 2009 and has subsequently edged downward to 9.2 percent in July 2010. The Missouri rates, slightly below the national rate for the past nine months, are high by historical standards and are likely to remain so for some time, even with substantial economic growth. Like the national trend, Missouri manufacturing employment has stabilized since the start of 2010, with a 1.9 percent decrease from May 2009. Comparing May 2010 to May 2009, four industry groupings have had employment increases in Missouri. Gains in government employees have been at the federal level, including temporary census workers. Private education, health services, leisure and hospitality industries also represent employment increases. Personal income growth resumed in Missouri and the nation in the first quarter of 2010; however, that increase was supported by volatile farm income. Consumers are expected to remain cautious with spending, as the economic recovery will likely be slow.

MoDOT continues to contribute to the economy in the areas of job creation, personal income growth, and new value added to the economy. However, an analysis of the 2010-2014 STIP estimates that, on average, each year the plan creates 7,286 additional jobs paying an average wage of \$30,474 per job, \$309.2 million in new personal income annually, and \$500.4 million in new value added to the economy annually. This analysis, compared to the 2009-2013 STIP estimates of 8,434 jobs at an average wage of \$29,373 per job, \$319.4 million in new personal income, and \$595.7 million in new value added to the economy, shows the declining contribution by the Department in future years as projects completed from Amendment 3 bond proceeds are completed and other revenues are impacted by the weakened economy.

The Department's state fuel tax receipts, the second largest source of transportation revenue, increased slightly in 2010 from 2009, but continue to be approximately four percent lower than prior to the recession in 2008. This decrease is a result of rising transportation costs and adverse economic conditions. There have been no increases in the state motor fuel tax since 1996 and it is not indexed to keep pace with inflation. Sales tax receipts increased approximately four percent from 2009 however remain at a lower level than 2008 due to tighter credit standards, high unemployment, and decreased consumer spending. Vehicle and driver licensing fees, similar to motor fuel taxes, are not indexed to keep pace with inflation and no annual registration fee increases have occurred since 1984.

Federal funds are also uncertain. Safe, Accountable, Flexible, Efficient Transportation Equity Act: a Legacy for Users (SAFETEA-LU), a multi-year transportation funding bill, expired September 30, 2009, and has been extended five times through reauthorizations. The first four reauthorizations were at a \$30.0 billion level, rather than the \$43.0 billion level prior to the expiration of the highway act. In March 2010, Congress passed the Hiring Incentives to Restore Employment (HIRE) Act, which is the fifth reauthorization. This legislation provided \$19.5 million to the Highway Trust Fund, restored the federal highway program's contract authority to \$42.0 billion, and extended the surface transportation authorization until December 31, 2010.

## Construction

As of December 2009, more than 86 percent of Missouri's major highway system roadways are in good condition compared to December 2005 when only 61 percent were in good condition. This improvement is the result of the Department's unprecedented amount of work. The construction programs have been possible due to Missouri voters approving Constitutional Amendment 3 in 2004. The amendment provides additional revenue by directing motor vehicle sales and use taxes that formerly were deposited in the State's General Revenue Fund to transportation. The revenues are used to repay bonds the Department has issued. In 2010, the Commission issued \$1,085.0 million in bonds, including the final \$300.0 million Amendment 3 state revenue bonds and \$785.0 million federal reimbursement bonds. This, in addition to the \$142.7 million in federal reimbursement bonds issued in 2009, and \$526.8 million and \$800.0 million in state revenue bonds in 2008 and 2007, respectively, has funded new construction.

The unprecedented amount of work was also made possible when the President signed into law the American Recovery and Reinvestment Act (ARRA or Recovery Act) in February 2009. This \$787.0 billion act is intended to stimulate the economy and provide jobs to the American public. ARRA provided \$48.0 billion for transportation projects, with \$788.0 million allocated to Missouri. The allocated funds include \$525.0 million allocated for the right of way and construction program, \$151.0 million for multimodal projects, \$19.0 million for transportation enhancements, and \$93.0 million for large urban areas. Missouri was the first state in the nation to begin construction on highway projects funded by the Recovery Act. The minute President Obama signed the economic recovery bill MoDOT went to work to replace one of Missouri's worst bridges. In August 2010, after eighteen months, the bridge spanning the Osage River opened to drivers. As of June 30, 2010, the Department has awarded 193 ARRA highway projects totaling \$524.6 million.

As of June 2010, customer satisfaction with MoDOT was 83 percent, up from 68 percent in 2003. Very satisfied customers are at 26 percent, compared to 5 percent in 2003. During 2010, the Department awarded 500 new contracts for transportation projects, including highway and bridge projects totaling \$1.2 billion. This compares to \$1.4 billion and \$915.2 million in 2009 and 2008, respectively.

During 2010, the Department completed its first design-build project, the New I-64, a 10-mile section of I-64 in St. Louis, ahead of schedule and \$11 million under budget. This project is now a finalist in the 2010 America's Transportation Awards competition. The Department also completed approximately 150 of the Safe & Sound Bridge Improvement Program bridges, a combined design-build and modified design-bid-build program to replace or rehabilitate 802 small bridges throughout the state; managed the kcICON project, a design build project to rebuild approximately four miles of interstate and construct a new Missouri River bridge in Kansas City, on schedule; and awarded the Mississippi River Bridge main span, a joint project with Illinois to build a new bridge over the Mississippi River.

### **Long-term financial planning**

The Department's 2011 budget, \$2.8 billion, approved by the Commission in June, is approximately \$100 million less than the Department's 2010 budget, with amendments. The decrease in the construction program is the beginning of the downward spiral of funds available for the program. This budget does not include any new bond issuances however the Department is considering refunding bonds to take advantage of historically low interest rates.

The 2011 – 2015 STIP, approved by the Commission in July, includes \$715.9 million for highway and bridge right of way and construction awards in 2011, compared to \$1.4 billion for 2010. Beginning in 2012, an average of only \$508.4 million is available each year for right of way and construction.

To cope with this funding challenge and a declining construction program, the Department has adopted a five-year direction designed to maintain customer satisfaction. The direction is for the Department to deliver commitments promised Missouri citizens in the STIP, while maintaining major highways in good condition, improving minor state roads and holding our own on bridges. This five-year direction requires significant cost-saving strategies including reducing the number of the Department's salaried employees and operating expenditures. The measures are estimated to save more than \$200 million that will be used in achieving the direction.

### **Other Information**

The Department is required to undergo an annual Single Audit in accordance with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." The Department's information will be included in the State of Missouri's Single Audit for the fiscal year ended June 30, 2010.

The Honorable Jay Nixon, Governor  
Members of the Missouri Legislature  
Members of the Missouri Highways and Transportation Commission  
Citizens of the State of Missouri

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### Acknowledgements

This CAFR is published to demonstrate our intention to maintain the highest quality standards of public accountability. This report could not have been published without the dedicated efforts of MoDOT employees. The commitment, professionalism, and dedicated efforts of the Controller's Division staff contributed significantly to the timely preparation of the 2010 report.

Respectfully submitted,



Kevin Keith  
Interim Director



Roberta Broeker, CPA  
Chief Financial Officer

## Principal Officials

as of September 30, 2010

### Commission

Rudolph E. Farber	Chairman
David A. Gach	Vice Chairman
Grace M. Nichols	Member
Lloyd J. Carmichael	Member
Stephen R. Miller	Member
Kenneth H. Suelthaus	Member
Pam Harlan	Secretary

### Director's Office

Kevin Keith	Interim Director
Roberta Broeker	Chief Financial Officer

### System Delivery Team

Dave Nichols	Director of Program Delivery
Dennis Heckman	State Bridge Engineer
Dave Ahlvers	State Construction and Materials Engineer
Kathy Harvey	State Design Engineer
Lester Woods	External Civil Rights Director
Kelly Lucas	Right of Way Director
Machelle Watkins	Transportation Planning Director
Don Hillis	Director of System Management
Leanna Depue	Highway Safety Director
Jim Carney	State Maintenance Engineer
Jan Skouby	Motor Carrier Services Director
Eileen Rackers	State Traffic Engineer
Brian Weiler	Multimodal Operations Director

### Organizational Support Team

Rich Tiemeyer	Chief Counsel
Bill Rogers	Director of Audits and Investigations
Jay Wunderlich	Governmental Relations Director
Shane Peck	Community Relations Director
Mara Campbell	Organizational Results Director

### System Facilitation Team

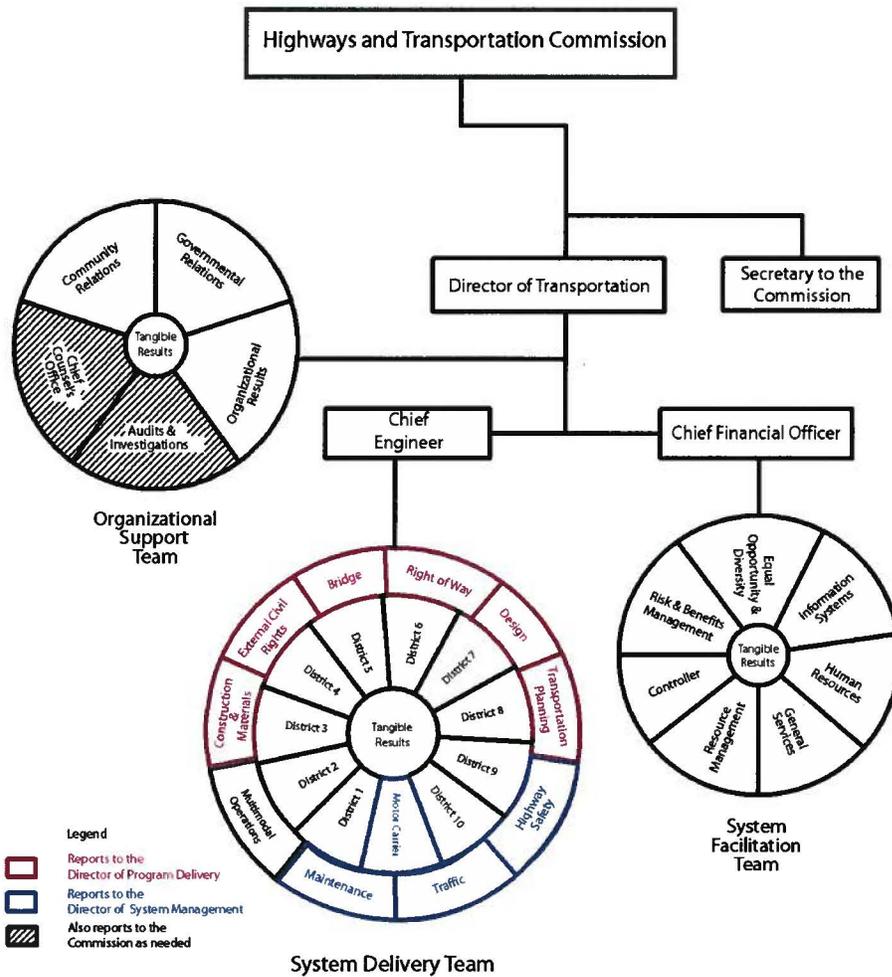
Debbie Rickard	Controller
Rudy Nickens	Equal Opportunity and Diversity Director
Beth Ring	General Services Director
Micki Knudsen	Human Resources Director
Mike Miller	Information Systems Director
Brenda Morris	Resource Management Director
Jeff Padgett	Risk and Benefits Management Director

### Districts

Don Wichern	District 1 Engineer
Dan Niec	District 2 Engineer
Paula Gough	District 3 Engineer
Beth Wright	District 4 Engineer
Roger Schwartze	District 5 Engineer
Ed Hassinger	District 6 Engineer
Rebecca Baltz	District 7 Engineer
Kirk Juranas	District 8 Engineer
Tom Stehn	District 9 Engineer
Mark Shelton	District 10 Engineer

# Organizational Chart

June 30, 2010





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# Financial Section

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## Independent Accountants' Report on Financial Statements and Supplementary Information

Missouri Highways and Transportation Commission  
Missouri Department of Transportation  
Jefferson City, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Missouri Department of Transportation (Department) as of and for the years ended June 30, 2010 and 2009, which collectively comprise the Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinions.

As discussed in *Note 1*, the financial statements of the Missouri Department of Transportation are intended to present the financial position, the changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, each major fund and the aggregate remaining fund information of the State of Missouri that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Missouri as of June 30, 2010 and 2009, and the changes in its financial position and cash flows, where applicable for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in *Note 14*, in 2010, the Department changed its method of accounting for certain intangible assets by retroactively restating prior years' financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Missouri Department of Transportation as of June 30, 2010 and 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2010, on our consideration of the Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis, budgetary information and schedule of funding progress as listed in the table of contents are not a required part of the basic financial statements but are 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory and statistical sections listed in the table of contents have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

BKD, LLC

September 27, 2010

# Management's Discussion and Analysis

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## Management's Discussion and Analysis

The following section of our annual financial report presents our discussion and analysis of the Department's (or MoDOT's) financial performance during the year. It is intended to assist you in understanding how the various statements relate to each other and provide an objective and easily readable analysis of the Department's financial activities based on currently known facts, decisions, and conditions. We encourage readers to consider the information presented here in conjunction with the letter of transmittal included in the introductory section and information presented in the Department's financial statements and notes, which follow this section.

### FINANCIAL HIGHLIGHTS

#### **Government-wide Highlights**

- The net assets of the Department at the close of the fiscal year were \$25.4 billion, compared to \$25.1 billion at 2009. Of this amount, \$0.9 billion represents the amount available for highways and transportation uses, compared to \$0.6 billion in 2009. This represents a 50.0 percent increase in the amount available for highways and transportation uses from 2009 compared to a 40.0 percent decrease in 2009 from 2008.
- The Department's capital assets totaled \$27.4 billion and \$26.9 billion for fiscal year 2010 and 2009, respectively. This represents a 1.9 percent increase compared to a 2.1 percent increase in 2009 from 2008. Capital assets comprise 99.3 percent of the total noncurrent assets at June 30, 2010 and 2009. The Department's investment in capital assets, net of related debt, is \$24.4 billion compared to \$24.5 billion in 2009.
- Non-current liabilities of the Department total \$3.6 billion at June 30, 2010, compared to \$2.5 billion at 2009. This increase of \$1.1 billion compares to no increase in non-current liabilities in 2009 from 2008.

#### **Fund Highlights**

- As of the close of the fiscal year, the Department's *governmental funds* reported combined ending fund balances of \$1.6 billion, compared to \$768.5 million in 2009, a 108.2 percent increase from the prior fiscal year. This is primarily due to proceeds from bond issuances.
- Approximately 93.8 percent of the Department's governmental fund balances, or \$1.5 billion, are available for spending at the Department's discretion in accordance with the purpose of the funds, compared to 81.9 percent, or \$629.4 million, in 2009.  
  
The remaining fund balances are reserved for specific purposes. The total reserved fund balance is \$119.6 million, as compared to \$139.1 million in 2009.
- The *proprietary funds* reported combined net assets of \$10.8 million at the close of the fiscal year, a decrease of \$4.4 million from the previous year's \$15.2 million. This decrease is primarily the result of increased highway liability self-insurance claims, offset by operating income in the medical plan. The self-insurance plan experienced arbitration settlements resulting in significant losses. Restricted investments at the close of both years totaled \$0.3 million, resulting in unrestricted net assets of \$10.5 million and \$14.9 million for fiscal years 2010 and 2009, respectively.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the Department's basic financial statements, which include three components: (1) **government-wide financial statements**, (2) **fund financial statements**, and (3) **notes to the financial statements**. This section also contains required supplementary information and combining financial statements.

### **Government-wide Financial Statements (Reporting the Department as a Whole)**

The government-wide financial statements are designed to provide readers an overall picture of the Department's financial position. The statements provide both current and noncurrent information about the Department's financial status, which assist the reader in assessing the Department's economic condition at the end of the fiscal year. These statements are prepared using the economic resources measurement focus and the accrual basis of accounting, which are similar to methods followed by most private-sector businesses. These statements take into account all of the current year's revenues and expenses, even if the related cash has not been received or paid. The government-wide financial statements include two statements: the Statements of Net Assets and the Statements of Activities. These statements take a much longer view of the Department's finances than do the fund-level statements.

- The *Statements of Net Assets* combine and consolidate all of the Department's assets and liabilities, except fiduciary funds, with the difference between the two reported as "net assets". This includes current financial resources, capital assets and long-term obligations. Over time, increases or decreases in the net assets indicate whether the Department's financial health is improving or deteriorating, respectively. Fiduciary fund resources are not reported, as they are not available to support Department programs.
- The *Statements of Activities* present information showing how the Department's net assets changed during the fiscal year. The Department reports changes in net assets as soon as the event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus revenues and expenses are reported in the statements for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

The Department's basic services are reported as governmental activities, including administration, fleet, facilities, and information systems, maintenance, construction, other modal systems, and other activities. Taxes, fees, and federal grants finance most of these activities.

This report includes two schedules that reconcile the amounts reported on the governmental fund financial statements (prepared using the modified accrual basis of accounting and current financial resources measurement focus) with the governmental activities on the appropriate government-wide statements (prepared using the accrual basis of accounting and economic resources measurement focus). The following summarizes the impact of utilizing Governmental Accounting Standards Board Statement 34 (GASB 34) reporting:

- Capital assets used in governmental activities are not reported on governmental fund statements.
- Other long-term assets that are not available to pay for current period expenditures are not reported on governmental fund statements.
- Internal service fund activities are reported as governmental activities on the government-wide statements, but reported separately as proprietary funds in the fund financial statements.
- Bond issuance costs are capitalized and amortized to expense as governmental activities, but reported as expenditures in the governmental fund statements.
- Unless currently due and payable, long-term liabilities, such as capital lease obligations, compensated absences, and others, appear as liabilities only on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the governmental fund statements.
- Bond, note, and capital lease issuances result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements.
- Certain other outflows represent either increases or decreases in liabilities on the government-wide statements, but are reported as expenditures on the governmental fund statements.

### **Fund Financial Statements (Reporting the Department's Major Funds)**

The fund financial statements provide detailed information about the major individual funds. A fund is an accounting entity with a self-balancing set of accounts the Department uses to keep track of specific sources of funding and spending for a particular purpose. The Department, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal and contractual requirements. All of the funds of the Department can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. It is important to note these fund categories use different accounting approaches and should be interpreted differently.

- **Governmental Funds** Most of the basic services provided by the Department are reported in governmental funds. Reporting focuses on how financial resources flow in and out of the funds, and amounts remaining at year-end for future spending. Governmental funds are accounted for using the modified accrual basis of accounting, which measures cash and other assets that can be readily converted to cash. These statements provide a detailed short-term view of the Department's general governmental operations and the basic services it provides. This information should help determine whether there are more or less current financial resources available for the Department's current needs. Because the focus of governmental fund financial statements is narrower than that of government-wide financial statements, it is useful to compare these statements with the governmental activities information presented in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund Balance Sheets and the governmental fund Statements of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate a comparison between governmental funds and governmental activities in the government-wide statements. These reconciliations are presented on the page immediately following the governmental fund financial statements.

The Department reports four major governmental funds. Information is presented separately in the governmental funds balance sheets and the governmental funds statements of revenues, expenditures, and changes in fund balances for the State Highways and Transportation Department Fund (Highway Fund), the State Road Fund (Road Fund), the State Road Bond Fund, and the Federal Stimulus Fund (Stimulus). The Highway, Road, and Stimulus funds are special revenue funds, used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The State Road Bond Fund is a debt service fund, which was constitutionally established to receive monies from the state's motor vehicle sales tax and is used to fund the repayment of bonds. Data from other funds are combined into a single, aggregated presentation as nonmajor governmental funds. Examples of the nonmajor funds include statutorily established funds for multimodal activities. Individual fund data for each of these nonmajor governmental funds is provided within combining financial statements following the Notes to the Financial Statements.

- **Proprietary Funds** When the Department charges customers for some of the services it provides, whether to outside customers, other agencies or to units within the Department, these funds are reported in proprietary funds. These funds are used to show activities that operate more like those found in the private sector and utilize full accrual accounting, like the government-wide statements.

The Department has two internal service funds: Missouri Highways and Transportation Commission's (MHTC or Commission) Self-Insurance Plan and the Missouri Department of Transportation and Missouri State Highway Patrol (MSHP) Medical and Life Insurance Plan. Individual data for each of these funds is provided within the combining financial statements following the Notes to the Financial Statements. Internal service fund activities are reported as governmental activities on the government-wide statements with eliminations made to remove the effect of the interfund activity.

- **Fiduciary Funds** Fiduciary funds are used to account for resources held for the benefit of parties outside the Department. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Department's activities. These agency funds account for monies held on behalf of various political subdivisions and other interested parties.

### **Notes to the Financial Statements**

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements, which discuss particular accounts in more detail, can be found immediately following the fiduciary funds Statements of Assets and Liabilities.

**Required Supplementary Information**

A section of *Required Supplementary Information* follows the Notes to the Financial Statements. This section includes budgetary comparisons and a separate reconciliation between the fund balances for budgetary purposes and the fund balances as presented for the major special revenue funds in the governmental fund financial statements. The Budgetary Comparison has been provided for the Department's three major special revenue funds to demonstrate compliance with this budget. The legal authority for approval of the Department's budget and amendments for all funds, except the Road Fund, rests with the State Legislature. The authority for the Road Fund rests with the Commission.

Also included is a schedule that reports information about the funding progress of the MoDOT and MSHP Medical and Life Insurance Plan.

**Combining Statements**

The *Combining Statements* section presents statements reporting individual and total columns for nonmajor governmental funds, proprietary (internal service) funds, and fiduciary (agency) funds. This information is presented only in summary form in the basic financial statements.

**Budgetary Comparison Schedules and Reconciliations**

The *Budgetary Comparison Schedules and Reconciliations* section includes budgetary comparisons and reconciliations between the fund balances for budgetary purposes and the fund balances as presented for the major debt service and nonmajor special revenue funds in the governmental fund financial statements. The legal authority for approval of these budgets and amendments rests with the State Legislature.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Statements of Net Assets**

As noted earlier, net assets may serve over time as a useful indicator of the Department's financial health. The following tables, graphs, and analyses discuss the financial position and changes in financial position for the Department as a whole as of and for the fiscal years ended June 30, 2010, 2009 and 2008. The Department's combined net assets increased \$242.0 million over the course of this fiscal year's operations, an increase of 1.0 percent. This compares to an increase of \$133.0 million in 2009 from 2008.

The following table, with amounts reported in millions, reflects the condensed financial information derived from the Statements of Net Assets as of June 30, 2010, 2009, and 2008:

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>Percent Change 2010-2009</u>
<b>Assets</b>				
Current and other assets	\$ 1,947	\$ 1,097	\$ 1,413	77.5%
Capital assets, net	<u>27,449</u>	<u>26,943</u>	<u>26,392</u>	1.9
<b>Total assets</b>	<u>29,396</u>	<u>28,040</u>	<u>27,805</u>	4.8
<b>Liabilities</b>				
Current liabilities	433	352	342	23.0
Noncurrent liabilities	<u>3,581</u>	<u>2,548</u>	<u>2,456</u>	40.5
<b>Total liabilities</b>	<u>4,014</u>	<u>2,900</u>	<u>2,798</u>	38.4
<b>Net Assets</b>				
Investment in capital assets net of related debt	24,397	24,461	23,945	0.3
Restricted (internal service fund requirements, equipment purchase commitments, debt service)	61	67	60	(9.0)
Restricted (highways and transportation uses)	<u>924</u>	<u>612</u>	<u>1,002</u>	51.0
<b>Total net assets</b>	<u>\$25,382</u>	<u>\$25,140</u>	<u>\$25,007</u>	1.0%

## Missouri Department of Transportation Comprehensive Annual Financial Report

The total assets of the Department were \$29.4 billion, while total liabilities were \$4.0 billion, resulting in a net asset balance of \$25.4 billion. By far, the largest portion of the Department's net assets, \$24.4 billion, 96.1 percent, was invested in capital assets (i.e., land, buildings, equipment, infrastructure, and other), less any related debt outstanding that was needed to acquire or construct the assets. The Department uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Department's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the liabilities.

Total assets increased \$1.4 billion compared to a \$235.0 million increase in 2009 from 2008. This increase is primarily comprised of two components, an increase in noncurrent assets being depreciated as a result of the Department's infrastructure construction program and an increase in cash and investments available as a result of accelerated bond issuances due to the historically low interest rates. Total liabilities increased \$1.1 billion compared to a \$102.6 million increase in 2009 from 2008. The Department issued \$1.1 billion of bonds in 2010 to finance the construction program.

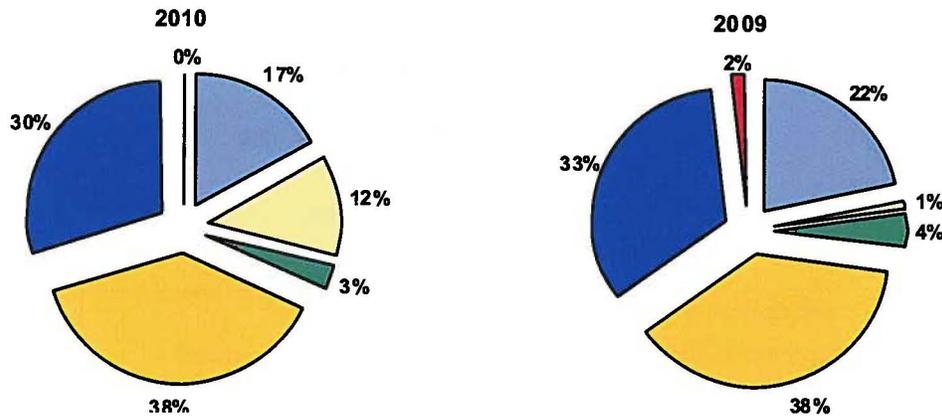
### Statements of Activities

The following condensed financial information was derived from the government-wide Statements of Activities and reflects how the Department's net assets changed during the year, compared to the prior year. The information, for the fiscal years ended June 30, 2010, 2009, and 2008, is reported in millions.

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>Percent Change 2010-2009</u>
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 423	\$ 479	\$ 405	(11.7)%
American Recovery and Reinvestment Act	298	28	—	964.3
Operating grants and contributions – federal government	84	77	62	9.1
Capital grants and contributions – federal government	974	834	908	16.8
General revenues				
Taxes	754	734	787	2.7
Investment earnings	12	28	52	(57.1)
Miscellaneous	(4)	15	16	(126.7)
<b>Total revenues</b>	<u>2,541</u>	<u>2,195</u>	<u>2,230</u>	15.8
<b>Expenses</b>				
Program expenses				
Administration	34	35	34	(2.9)
Fleet, facilities and information systems	55	55	57	—
Maintenance	434	424	406	2.4
Construction	268	258	241	3.9
Multimodal operations	110	86	74	27.9
Interest on debt	138	107	102	29.0
Other state agencies	178	175	178	1.7
Self-insurance (workers' compensation and liability)	32	19	32	68.4
Medical and life insurance	91	90	88	1.1
Other post-employment benefits	83	66	70	25.8
Depreciation on assets	876	750	746	16.8
<b>Total expenses</b>	<u>2,299</u>	<u>2,065</u>	<u>2,028</u>	11.3
<b>Changes in net assets</b>	242	130	202	86.2
<b>Net assets, beginning of year</b>	25,140	25,007	24,805	0.5
<b>Restatement of net assets, intangibles</b>	—	3	—	—
<b>Net assets, beginning of year, as restated</b>	<u>25,140</u>	<u>25,010</u>	<u>24,805</u>	0.5
<b>Net assets, end of year</b>	<u>\$25,382</u>	<u>\$25,140</u>	<u>\$25,007</u>	1.0

**Governmental Activities**

The following chart depicts revenues of the governmental activities, as a percent, for the fiscal years ended June 30, 2010 and 2009:



Charges for services	ARRA - federal
Operating grants and contributions - federal	Capital grants and contributions - federal
Taxes	Other

Revenues for the year increased \$346.0 million compared to a decrease of \$35.0 million in 2009 from 2008. Federal grants increased \$417.0 million from 2009 with the influx of an additional \$270.0 million from the American Recovery and Reinvestment Act (ARRA), as well as increased federal operating and capital grants. ARRA provided \$298 million, 11.7 percent, of the Department's revenues. The following three revenue sources provided \$2.0 billion, 79.2 percent, of the Department's revenues:

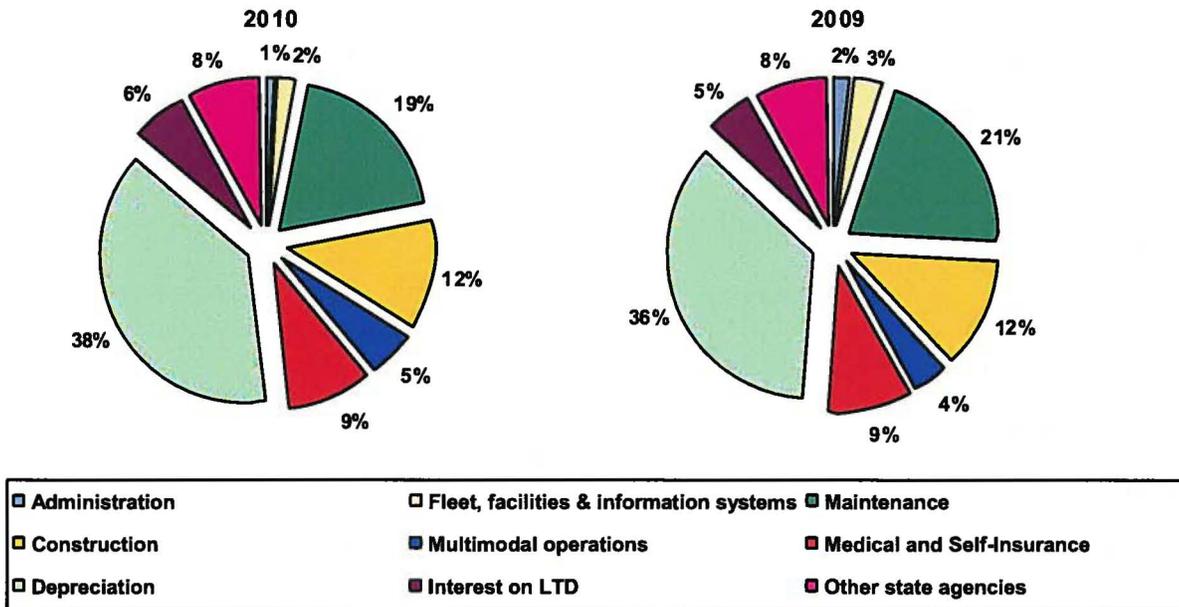
- Vehicle licenses, fees, permits, and related taxes, \$534.0 million
- Fuel taxes, \$504.0 million
- Capital grants, \$974.0 million

In 2009, these same revenue sources provided \$1.9 billion, 84.8 percent, of the Department's revenues.

Although there was a slight, \$10.0 million, increase, the persistently weakened housing and credit markets, higher fuel and food prices, and slower employment negatively impacted the vehicle licenses, fees, permits, and related taxes. All of these factors caused consumers to restrain spending in 2010. Fuel tax revenues also reflect a slight increase; however, restraints on consumer spending have also impacted this revenue source. Capital grants increased from 2009 as the state's construction program and the federal aid on those projects increased.

## Missouri Department of Transportation Comprehensive Annual Financial Report

The following chart depicts expenses of the governmental activities for the fiscal years ended June 30, 2010 and 2009.



Expenses for the year increased \$234.0 million, 11.3 percent. The most significant increases are interest on debt, \$31.0 million, and depreciation, \$126.0 million. The increase in interest is due to the additional bonds issued through the Amendment 3 and federal reimbursement bonds. With the bond proceeds, the Department has increased depreciable capital assets. The construction program, \$10.0 million, maintenance program, \$10.0 million, and multimodal programs, \$24.0 million, represent the operating increases. Bond funds were available for system improvements, both capital and non-capital in nature, increasing construction activities. Maintenance expenditures were impacted by increased costs associated with petroleum-based products and fuel. Distribution of ARRA funds represents the increase in multimodal programs.

The Department's expenses for construction and maintenance of the state's highway system totaled \$702.0 million and \$682.0 million in 2010 and 2009, respectively. This represents 30.5 percent and 33.0 percent, of the total expenses for 2010 and 2009, respectively.

### FUND FINANCIAL ANALYSIS

As previously mentioned, the Department uses fund accounting to ensure and demonstrate compliance with budgetary and legal requirements. The following is a brief discussion of highlights from the fund financial statements. The purpose of the Department's governmental funds financial statements is to provide information on near-term inflows, outflows, and balances of spendable resources.

#### Governmental Funds

At the end of the fiscal year, the fund balances of the governmental funds totaled \$1.6 billion, an increase of \$844.3 million from the previous year. This compares to a decrease of \$357.9 million in 2009 from 2008. The increase resulted from a \$404.5 million increase in revenues, a \$184.7 million increase in expenditures, and an increase of \$981.8 million in debt proceeds. Maintenance, construction, and capital outlay expenditures, funded by 2009 bond proceeds, account for \$123.9 million of the increased expenditures from 2009. The Department spent approximately \$203.9 million more in 2009 than in 2008 on these same expenditures.

**State Highways and Transportation Department Fund (Highway Fund):** This fund is established by statute to receive revenues derived from the use of state highways. The fund pays the costs incurred to collect revenues received. As shown on the Balance Sheets, the fund ended the fiscal year with assets of \$125.8 million, liabilities of \$14.0 million, and an unreserved fund balance of \$111.8 million. Amendment 3 included not only a change in revenue allocation, but also changed the Department's expenditure funding. As a result of Amendment 3, the Department's expenditures, with the exception of Motor Carrier Services refunds, are paid from the Road Fund. The Constitution requires the balance of funds remaining after other state agency expenditures be transferred to the Road Fund.

As shown on the Statements of Revenues, Expenditures, and Changes in Fund Balances of the governmental funds, the Highway Fund had \$738.7 million in revenues, an increase of \$6.7 million from 2009. In 2009, revenues were \$26.9 million less than 2008. While 2010 reflects a modest increase in fuel and sales taxes, the impacts of the recession still linger.

*State Road Fund (Road Fund):* The Road Fund was constitutionally established to receive monies from the motor vehicle sales tax, the federal government, and other revenues. This is the primary operating fund of the Department and pays to construct, improve and maintain the state highway system, and to administer the Commission and the Department. The fund ended the year with assets of \$1.6 billion; an increase of \$841.4 million from 2009. This compares to a decrease in 2009 of \$333.8 million from 2008. Liabilities totaled \$172.6 million, a decrease of \$6.3 million from 2009; and fund balances totaled \$1.5 billion, an increase of \$847.6 million from 2009 compared to a decrease of \$362.8 million in 2009 from 2008. Although reduced taxes and investment earnings as a result of the weakened economy also directly impacted the Road Fund, the funds from the federal government, \$140.6 million, in addition to the \$1.1 billion proceeds from bond issuances and the influx of transferred ARRA monies, resulted in the increased fund balances.

*State Road Bond Fund (Bond Fund):* The Bond Fund was constitutionally established to receive monies from the state's motor vehicle sales tax. Monies are used to fund the repayment of bonds issued by the Commission. The fund was established in fiscal year 2006 as a debt service fund. At the end of this fiscal year, total assets were \$26.8 million, compared to \$27.1 million in 2009. The Bond Fund also reflects the overall modest increase in sales tax revenue. The American Recovery and Reinvestment Act revenue represents the federal government subsidy received for the Build America Bonds issued in 2010. Expenditures of the Bond Fund were \$97.1 million in 2010 compared to \$87.4 million in 2009, as revenues were used to repay bonds. As reflected in the budgetary comparison schedules and reconciliation for the non-major funds, this fund was also directly impacted by the weakened economy. As a result of the State's overall reduction in vehicle sales tax revenues, a greater than expected portion of Amendment 3 bond payments were paid from the Road Fund.

*Federal Stimulus Fund (Stimulus Fund):* The Stimulus Fund was administratively created in March 2009 to receive American Recovery and Reinvestment Act monies as reimbursement for specific transportation-related projects. Funds are transferred from the Stimulus Fund to the fund disbursing the transportation-related project expenditures. The federal receipts totaled \$291.4 million, compared to \$28.3 million in 2009.

### **Proprietary Funds**

The Department's internal service funds consist of the MHTC Self-Insurance Fund (workers' compensation, fleet liability, and general liability) and the MoDOT and Missouri State Highway Patrol (MSHP) Medical and Life Insurance Plan (medical and life insurance fund). The self-insurance fund receives premiums from the Department for fleet and general liability claims, and from the Department, MSHP, and MoDOT and Patrol Employees' Retirement System (MPERS) for workers' compensation claims. The Department, MSHP, MPERS, and employees of those agencies pay premiums to the medical and life insurance fund.

As shown on the Statements of Net Assets – Proprietary Funds, the total assets increased \$7.9 million in 2010 compared to an increase of \$9.5 million in 2009. Total current liabilities of the proprietary funds at 2010 were \$41.3 million, an increase of \$1.0 million from 2009. In 2009, total current liabilities of the proprietary funds increased \$4.9 million from 2008. Total pending self-insurance claims and incurred but not reported claims increased \$12.7 million compared to a \$3.2 million increase in 2009 from 2008.

Total net assets of the internal service funds decreased \$4.4 million at the end of the current fiscal year to \$10.8 million compared to an increase of \$4.0 million in 2009 from 2008.

The largest operating expenses of the proprietary funds, medical and prescription drug benefits, totaled \$99.9 million compared to \$95.7 million in 2009. This accounts for 68.8 percent of the total operating expenses, compared to 74.8 percent in 2009. This \$4.2 million increase compares to a \$1.2 million increase in 2009 from 2008. The largest fluctuations from fiscal year 2009 were in self-insurance fund expenditures. The Department's general liability claims increased to \$18.8 million in 2010 from \$4.0 million in 2009. The cost in 2008 was \$14.7 million. These claims arise from allegations of injuries or damages caused by the alleged dangerous condition of Department property when the Department has actual or constructive knowledge of the condition. The number of claims has increased in 2010, primarily due to the impacts of the severe winter. The average cost of the claims has increased as well. The Department focuses on promptly mitigating potential dangerous conditions.

## **Fiduciary Funds**

The Department's agency funds are used to account for monies held on behalf of various political subdivisions and other interested parties. These funds act as clearing accounts and thus do not have net assets.

## **SIGNIFICANT EVENTS FOR THE YEAR ENDED JUNE 30, 2010**

On September 2, 2009, the Commission authorized the issuance of up to \$600.0 million in 2009 federal reimbursement state road bonds. Proceeds from the issuance of the bonds, Series A and Series B, are used to finance construction and reconstruction costs of the state highway system, primarily the Safe and Sound Bridge program. In September 2009, the Department sold \$600.0 million of the authorized bonds. The bonds bear interest payable semiannually, with the Series A bonds ranging from 2.00 to 5.00 percent and the Series B, Build America, bonds ranging from 4.80 to 5.45 percent, exclusive of expected U.S. Treasury subsidy. Series A bonds are due in annual installments beginning May 1, 2011 and Series B bonds are due in annual installments beginning May 1, 2022. The bonds are callable by the Department, subject to certain provisions. The bonds were issued with ratings of Aa1, AA+, and AA- from Moody's Investors Services, Standard and Poor's Ratings Services, and Fitch Inc., respectively. As federal reimbursement state road bonds, the bonds are payable from and secured primarily by a first lien on federal highway reimbursement revenues.

On October 7, 2009, the Commission authorized the issuance of up to \$300.0 million in 2009 state road bonds. Proceeds from the issuance of the Series C bonds are used to finance construction and reconstruction costs of the state highway system, primarily Amendment 3 projects. In November 2009, the Department sold \$300.0 million of the authorized bonds. The bonds bear interest payable semiannually, ranging from 4.31 to 5.63 percent, exclusive of expected U.S. Treasury subsidy. The bonds are due in annual installments beginning May 1, 2017. The bonds are callable by the Department, subject to certain provisions. The bonds were issued with ratings of Aa2, AA, and AA- from Moody's Investors Services, Standard and Poor's Ratings Services, and Fitch Inc., respectively. As state road bonds, the bonds are payable from and secured primarily by a third lien on revenues under Article IV, Section 30(b) of the Missouri Constitution.

On February 4, 2010, the Commission authorized the issuance of up to \$185.0 million in 2010 federal reimbursement state road bonds. Proceeds from the issuance of the bonds, Series A and Series B, are used to finance construction and reconstruction costs of the state highway system, primarily the Mississippi River Bridge and the Safe and Sound Bridge program. In March 2010, the Department sold \$185.0 million of the authorized bonds. The bonds bear interest payable semiannually, with the Series A bonds ranging from 1.50 to 5.00 percent and the Series B, Build America bonds ranging from 4.72 to 5.02 percent, exclusive of expected U.S. Treasury subsidy. Series A bonds are due in annual installments beginning May 1, 2011 and Series B bonds are due in annual installments beginning May 1, 2022. The bonds are callable by the Department, subject to certain provisions. The bonds were issued with ratings of Aa1, AA+, and AA- from Moody's Investors Services, Standard and Poor's Ratings Services, and Fitch Inc., respectively. As federal reimbursement state road bonds, the bonds are payable from and secured primarily by a first lien on federal highway reimbursement revenues.

The Department had three design-build projects in progress. Design-build projects are another innovative concept utilizing contractors for the design and construction of a project. The projects, the New I-64, the kcICON, and the Safe and Sound Bridge Improvement Program, are in various stages of design and construction.

The New I-64 project, which reconstructed a 10-mile section of I-64 and a portion of I-170, was awarded in November 2006. This innovative project involved closing a major highway in St. Louis in two phases. The final phase was re-opened in December 2009, with the final plans review to be completed within the first quarter of fiscal year 2011. The kcICON project, awarded in November 2007, includes rebuilding about four miles of interstate and constructing a new landmark Christopher S. Bond Missouri River bridge in Kansas City. It is under construction and on schedule for construction completion in October 2011. The design-build portion of the Safe and Sound Bridge Improvement Program awarded in December 2008 includes replacement of 554 of the program's 802 bridges. The remaining 248 bridges are being completed using a modified design-bid-build approach. Project completion will be no later than October 31, 2014, with multiple bridges under construction throughout the state at all times during the construction period. Approximately 152 of the 802 bridges have been replaced or repaired as of June 2010.

On February 28, 2008 the Department entered into an Agreement with the State of Illinois, through the Illinois Department of Transportation, to design and construct a new 4-lane Mississippi River Bridge and approaches in Illinois and Missouri. The project, identified as the New Mississippi River Bridge, includes the main span, as well as Missouri and Illinois approaches, interchanges in both Missouri and Illinois, relocation of Illinois Route 3, and a tri-level in Illinois. The total estimated cost of the project at June 30, 2010 is \$749.0 million, with Missouri and Illinois participating in the main span and approaches at 33 percent and 67 percent, respectively. The main span and approaches are under contract. All projects, except Illinois Route 3, are planned for completion by January of 2014.

Additional federal revenues became available to all states when the President signed ARRA into law. Missouri's allocation is \$788.0 million. As of June 30, 2010 the Department has awarded \$524.6 million ARRA highway projects and disbursed \$277.4 million on those projects.

The Department, like other entities, has been impacted by increased costs of petroleum products utilized in daily maintenance operations. However, construction project bid amounts and subsequent awards have been at less than programmed amounts. The Department has successfully used a variety of innovations, which focus on getting the most value for each tax dollar, better, faster and cheaper than ever before. Innovations include:

- practical design, governed by three ground rules – safety, communication, and quality, delivers “good” projects everywhere, instead of “perfect” projects somewhere;
- value engineering, a systematic process to review and provide recommendations to improve value while addressing the project’s purpose and need;
- alternate bidding of materials on specific projects;
- alternate technical concepts allowing the bidder to propose designs with bid submittal; and
- packaging of bids to increase competition among bidders.

As a result of approaching projects using innovative concepts, 488 projects totaling \$1.2 billion were completed in 2010 at 11.5 percent under the programmed cost. The Department is recognized nationally by other departments of transportation for the Department’s performance management system and practical design efforts. It is through these efforts and focus on providing a transportation system that delights our customers that the Department has made the nation’s biggest improvement, jumping 16 spots from 24th to 8th in rankings of state highway performance and cost-effectiveness in the Reason Foundation’s 19th Annual Highway Report.

For the fourth year in a row, Missouri has reduced its highway fatalities. The 2009 number, 871, is the lowest since 1950. This is a huge accomplishment considering the dramatic differences between now and 1950; increased population, number of miles traveled, and number of registered vehicles. These lives have been saved because the agencies trying to save lives are working together. The Department has made significant safety improvements through its construction program and also administers the State’s federal highway safety grant program, working closely with other safety advocates to make roads and work zones safer and change driver behavior.

In 2010, the Department implemented Governmental Accounting Standards Board, Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement requires certain intangible assets be included in capital assets. Additional information is presented in the Accounting Pronouncements note disclosure.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The Department’s investment in capital assets for its governmental activities as of June 30, 2010, totals \$49.7 billion, with accumulated depreciation of \$22.3 billion, and a net value of \$27.4 billion. The net value represents an increase of \$506.0 million from fiscal year 2009, compared to an increase of \$551.0 million in 2009 from 2008. Depreciation charges totaled \$876.0 million in fiscal year 2010, compared to \$750.0 million in 2009. These assets, with amounts in millions, are summarized in the table below. Additional information about the Department’s capital assets is presented in the Notes to the Financial Statements.

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>Percent Change 2010-2009</u>
Land and permanent easements	\$ 2,448	\$ 2,398	\$ 2,359	2.1%
Software in progress	1	—	—	100.0
Construction in progress	164	190	165	(13.7)
Infrastructure in progress	2,726	2,461	2,672	10.8
Land improvements	7	7	7	—
Buildings	152	148	137	2.7
Software	4	6	—	(33.3)
Equipment	123	124	123	(0.8)
Vehicles	67	64	65	4.7
Temporary easements	5	4	—	25.0
Infrastructure	<u>21,752</u>	<u>21,541</u>	<u>20,864</u>	1.0
<b>Total</b>	<b><u>\$27,449</u></b>	<b><u>\$26,943</u></b>	<b><u>\$26,392</u></b>	<b>1.9%</b>

As provided by accounting principles generally accepted in the United States of America (GAAP), the Department records its infrastructure assets at actual or estimated historical cost. Included in infrastructure are more than 33,000 miles of highways and 10,000 bridges that the Department is responsible for maintaining.

The Department implemented Governmental Accounting Standards Board Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, in 2010, with restatements for the capitalization and amortization of temporary easements and purchased computer software in the comparative statements for 2009.

The Statewide Transportation Improvement Program (STIP) sets the specific construction projects the Department will undertake in the next five years. It covers highways and bridges, transit, aviation, rail, waterways, enhancements, and other projects. The Program, updated annually, is dynamic with adjustments made to project plans during the life of the STIP based on needs and goals of the Department. The Commission approves amendments during the fiscal year as circumstances require.

### **Debt Administration**

The following table, reported in millions, presents a summary of the Department's long-term obligations for governmental activities. Additional information about the Department's long-term obligations is presented in the Notes to the Financial Statements.

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>Percent Change 2010-2009</u>
State road bonds	\$3,353	\$2,356	\$2,298	42.3%
Premium on bonds and deferred refunding	98	79	87	24.1
Advances from other entities and State of Missouri component units	33	27	33	22.2
Capital lease obligations	14	20	28	(30.0)
Compensated absences	38	38	37	—
Other liabilities	4	6	2	(33.3)
Other post-employment benefits	<u>158</u>	<u>97</u>	<u>51</u>	62.9
<b>Total long-term obligations</b>	<b>3,698</b>	<b>2,623</b>	<b>2,536</b>	41.0
Current portion of long-term obligations	<u>179</u>	<u>127</u>	<u>131</u>	40.9
<b>Total noncurrent liabilities</b>	<b><u>\$3,519</u></b>	<b><u>\$2,496</u></b>	<b><u>\$2,405</u></b>	41.0%

The Department's total long-term obligations, excluding pending self-insurance claims, incurred but unreported claims, and other post-employment benefits increased \$962.0 million from 2009, compared to an increase of \$45.0 million in 2009 from 2008. At the end of the current fiscal year, state road bonds total \$3.4 billion, or 91.9 percent, of the total long-term obligations. Revenues collected under Article IV, Section 30(a) and (b) of the Missouri Constitution and revenues collected from federal highway reimbursements secure the bonds. These revenues are state highway users fees, including fuel taxes, sales and use taxes, licenses and fees, and federal highway reimbursements.

The advances from other entities and State of Missouri component units are related to construction projects accelerated to meet the needs of the users. Principal payments are due on various dates through fiscal year 2021.

The Department has entered into various capital lease obligations. The lease-purchase agreements provide a means of financing office and heavy equipment. In addition to equipment lease-purchase agreements, the Department entered into an agreement for an office facility to accommodate the consolidation of motor carrier services in fiscal year 2005. Capital lease payments mature on various dates through fiscal year 2020.

## **RECENT EVENTS AND FUTURE BUDGETS**

The Department's fiscal year 2011 budget for all funds was approved by the Legislature in May 2010 and signed into law by the Governor in June 2010. The fund level is the legal level of control for the Road Fund, with approval of the Road Fund budget by the Commission. The Commission approved the budget for all funds in June 2010, with a total spending plan of \$2.8 billion. This includes \$200.0 million of ARRA construction disbursements.

The New I-64 project, the Department's first design-build project, has been announced as a finalist in the 2010 America's Transportation Awards competition, sponsored by AAA, the American Association of State Highway and Transportation Officials, and the U.S. Chamber of Commerce. As a finalist, the project will now compete for the national Grand Prize and People's Choice Award.

Transportation funding is uncertain for future fiscal years. The federal authorization act, Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) expired on September 30, 2009. Beginning October 1, 2009, Congress approved continuing resolutions to provide federal funding to states. In March 2010, Congress passed the Hiring Incentives to Restore Employment (HIRE) Act, which extends surface transportation programs until December 31, 2010. The HIRE Act contains provisions needed to keep the federal transportation program solvent, including a transfer of \$19.5 billion from the General Fund to the Highway Trust Fund. The HIRE Act restores \$8.7 billion of obligation authority that was rescinded from the highway program on September 30, 2009 due to the provisions of SAFETEA-LU. This extension provides Congressional lawmakers time to pass another multi-year transportation act to replace SAFETEA-LU. There has been little or no action on a replacement bill.

Due to stagnant state revenues, uncertain federal funding and no more bond proceeds from the Amendment 3 bonds, the new five-year transportation construction program approved by the Commission in July 2010 reflects a dramatic decrease in highway and bridge construction beginning in fiscal year 2011. The Statewide Transportation Improvement Program (STIP) identifies transportation projects planned for 2011 through 2015. Approximately \$715.9 million of highway construction is planned for 2011, compared to \$1.4 billion for 2010. The program decreases to an average of \$508.4 million beginning in 2012.

To cope with this funding challenge, while recognizing the impact of transportation on the quality of life of citizens of the State and desiring to maintain customer satisfaction (83 percent at December 31, 2009), the Department has outlined a five-year direction. That direction focuses on honoring the commitments made by the Department in the STIP, keeping Missouri's major roads in good condition, improving the condition of minor roads, and maintaining bridges with needed repairs and maintenance. This direction requires changes in current operations, including implementing significant cost-saving strategies. The strategies include reductions in the number of salaried employees and operating expenditures. The funds saved through cost reductions will be invested in the state's transportation system, consistent with the 5-year direction.

## **ECONOMIC CONDITIONS**

The current economic environment presents government entities, including state transportation departments, with unusual circumstances and challenges. The past year has been marked by improvement in the Missouri economy, however, Missouri typically lags behind national changes. Consumer sentiment indices have shown some improvement in consumer confidence, but consumers are expected to remain cautious with spending, as the economic recovery will likely be slow. This may negatively impact the various sources that fund the Department and other government entities, resulting in delays in collection of receivables and availability of future funding. Such changes affecting funding sources could have a significant impact on the operations, including future highway projects, of the Department. The current economy has resulted in a favorable bidding environment for construction projects. As of September 1, 2010, the Department has awarded 50 fiscal year 2011 projects at a cost of \$96.9 million. Those projects were estimated at a cost of \$107.3 million, a 9.7 percent savings.

## **CONTACTING THE DEPARTMENT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the Missouri Department of Transportation's interested parties, including citizens, taxpayers, customers, investors, and creditors, with a general overview of the Department's finances and to demonstrate the Department's accountability for the money it receives. Questions about this report or requests for additional financial information should be addressed to the Missouri Department of Transportation, Controller's Division, P.O. Box 270, Jefferson City, MO 65102. This report is also included in the Report to the Joint Committee on Transportation Oversight and is available on the Department's web site at [www.modot.mo.gov](http://www.modot.mo.gov) after presentation to the Joint Committee.



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# Government-wide Financial Statements

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## Statements of Net Assets

June 30, 2010 and 2009

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 1,346,480,323	\$ 598,735,695
Investments	63,292,613	39,982,016
State taxes and fees receivables	138,000,657	133,667,365
Federal government receivables	192,586,768	61,450,787
Miscellaneous receivables, net	28,047,313	57,466,415
Contractual agreement	—	3,090,920
Loans receivable	372,027	464,345
Inventories	<u>43,710,680</u>	<u>47,693,063</u>
Total current assets	<u>1,812,490,381</u>	<u>942,550,606</u>
Noncurrent assets		
Investments	33,821,433	44,517,319
Restricted cash and investments	73,793,711	85,776,969
Miscellaneous receivables, net	1,933,149	3,158,049
Loans receivable	1,991,751	2,363,778
Bond issue costs, net	15,732,575	9,261,443
Bond issue costs, swap termination payment	8,614,916	9,555,771
Capital assets		
Assets not being depreciated	5,339,659,790	5,049,461,248
Assets being depreciated, net	<u>22,108,619,994</u>	<u>21,893,684,285</u>
Total noncurrent assets	<u>27,584,167,319</u>	<u>27,097,778,862</u>
<b>Total assets</b>	<u>29,396,657,700</u>	<u>28,040,329,468</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable	150,636,074	131,346,147
Accrued payroll	23,588,112	25,000,086
Accrued interest payable	35,919,006	26,763,273
Unearned revenue	12,683,475	13,221,004
Pending self-insurance claims	14,583,000	14,514,000
Incurred but not reported claims	16,086,000	14,811,000
Financing and other obligations	<u>179,392,094</u>	<u>127,042,427</u>
Total current liabilities	<u>432,887,761</u>	<u>352,697,937</u>
Noncurrent liabilities		
Pending self-insurance claims	48,452,271	43,102,443
Incurred but not reported claims	14,240,000	8,349,000
Other post-employment benefit obligations	157,985,387	97,456,294
Financing and other obligations	<u>3,360,692,806</u>	<u>2,398,990,642</u>
Total noncurrent liabilities	<u>3,581,370,464</u>	<u>2,547,898,379</u>
<b>Total liabilities</b>	<u>4,014,258,225</u>	<u>2,900,596,316</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	24,396,695,196	24,461,090,498
Restricted for:		
Internal service fund requirements	300,000	300,000
Debt service	60,895,600	66,581,501
Highways and transportation	<u>924,508,679</u>	<u>611,761,153</u>
<b>Total net assets</b>	<u>\$25,382,399,475</u>	<u>\$25,139,733,152</u>

# Statements of Activities

Years Ended June 30, 2010 and 2009

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
<b>Transportation Program Expenses</b>		
Administration	\$ 33,647,893	\$ 34,833,876
Fleet, facilities, and information systems	55,543,385	54,464,067
Maintenance	433,728,765	424,326,995
Construction	268,009,045	257,942,576
Multimodal operations	110,150,546	85,998,873
Interest	138,105,868	106,538,352
Other state agencies	177,646,361	174,587,268
Self-insurance	31,967,310	19,210,374
Medical and life insurance	90,643,429	89,773,985
Other post-employment benefits	83,132,045	65,804,295
Depreciation	<u>876,501,223</u>	<u>751,245,360</u>
<b>Total transportation program expenses</b>	<u>2,299,075,870</u>	<u>2,064,726,021</u>
<b>Transportation Program Revenues</b>		
Charges for services		
Licenses, fees, and permits	284,336,918	290,399,414
Intergovernmental/cost reimbursements/miscellaneous	108,137,878	159,933,443
Interest	76,380	78,881
Employee insurance premiums	<u>30,867,546</u>	<u>29,047,218</u>
Total charges for services	423,418,722	479,458,956
Federal government		
American Recovery and Reinvestment Act	298,421,056	28,278,779
Operating	84,211,707	76,569,157
Capital	<u>974,391,278</u>	<u>833,838,877</u>
Total federal government	<u>1,357,024,041</u>	<u>938,686,813</u>
<b>Total transportation program revenues</b>	<u>1,780,442,763</u>	<u>1,418,145,769</u>
<b>Net expense of transportation program</b>	<u>(518,633,107)</u>	<u>(646,580,252)</u>
<b>General Revenues</b>		
Fuel taxes	503,487,834	499,505,811
Sales and use taxes	250,431,649	233,810,373
Unrestricted investment earnings	12,122,861	27,607,331
State appropriations	12,110,995	16,633,764
Gain (loss) on sale of capital assets	<u>(16,853,909)</u>	<u>(1,927,620)</u>
<b>Total general revenues</b>	<u>761,299,430</u>	<u>775,629,659</u>
<b>Changes in Net Assets</b>	242,666,323	129,049,407
<b>Net Assets, beginning of year</b>	<u>25,139,733,152</u>	<u>25,010,683,745</u>
<b>Net Assets, end of year</b>	<u>\$25,382,399,475</u>	<u>\$25,139,733,152</u>



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# Fund Financial Statements

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**Balance Sheets**  
**Governmental Funds**  
 June 30, 2010 and 2009

2010

	State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Federal Stimulus Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 10,342,873	\$1,284,392,801	\$18,257,427	\$ 33	\$18,545,272	\$1,331,538,406
State taxes and fees receivable	112,484,844	16,323,744	8,555,610	—	636,459	138,000,657
Federal government receivable	—	162,549,798	—	22,539,646	7,494,838	192,584,282
Miscellaneous receivables, net	3,016,376	23,754,773	31,896	—	723,442	27,526,487
Contractual agreements	—	—	—	—	—	—
Loans receivable	—	—	—	—	2,363,778	2,363,778
Due from other funds	—	22,644,967	—	—	68,941	22,713,908
Inventories	—	43,710,680	—	—	—	43,710,680
Restricted cash and investments	—	73,493,711	—	—	—	73,493,711
<b>Total assets</b>	<b>\$125,844,093</b>	<b>\$1,626,870,474</b>	<b>\$26,844,933</b>	<b>\$22,539,679</b>	<b>\$29,832,730</b>	<b>\$1,831,931,909</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 4,930,851	\$ 133,557,070	\$ 25,230	\$ —	\$ 9,219,899	\$ 147,733,050
Accrued payroll	6,186,475	17,299,266	—	—	102,371	23,588,112
Deferred revenue	2,952,187	21,787,986	—	—	391,025	25,131,198
Due to other funds	—	—	—	22,539,679	174,229	22,713,908
<b>Total liabilities</b>	<b>14,069,513</b>	<b>172,644,322</b>	<b>25,230</b>	<b>22,539,679</b>	<b>9,887,524</b>	<b>219,166,268</b>
<b>Fund balances</b>						
Reserved for:						
Debt service	—	73,471,006	—	—	—	73,471,006
Loans receivable and contractual agreements	—	22,705	—	—	2,363,778	2,386,483
Inventories	—	43,710,680	—	—	—	43,710,680
Unreserved, debt service fund	—	—	26,819,703	—	—	26,819,703
Unreserved, special revenue funds	111,774,580	1,337,021,761	—	—	17,581,428	1,466,377,769
<b>Total fund balances</b>	<b>111,774,580</b>	<b>1,454,226,152</b>	<b>26,819,703</b>	<b>—</b>	<b>19,945,206</b>	<b>1,612,765,641</b>
<b>Total liabilities and fund balances</b>	<b>\$125,844,093</b>	<b>\$1,626,870,474</b>	<b>\$26,844,933</b>	<b>\$22,539,679</b>	<b>\$29,832,730</b>	<b>\$1,831,931,909</b>

2009

State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Federal Stimulus Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 9,987,731	\$527,324,603	\$18,804,447	\$ —	\$22,689,616	\$578,806,397
109,836,125	15,095,944	8,148,922	—	586,374	133,667,365
—	41,534,217	—	10,313,064	9,603,506	61,450,787
3,008,182	54,817,634	96,727	—	492,544	58,415,087
—	3,090,920	—	—	—	3,090,920
—	—	—	—	2,828,123	2,828,123
—	10,474,881	—	—	1,131,685	11,606,566
—	47,693,063	—	—	—	47,693,063
—	<u>85,476,969</u>	—	—	—	<u>85,476,969</u>
<u>\$122,832,038</u>	<u>\$785,508,231</u>	<u>\$27,050,096</u>	<u>\$10,313,064</u>	<u>\$37,331,848</u>	<u>\$983,035,277</u>
\$ 1,067,548	\$116,208,832	\$ 29,090	\$ —	\$10,850,201	\$128,155,671
6,160,490	18,733,874	—	—	105,722	25,000,086
4,334,217	43,944,923	—	—	1,468,035	49,747,175
—	—	—	10,313,064	1,293,502	11,606,566
<u>11,562,255</u>	<u>178,887,629</u>	<u>29,090</u>	<u>10,313,064</u>	<u>13,717,460</u>	<u>214,509,498</u>
—	80,000,941	—	—	—	80,000,941
—	8,566,948	—	—	2,828,123	11,395,071
—	47,693,063	—	—	—	47,693,063
—	—	27,021,006	—	—	27,021,006
<u>111,269,783</u>	<u>470,359,650</u>	—	—	<u>20,786,265</u>	<u>602,415,698</u>
<u>111,269,783</u>	<u>606,620,602</u>	<u>27,021,006</u>	—	<u>23,614,388</u>	<u>768,525,779</u>
<u>\$122,832,038</u>	<u>\$785,508,231</u>	<u>\$27,050,096</u>	<u>\$10,313,064</u>	<u>\$37,331,848</u>	<u>\$983,035,277</u>



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## Reconciliation of the Governmental Funds Balance Sheets to the Statements of Net Assets

Governmental Funds  
June 30, 2010 and 2009

	<u>Total</u>	
	<u>2010</u>	<u>2009</u>
<b>Fund balances – total governmental funds</b>	\$ 1,612,765,641	\$ 768,525,779
Amounts reported for governmental activities in the statements of net assets are different because:		
Capital assets, net of accumulated depreciation of \$22,249,876,585 and \$21,444,978,571 in 2010 and 2009, respectively, used in governmental activities are not financial resources and therefore are not reported in the funds.	27,448,279,784	26,943,145,533
Deferred assets are not available to pay for current period expenditures and therefore are not reported in the funds.	20,151,922	44,278,870
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included only in the statements of net assets.		
Medical and life insurance plan	22,234,294	15,724,188
Self-insurance plan	(11,390,364)	(505,796)
Certain liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Financing and other obligations	(3,540,084,900)	(2,526,033,069)
Other post-employment benefits obligations	(157,985,387)	(97,456,294)
Accrued interest payable	(35,919,006)	(26,763,273)
Bond issue costs	<u>24,347,491</u>	<u>18,817,214</u>
<b>Total net assets – governmental activities</b>	<u>\$25,382,399,475</u>	<u>\$25,139,733,152</u>

# Statements of Revenues, Expenditures and Changes in Fund Balances

## Governmental Funds

Years Ended June 30, 2010 and 2009

	2010					
	State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Federal Stimulus Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Fuel taxes	\$ 503,121,282	\$ 114,205	\$ —	\$ —	\$ 252,347	\$ 503,487,834
Sales and use taxes	47,506,321	103,110,616	94,150,295	—	6,576,177	251,343,409
Licenses, fees, and permits	183,619,628	98,804,570	—	—	2,485,177	284,909,375
Intergovernmental/cost reimbursements/miscellaneous	4,101,718	122,649,503	—	—	1,408,315	128,159,536
Investment earnings	366,156	8,152,054	244,428	1,208	192,679	8,956,525
American Recovery and Reinvestment Act	—	4,408,494	2,505,857	291,418,526	—	298,332,877
State government	—	—	—	—	12,110,995	12,110,995
Federal government	—	974,391,278	—	—	84,957,011	1,059,348,289
<b>Total revenues</b>	<u>738,715,105</u>	<u>1,311,630,720</u>	<u>96,900,580</u>	<u>291,419,734</u>	<u>107,982,701</u>	<u>2,546,648,840</u>
<b>Expenditures</b>						
Current						
Administration	—	49,247,212	—	—	—	49,247,212
Fleet, facilities, and information systems	—	59,585,640	—	—	—	59,585,640
Maintenance	—	451,106,524	—	—	20,633,385	471,739,909
Construction	—	293,021,202	—	—	—	293,021,202
Multimodal operations	—	833,372	—	—	109,579,243	110,412,615
Capital outlay	—	1,405,699,540	—	—	41,871	1,405,741,411
Debt service	—	151,164,841	97,101,883	—	—	248,266,724
Other state agencies	201,365,759	—	—	—	105,878	201,471,637
<b>Total expenditures</b>	<u>201,365,759</u>	<u>2,410,658,331</u>	<u>97,101,883</u>	<u>—</u>	<u>130,360,377</u>	<u>2,839,486,350</u>
<b>Excess of revenues over (under) expenditures</b>	<u>537,349,346</u>	<u>(1,099,027,611)</u>	<u>(201,303)</u>	<u>291,419,734</u>	<u>(22,377,676)</u>	<u>(292,837,510)</u>
<b>Other Financing Sources (Uses)</b>						
Notes issued	—	10,910,481	—	—	—	10,910,481
Bonds issued	—	1,085,000,000	—	—	—	1,085,000,000
Premium on bonds	—	30,630,918	—	—	—	30,630,918
Capital leases issued	—	3,283,945	—	—	—	3,283,945
Capital asset sales	—	7,249,198	—	—	2,830	7,252,028
Transfers in	—	809,558,619	—	—	18,724,760	828,283,379
Transfers out	(536,844,549)	—	—	(291,419,734)	(19,096)	(828,283,379)
<b>Total other financing sources (uses)</b>	<u>(536,844,549)</u>	<u>1,946,633,161</u>	<u>—</u>	<u>(291,419,734)</u>	<u>18,708,494</u>	<u>1,137,077,372</u>
<b>Net Changes in Fund Balances</b>	504,797	847,605,550	(201,303)	—	(3,669,182)	844,239,862
<b>Fund Balances, beginning of year</b>	<u>111,269,783</u>	<u>606,620,602</u>	<u>27,021,006</u>	<u>—</u>	<u>23,614,388</u>	<u>768,525,779</u>
<b>Fund Balances, end of year</b>	<u>\$ 111,774,580</u>	<u>\$ 1,454,226,152</u>	<u>\$ 26,819,703</u>	<u>\$ —</u>	<u>\$ 19,945,206</u>	<u>\$ 1,612,765,641</u>

The notes to the financial statements are an integral part of these statements

Financial Section

2009

State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Federal Stimulus Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 499,207,302	\$ 104,383	\$ —	\$ —	\$ 194,126	\$ 499,505,811
42,343,291	96,682,301	88,868,734	—	6,704,325	234,598,651
187,052,053	101,237,776	—	—	2,635,105	290,924,934
2,113,944	134,530,245	—	—	2,460,336	139,104,525
1,288,609	20,869,492	783,883	237	474,553	23,416,774
—	—	—	28,278,779	—	28,278,779
—	—	—	—	16,633,764	16,633,764
—	833,838,877	—	—	75,795,258	909,634,135
<u>732,005,199</u>	<u>1,187,263,074</u>	<u>89,652,617</u>	<u>28,279,016</u>	<u>104,897,467</u>	<u>2,142,097,373</u>
—	49,223,636	—	—	—	49,223,636
—	56,986,383	—	—	—	56,986,383
—	440,982,158	—	—	25,161,126	466,143,284
—	273,098,680	—	—	—	273,098,680
—	794,564	—	—	85,407,410	86,201,974
—	1,306,897,246	—	—	420,146	1,307,317,392
—	131,153,730	87,436,782	—	—	218,590,512
<u>197,172,197</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>75,360</u>	<u>197,247,557</u>
<u>197,172,197</u>	<u>2,259,136,397</u>	<u>87,436,782</u>	<u>—</u>	<u>111,064,042</u>	<u>2,654,809,418</u>
<u>534,833,002</u>	<u>(1,071,873,323)</u>	<u>2,215,835</u>	<u>28,279,016</u>	<u>(6,166,575)</u>	<u>(512,712,045)</u>
—	1,856,026	—	—	—	1,856,026
—	142,735,000	—	—	—	142,735,000
—	2,834,554	—	—	—	2,834,554
—	581,389	—	—	—	581,389
—	6,803,382	—	—	26,848	6,830,230
—	554,257,470	—	—	1,131,685	555,389,155
<u>(527,110,139)</u>	<u>—</u>	<u>—</u>	<u>(28,279,016)</u>	<u>—</u>	<u>(555,389,155)</u>
<u>(527,110,139)</u>	<u>709,067,821</u>	<u>—</u>	<u>(28,279,016)</u>	<u>1,158,533</u>	<u>154,837,199</u>
7,722,863	(362,805,502)	2,215,835	—	(5,008,042)	(357,874,846)
<u>103,546,920</u>	<u>969,426,104</u>	<u>24,805,171</u>	<u>—</u>	<u>28,622,430</u>	<u>1,126,400,625</u>
<u>\$ 111,269,783</u>	<u>\$ 606,620,602</u>	<u>\$27,021,006</u>	<u>\$ —</u>	<u>\$ 23,614,388</u>	<u>\$ 768,525,779</u>



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# Reconciliation of the Governmental Funds Statements of Revenues, Expenditures and Changes in Fund Balances to the Statements of Activities

Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>Net changes in fund balances – total governmental funds</b>	<b>\$ 844,239,862</b>	<b>\$(357,874,846)</b>
Amounts reported for governmental activities in the statements of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statements of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. These are the amounts by which capital outlays and donated assets (\$1,405,741,411 and \$1,307,317,392 for 2010 and 2009, respectively) exceeded depreciation (\$876,501,223 and \$751,245,360 for 2010 and 2009, respectively).	529,240,188	556,072,032
In the statements of activities, only the gains on the sale of the capital assets are reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the changes in net assets differ from the changes in fund balances by the book value of the assets sold.	(24,105,937)	(8,757,850)
Deferred revenues in the statements of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(24,126,948)	23,711,666
Proceeds from the issuance of long-term debt provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statements of net assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statements of net assets. These are the net effects of the differences in the treatment of long-term debt obligations and related items.	(1,027,564,078)	(44,884,328)
Some expenses reported in the statements of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Compensated absences	(10,786)	(1,056,340)
Interest expense recognition	7,899,589	8,929,519
Claims and judgments	1,858,984	(4,150,521)
Other post-employment benefits	(60,529,093)	(46,764,804)
Pollution remediation obligations	139,004	(153,657)
Internal service funds are used by management for the medical and life insurance plan and the self-insurance plan. The net revenues of internal service funds are reported with governmental activities.		
Medical and life insurance plan	6,510,106	4,996,750
Self-insurance plan	<u>(10,884,568)</u>	<u>(1,018,214)</u>
<b>Changes in net assets – governmental activities</b>	<b><u>\$ 242,666,323</u></b>	<b><u>\$( 129,049,407)</u></b>

## Statements of Net Assets

Proprietary Funds  
June 30, 2010 and 2009

	<u>Internal Service Funds</u>	
	<u>2010</u>	<u>2009</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 14,941,917	\$ 19,929,298
Investments	63,292,613	39,982,016
Federal government receivable	2,486	—
Miscellaneous receivables	<u>2,453,975</u>	<u>2,209,377</u>
Total current assets	<u>80,690,991</u>	<u>62,120,691</u>
Noncurrent assets		
Investments	33,821,433	44,517,319
Restricted investments	<u>300,000</u>	<u>300,000</u>
Total noncurrent assets	<u>34,121,433</u>	<u>44,817,319</u>
<b>Total assets</b>	<u>114,812,424</u>	<u>106,938,010</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable	2,903,024	3,190,476
Deferred revenue	7,704,199	7,752,699
Pending self-insurance claims	14,583,000	14,514,000
Incurred but not reported claims	<u>16,086,000</u>	<u>14,811,000</u>
Total current liabilities	<u>41,276,223</u>	<u>40,268,175</u>
Noncurrent liabilities		
Pending self-insurance claims	48,452,271	43,102,443
Incurred but not reported claims	<u>14,240,000</u>	<u>8,349,000</u>
Total noncurrent liabilities	<u>62,692,271</u>	<u>51,451,443</u>
<b>Total liabilities</b>	<u>103,968,494</u>	<u>91,719,618</u>
<b>Net Assets</b>		
Restricted net assets	300,000	300,000
Unrestricted net assets	<u>10,543,930</u>	<u>14,918,392</u>
<b>Total net assets</b>	<u>\$ 10,843,930</u>	<u>\$ 15,218,392</u>

# Statements of Revenues, Expenses, and Changes in Net Assets

## Proprietary Funds

Years Ended June 30, 2010 and 2009

	<u>Internal Service Funds</u>	
	<u>2010</u>	<u>2009</u>
<b>Operating Revenues</b>		
Self-insurance premiums		
Highway workers' compensation	\$ 6,500,000	\$ 5,000,000
Highway patrol workers' compensation	3,000,000	3,000,000
Highway fleet vehicle liability	1,200,000	—
Highway general liability	8,000,000	6,700,000
Medical insurance premiums		
State	82,187,328	77,527,565
Member	30,867,546	29,047,218
American Recovery and Reinvestment Act	88,179	—
Other	<u>5,753,460</u>	<u>6,458,165</u>
<b>Total operating revenues</b>	<b><u>137,596,513</u></b>	<b><u>127,732,948</u></b>
<b>Operating Expenses</b>		
Self-insurance programs		
Highway workers' compensation	9,804,076	8,324,511
Highway patrol workers' compensation	582,612	4,721,599
Highway fleet vehicle liability	2,127,139	1,396,991
Highway general liability	18,823,316	4,018,529
Other	630,167	748,744
Medical and life insurance program		
Insurance premiums	5,976,741	6,351,102
Medical benefits	80,367,008	77,763,567
Prescription drug benefits	19,513,498	17,873,985
Professional fees	1,687,891	1,634,455
Administrative services	5,685,350	5,176,172
Other	<u>15,893</u>	<u>14,195</u>
<b>Total operating expenses</b>	<b><u>145,213,691</u></b>	<b><u>128,023,850</u></b>
<b>Operating income (loss)</b>	<b><u>(7,617,178)</u></b>	<b><u>(290,902)</u></b>
<b>Nonoperating Revenues</b>		
Net appreciation and investment income	<u>3,242,716</u>	<u>4,269,438</u>
<b>Total nonoperating revenues</b>	<b><u>3,242,716</u></b>	<b><u>4,269,438</u></b>
<b>Changes in Net Assets</b>	(4,374,462)	3,978,536
<b>Net Assets, beginning of year</b>	<u>15,218,392</u>	<u>11,239,856</u>
<b>Net Assets, end of year</b>	<b><u>\$ 10,843,930</u></b>	<b><u>\$ 15,218,392</u></b>

## Statements of Cash Flows

### Proprietary Funds

Years Ended June 30, 2010 and 2009

	<u>Internal Service Funds</u>	
	<u>2010</u>	<u>2009</u>
<b>Cash Flows From Operating Activities</b>		
Receipts from interfund services provided	\$ 137,449,418	\$ 127,268,824
Payments for interfund services used	(124,658,062)	(116,699,892)
Payments to suppliers	<u>(8,306,753)</u>	<u>(5,804,304)</u>
Net cash provided by (used in) operating activities	<u>4,484,603</u>	<u>4,764,628</u>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sale and maturities of investments	65,909,342	140,142,352
Purchases of investments	(78,450,250)	(130,752,242)
Interest received	3,164,213	3,773,921
Investment fees	<u>(95,289)</u>	<u>(96,045)</u>
Net cash provided by (used in) investing activities	<u>(9,471,984)</u>	<u>13,067,986</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(4,987,381)	17,832,614
<b>Cash and Cash Equivalents, beginning of year</b>	<u>19,929,298</u>	<u>2,096,684</u>
<b>Cash and Cash Equivalents, end of year</b>	<u>\$ 14,941,917</u>	<u>\$ 19,929,298</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>		
Operating income (loss)	\$ (7,617,178)	\$ (290,902)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Receivables	(147,095)	(464,124)
Accounts and claims payable	12,297,376	4,974,265
Deferred revenue	<u>(48,500)</u>	<u>545,389</u>
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 4,484,603</u>	<u>\$ 4,764,628</u>
<b>Noncash Items Impacting Recorded Assets</b>		
Increase in fair value of investments	<u>\$ 73,803</u>	<u>\$ 829,906</u>

## Statements of Assets and Liabilities

Fiduciary Funds – Agency

June 30, 2010 and 2009

	<u>Agency Funds</u>	
	<u>2010</u>	<u>2009</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 7,404,451	\$29,073,677
Noncurrent restricted investments	67,052,296	42,788,621
Other	<u>277,865</u>	<u>196,333</u>
<b>Total assets</b>	<b><u>\$74,734,612</u></b>	<b><u>\$72,058,631</u></b>
<b>Liabilities</b>		
Due to other governments	\$ 3,715,070	\$ 4,526,520
Advances from other governments	<u>71,019,542</u>	<u>67,532,111</u>
<b>Total liabilities</b>	<b><u>\$74,734,612</u></b>	<b><u>\$72,058,631</u></b>



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# Notes to the Financial Statements

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**Note 1: Summary of Significant Accounting Policies**

The State Highway Department was created in 1913 to act as the agent of the State of Missouri (the State) for public roads. The State Highway Commission was created in 1921 with the passage of the Centennial Road Law and was charged with the administration of the network of connecting state highways, including their location, design, construction, and maintenance.

In 1979, the voters of the State passed a constitutional amendment merging the State Highway Department with the Department of Transportation. By statute, the resulting department was named the Missouri Highways and Transportation Department. The constitutional amendment gave the Highways and Transportation Commission (the MHTC or Commission) the authority over all state transportation programs and facilities. The Commission is a bipartisan body of six members appointed by the Governor, with the consent of the Senate, for a term of six years. In 1996, by legislative action, the Missouri Highways and Transportation Department became the Missouri Department of Transportation (MoDOT or Department).

In 2002, several functions from other state agencies were combined with MoDOT. This was the result of legislative action and the Governor's Executive Order, which created the "One-Stop Shop" for motor carrier services (MCS), railroad operators, and overdimension and overweight permitting. In 2003, by Governor's Executive Order, the Division of Highway Safety was transferred from the Department of Public Safety to MoDOT. This change was part of the Governor's Reorganization Plan of 2003, to merge both the Division of Highway Safety and MoDOT activities related to the state highway system and its safe operation. In 2006, the unit that audits motor carrier operators was transferred to MoDOT from the Department of Revenue. This unit is responsible for auditing International Fuel Tax Agreement tax returns and International Registration Plan applications.

**(A) Financial Reporting Entity**

Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*, establishes the criteria to be used for defining primary governments, component units, and related organizations. The Department does not meet the GASB's criteria to be reported as its own primary government or other stand-alone government. It is part of the primary government of the State and, like other state agencies, is included in the financial statements of the State. These financial statements report the funds from which MoDOT spends. The nonmajor Multimodal Fund includes only MoDOT appropriations reported for the State's General and Federal Stabilization funds. The nonmajor MCS Federal Fund is the Motor Carrier Safety Assistance Program.

Certain legally separate organizations are involved in transportation-related projects, such as the Missouri Transportation Finance Corporation (MTFC) and other transportation corporations. Although these organizations cooperate with the Department to meet their objectives and are included in the financial statements of the State as blended or discretely presented component units, they are not part of the Department's defined reporting entity.

The State's Comprehensive Annual Financial Report may be obtained by writing to the State of Missouri, Office of Administration, Division of Accounting, P. O. Box 809, Jefferson City, MO 65102, or may be accessed at [www.aa.mo.gov/acct/](http://www.aa.mo.gov/acct/).

**(B) Government-wide and Fund Financial Statements**

**1. Government-wide Statements**

The government-wide statements of net assets and statements of activities report the overall financial activities of the Department, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. The financial activities of the Department consist only of governmental activities, which are primarily supported by State taxes and intergovernmental revenues.

The Department administers a single program – Transportation. The statements of activities demonstrate the degree to which the direct expenses of that function are offset by program revenues. Direct expenses are those that are clearly identifiable with the function. Program revenues include (a) charges paid by the recipients of goods or services offered by the program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of the program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

## 2. Fund Financial Statements

The fund financial statements provide information about the Department's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Department reports the following major governmental funds:

**State Highways and Transportation Department Fund (Highway Fund)** – This special revenue fund was established by Section 226.200, Revised Statutes of Missouri (RSMo). This fund receives revenues derived from the use of state highways. This fund pays the costs incurred to collect that revenue, to administer and enforce any state motor vehicle laws or traffic regulations, and to provide other related functions.

**State Road Fund (Road Fund)** – This special revenue fund was constitutionally established to receive monies from the state's motor vehicle sales tax, the federal government, transfers from the Highway Fund, and other related revenues. Disbursements consist of costs incurred to construct, improve, maintain, and administer the state highway system and for debt service payments.

**State Road Bond Fund** – This debt service fund was constitutionally established to receive monies from the state's motor vehicle sales tax. Monies are used for the repayment of bonds issued by the Commission to fund the construction and reconstruction of the state highway system or for refunding bonds.

**Federal Stimulus Fund** – This special revenue fund was administratively created in March 2009 to receive American Recovery and Reinvestment Act monies as reimbursement for specific transportation-related projects.

The Department reports the following additional fund types:

**Internal Service Funds** – These proprietary funds account for the financing of services provided to other funds within the Department and other participating agencies on a cost-reimbursement basis. These funds are used to account for medical and life insurance coverage and self-insurance activities. Department activity comprises the majority of these funds. These funds are included in the government-wide statements by eliminating off-setting revenues and expenses.

**Agency Funds** – These fiduciary funds account for monies held on behalf of various political subdivisions and other interested parties and will be used to reimburse the Department for expenditures incurred by the Department on behalf of the previously mentioned parties and to collect and administer registration, license fees, and fuel taxes payable to contiguous states and Canadian provinces. These funds are not included in the government-wide statements, because they are held on behalf of various political subdivisions and other interested parties and they are not available for Department use.

### (C) Measurement Focus, Basis of Accounting and Financial Statement Presentation

#### 1. Government-wide Financial Statements

The government-wide, proprietary and fiduciary fund 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 at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions in which the Department gives (or receives) value without directly receiving (or giving) equal value in exchange include fuel taxes, sales and use taxes, Medicare Part D federal subsidy, grants, entitlements, and donations. On an accrual basis, revenues from fuel taxes and sales and use taxes are recognized in the fiscal year in which the underlying exchange transaction occurs. Revenues from Medicare Part D, based on the current funding level from the federal government, are recognized in the fiscal year in which the revenue-generating transaction occurs. Because potential retroactive adjustments to the federal subsidy are not measurable, the revenue impact is recognized in the fiscal period in which an adjustment is made by the federal government. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

## 2. Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, all revenue sources are recognized when 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 Department, consistent with the State of Missouri, considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are recorded as other financing sources.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The Department's operating revenues and expenses generally result from providing services in connection with the internal service funds' principal ongoing operations. The principal operating revenues are charges for insurance premiums. Operating expenses include self-insurance claims, benefits claims, insurance premiums, and administrative expenses. Investment income is reported as nonoperating revenue.

When both restricted and unrestricted resources are available for use, it is the Department's policy to use restricted resources first, then unrestricted resources as they are needed.

### (D) Assets, Liabilities, and Net Assets

#### 1. Cash and Cash Equivalents and Investments

Cash and cash equivalents include:

- Cash
- Repurchase agreements, which are investments with original maturities of three months or less
- Pooled monies, including pooled investments, with the State Treasurer's office

Investments are valued at fair value.

#### 2. Inventories

Inventories, primarily consisting of maintenance and sign shop materials, are valued at cost using the weighted average method. Inventories are recorded in the governmental funds as expenditures when consumed rather than when purchased.

#### 3. Interfund Transactions

The Department reports the following types of interfund transactions:

**Interfund services provided and used** – sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and as expenditures or expenses in purchaser funds. This internal activity is included in the government-wide statements by eliminating off-setting revenues and expenses.

**Transfers** – flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

#### 4. Capital Assets

Capital assets, such as land, buildings, equipment, and infrastructure assets, are reported at cost (or estimated historical cost) as governmental activities in the government-wide financial statements. Infrastructure assets are those assets that are normally immovable and of value to the citizens of the State of Missouri, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items. The Department capitalizes assets with an expected useful life of more than one year with a cost greater than \$1,000 for equipment, \$5,000 for software, and \$15,000 for buildings and land improvements. No dollar threshold is set for land, easements, and infrastructure. Donated capital assets are recorded at their fair market value at the date of the donation.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense, including amortization of leased capital and intangible assets, is recorded in the government-wide financial statements.

Capital assets, including infrastructure, are depreciated or amortized on the straight-line method over the asset's estimated useful life. There is no depreciation recorded for land, permanent easements, software in progress, construction in progress, and infrastructure in progress. Generally, estimated useful lives are as follows:

Vehicles, machinery and equipment	1 to 20 years
Buildings and other improvements	10 to 50 years
Infrastructure	7 to 50 years
Software	5 years
Temporary Easements	3 years

**5. Deferred Revenue**

The Department has recorded deferred revenue in the Road Fund and Highway Fund relating to long-term cost reimbursement receivables and in nonmajor funds relating to local matches for pass-through funds and cost reimbursements. Deferred revenue in the internal service funds is employee and employer medical insurance premiums received and held for the subsequent month's coverage. These amounts are reported as deferred because they are unearned as of year-end.

**6. Compensated Absences**

Under the terms of the Department's personnel policy, Department employees are granted 10 to 14 hours of annual leave per month. Additionally, certain employees can accrue a maximum of 240 hours of compensatory time for unpaid overtime. Employees have accrued annual leave and compensatory time available amounting to \$37,908,860 and \$37,898,074 as of June 30, 2010 and 2009, respectively, that is recorded in the government-wide financial statements. Because employees are not paid for accumulated sick leave upon retirement or termination, no liability has been recorded for this leave.

**7. Bond Premiums, Discounts, and Issuance Costs**

In the government-wide financial statements, bond premiums and discounts, including the deferred amount on refunding as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding.

In the fund financial statements, governmental fund types 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 on debt issuances are reported as other financing sources and discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**8. Pollution Remediation Obligations**

MoDOT estimates the components of expected pollution remediation activities and determines whether expected outlays for those components should be accrued as a liability and expensed or, if appropriate, capitalized. Pollution remediation obligations are measured at the current cost of future activities and are valued using the expected cash flow method, which measures the liability based on probability-weighted amounts. The determined liabilities could change over time due to changes in costs of goods and services, changes in remediation technology or changes in laws and regulations governing the remediation efforts.

**9. Reservations of Fund Balances**

In the fund financial statements, governmental funds report reservations of fund balances to indicate that a portion of the fund balance is not available for appropriations or is restricted by law or contract for a specific purpose.

**10. Net Assets**

In the government-wide and proprietary fund financial statements, equity is displayed as follows:

**Invested in Capital Assets, Net of Related Debt** – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**Restricted** – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. This also includes unexpended bond or lease proceeds less the related outstanding liability. Total restricted net assets at June 30, 2010 and June 30, 2009, \$985,704,279 and \$678,642,654, respectively, were restricted by enabling legislation.

### **11. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses or expenditures and other changes in net assets or fund balances during the reporting period. Actual results could differ from those estimates.

### **12. Reclassifications**

Certain reclassifications have been made to the 2009 financial statements to conform to the 2010 financial statement presentation. This had no effect on net assets.

## **Note 2: Deposits and Investments**

Cash and investments include amounts held by the State Treasurer's Office as required by the state constitution for all state funds of the primary government. Interest income earned on cash and investments in the State Treasury is allocated to the funds based on the respective investment and cash balances. In addition, cash and investments also include funds held in depository banks, as allowed by state statute.

By policy, investments may include linked deposits, certificates of deposit, commercial paper, bankers' acceptances, repurchase agreements and reverse repurchase agreements, U.S. Treasury obligations, and federal agency securities. The Department's investments are reported at fair value. While the majority of the Department's investments are pooled in the State Treasury or with the Department of Revenue, a portion is held at banks outside those state agencies. At June 30, 2010 and 2009, the Department's portfolio of non-pooled funds had \$164,366,342 and \$133,822,474, respectively, of uninsured, unregistered investments held in the Commission's or State's name. Also at June 30, 2010 and 2009, the Department had book balances of \$17,599,518 and \$44,474,493, respectively, of repurchase agreements. Of the total repurchase agreements' bank balances of \$18,594,688 and \$45,759,134 at June 30, 2010 and 2009, respectively, securities were held by a financial institution's trust department in the Commission's or State's name.

**Interest Rate Risk** – The State Treasurer's Office policy states it will minimize the risk the market value of investments will fall due to changes in general interest rates by maintaining an effective duration of less than 1.5 years and holding at least 40 percent of the portfolio's total market value in securities with a maturity of 12 months or less. MoDOT's policy for the investment portfolios of non-pooled funds states they are to be structured so securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. Of the total non-pooled investments, \$161,139,543 is highly sensitive to interest rate changes, because the investments are callable or subject to prepayment. The effective maturities are disclosed based on assumptions provided by the Department's investment advisor.

**Credit Risk** – The State Treasurer's Office policy states it will minimize the risk of loss due to the failure of a security issuer or backer by pre-approving financial institutions, companies, brokers, and dealers, and conducting regular credit monitoring and due diligence. MoDOT's policy for the investment portfolios of non-pooled funds states they are to be limited to the safest types of securities, as described above. The policies for both portfolios require diversification so potential losses on individual securities will be minimized.

**Concentration of Credit Risk** – The policies of both the State Treasurer's Office and MoDOT state investments are to be diversified and limits are set to minimize the risk of loss resulting from excess concentration in a specific maturity, issuer or class of security. The asset allocation is periodically reviewed by the State Treasurer and the Department's investment advisor. At June 30, 2010 and 2009, no investments in any one organization (other than those issued or sponsored by the U.S. Government and those in pooled investments) represented five percent of total investments.

At June 30, 2010, the Department's cash and investments consisted of the following:

	<b>State Highways and Transportation Department Fund</b>	<b>State Road Fund</b>	<b>State Road Bond Fund</b>	<b>Federal Stimulus Fund</b>	<b>Nonmajor Funds</b>	<b>Internal Service Funds</b>	<b>Agency Funds</b>
<b>Cash and investments:</b>							
Cash and investments pooled in the State Treasury	\$ 10,342,873	\$1,284,392,801	\$ 18,257,427	\$33	\$18,545,272	\$ —	\$ —
Cash deposited with banks	—	—	—	—	—	1,032,554	—
U.S. agency obligations	—	—	—	—	—	97,098,257	—
U.S. Treasury obligations	—	—	—	—	—	15,789	—
Certificate of deposit	—	—	—	—	—	—	—
Repurchase agreements	—	—	—	—	—	13,909,363	—
<b>Total</b>	<b><u>\$ 10,342,873</u></b>	<b><u>\$ 1,284,392,801</u></b>	<b><u>\$ 18,257,427</u></b>	<b><u>\$33</u></b>	<b><u>\$ 18,545,272</u></b>	<b><u>\$ 112,055,963</u></b>	<b><u>\$ —</u></b>
<b>Restricted assets:</b>							
Cash and investments pooled in the State Treasury	\$ —	\$ 73,468,647	\$ —	\$—	\$ —	\$ —	\$ —
Cash and investments pooled with the Mo. Dept. of Revenue	—	—	—	—	—	—	3,714,268
Cash deposited with banks	—	25,064	—	—	—	—	28
U.S. agency obligations	—	—	—	—	—	—	64,041,286
U.S. Treasury obligations	—	—	—	—	—	200,000	3,011,010
Certificate of deposit	—	—	—	—	—	100,000	—
Repurchase agreements	—	—	—	—	—	—	3,690,155
<b>Total</b>	<b><u>\$ —</u></b>	<b><u>\$ 73,493,711</u></b>	<b><u>\$ —</u></b>	<b><u>\$—</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 300,000</u></b>	<b><u>\$ 74,456,747</u></b>

At June 30, 2009, the Department's cash and investments consisted of the following:

	<b>State Highways and Transportation Department Fund</b>	<b>State Road Fund</b>	<b>State Road Bond Fund</b>	<b>Nonmajor Funds</b>	<b>Internal Service Funds</b>	<b>Agency Funds</b>
<b>Cash and investments:</b>						
Cash and investments pooled in the State Treasury	\$9,987,731	\$527,324,603	\$18,804,447	\$22,689,616	\$ —	\$ —
Cash deposited with banks	—	—	—	—	2,445	—
U.S. agency obligations	—	—	—	—	84,484,167	—
U.S. Treasury obligations	—	—	—	—	15,168	—
Certificate of deposit	—	—	—	—	—	—
Repurchase agreements	—	—	—	—	19,926,853	—
<b>Total</b>	<b><u>\$9,987,731</u></b>	<b><u>\$527,324,603</u></b>	<b><u>\$18,804,447</u></b>	<b><u>\$22,689,616</u></b>	<b><u>\$104,428,633</u></b>	<b><u>\$ —</u></b>
<b>Restricted assets:</b>						
Cash and investments pooled in the State Treasury	\$ —	\$ 73,665,583	\$ —	\$ —	\$ —	\$ —
Cash and investments pooled with the Mo. Dept. of Revenue	—	—	—	—	—	4,525,832
Cash deposited with banks	—	5,476,868	—	—	—	205
U.S. agency obligations	—	6,334,518	—	—	—	42,788,621
U.S. Treasury obligations	—	—	—	—	200,000	—
Certificate of deposit	—	—	—	—	100,000	—
Repurchase agreements	—	—	—	—	—	24,547,640
<b>Total</b>	<b><u>\$ —</u></b>	<b><u>\$ 85,476,969</u></b>	<b><u>\$ —</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 300,000</u></b>	<b><u>\$ 71,862,298</u></b>

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At June 30, 2010, the Department's investments had the following maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment maturities (in years)</u>		
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>
Repurchase agreements	\$ 17,599,518	\$ 17,599,518	\$ —	\$ —
Certificate of deposit	100,000	100,000	—	—
U.S. Treasury obligations	3,226,799	3,226,799	—	—
U.S. agency obligations	<u>161,139,543</u>	<u>116,596,659</u>	<u>44,542,884</u>	<u>—</u>
	<u>\$182,065,860</u>	<u>\$137,522,976</u>	<u>\$44,542,884</u>	<u>\$ —</u>

At June 30, 2009, the Department's investments had the following maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment maturities (in years)</u>		
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>
Repurchase agreements	\$ 44,474,493	\$ 44,474,493	\$ —	\$ —
Certificate of deposit	100,000	100,000	—	—
U.S. Treasury obligations	215,168	—	215,168	—
U.S. agency obligations	<u>133,607,306</u>	<u>71,735,318</u>	<u>58,923,755</u>	<u>2,948,233</u>
	<u>\$178,396,967</u>	<u>\$116,309,811</u>	<u>\$59,138,923</u>	<u>\$2,948,233</u>

At June 30, 2010 and 2009, the Department's investments were rated as shown below. This disclosure does not include repurchase agreements, pooled investments, or the certificate of deposit.

<u>Investment Type</u>	<u>Moody's</u>	<u>Standard and Poors</u>	<u>Fair Value</u>	
			<u>2010</u>	<u>2009</u>
U.S. agency obligations	Aaa	—	\$144,464,906	\$ 92,128,007
U.S. agency obligations	—	AAA	16,674,637	31,135,337
U.S. agency obligations	not rated	not rated	—	10,343,962
U.S. Treasury obligations	Aaa	—	<u>3,226,799</u>	<u>215,168</u>
			<u>\$164,366,342</u>	<u>\$133,822,474</u>



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**Note 3: Receivables**

Reimbursement receivables consist of billings to outside entities for repayment of expenditures incurred by MoDOT. Also included are miscellaneous receivables from contractors and others. Reimbursement receivables are shown net of an allowance for doubtful accounts of \$2,723,083 and \$1,615,773 at June 30, 2010 and 2009, respectively. The Department provides an allowance based upon a review of the outstanding receivables, historical collection information and existing economic conditions.

Contributions receivable consists of amounts due from participating employers and members in the Department's insurance and risk management plans. The federal government receivable represents funds to be received on federally-participating projects. Loans receivables represent loans to cities and counties for nonhighway-related projects, such as airport improvements. The contractual agreement receivable consists of an arrangement with the State's Department of Revenue related to license plate reissuance.

Receivables at June 30, 2010 for the government's individual major funds, nonmajor funds, and internal service funds were as follows:

	<b>State Highways and Transportation Department Fund</b>	<b>State Road Fund</b>	<b>State Road Bond Fund</b>
State taxes and fees	\$112,484,844	\$ 16,323,744	\$8,555,610
Federal government	—	162,549,798	—
Miscellaneous:			
Reimbursements	2,952,187	22,076,577	—
Interest	64,189	1,678,196	31,896
Contributions	—	—	—
Total miscellaneous	<u>3,016,376</u>	<u>23,754,773</u>	<u>31,896</u>
Loans	—	—	—
Total receivables	<u>\$115,501,220</u>	<u>\$202,628,315</u>	<u>\$8,587,506</u>

Receivables at June 30, 2009 for the government's individual major funds, nonmajor funds, and internal service funds were as follows:

	<b>State Highways and Transportation Department Fund</b>	<b>State Road Fund</b>	<b>State Road Bond Fund</b>
State taxes and fees	\$109,836,125	\$ 15,095,944	\$8,148,922
Federal government	—	41,534,217	—
Miscellaneous:			
Reimbursements	2,814,617	52,093,979	—
Interest	193,565	2,723,655	96,727
Contributions	—	—	—
Total miscellaneous	<u>3,008,182</u>	<u>54,817,634</u>	<u>96,727</u>
Contractual agreement	—	3,090,920	—
Loans	—	—	—
Total receivables	<u>\$112,844,307</u>	<u>\$114,538,715</u>	<u>\$8,245,649</u>

<u>Federal Stimulus Fund</u>	<u>Nonmajor Funds</u>	<u>Internal Service Funds</u>	<u>Total</u>	<u>Due Within One Year</u>
\$ —	\$ 636,459	\$ —	\$138,000,657	\$138,000,657
22,539,646	7,494,838	2,486	192,586,768	192,586,768
—	708,073	382,310	26,119,147	24,185,998
—	15,369	528,642	2,318,292	2,318,292
—	—	1,543,023	1,543,023	1,543,023
—	723,442	2,453,975	29,980,462	28,047,313
—	2,363,778	—	2,363,778	372,027
<u>\$22,539,646</u>	<u>\$11,218,517</u>	<u>\$2,456,461</u>	<u>\$362,931,665</u>	<u>\$359,006,765</u>

<u>Federal Stimulus Fund</u>	<u>Nonmajor Funds</u>	<u>Internal Service Funds</u>	<u>Total</u>	<u>Due Within One Year</u>
\$ —	\$ 586,374	\$ —	\$133,667,365	\$133,667,365
10,313,064	9,603,506	—	61,450,787	61,450,787
—	421,280	460,557	55,790,433	52,632,384
—	71,264	428,653	3,513,864	3,513,864
—	—	1,320,167	1,320,167	1,320,167
—	492,544	2,209,377	60,624,464	57,466,415
—	—	—	3,090,920	3,090,920
—	2,828,123	—	2,828,123	464,345
<u>\$10,313,064</u>	<u>\$13,510,547</u>	<u>\$2,209,377</u>	<u>\$261,661,659</u>	<u>\$256,139,832</u>

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**Note 4: Capital Assets**

Changes in capital assets for the year ended June 30, 2010 are summarized below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Nondepreciable capital assets</b>					
Land and permanent easements	\$ 2,398,111,952	\$ 977,886	\$21,559,040	\$ 70,699,016	\$ 2,448,229,814
Software in progress	—	869,287	—	(127,944)	741,343
Construction in progress	190,308,901	57,152,983	—	(83,129,172)	164,332,712
Infrastructure in progress	<u>2,461,040,395</u>	<u>1,300,649,997</u>	—	<u>(1,035,334,471)</u>	<u>2,726,355,921</u>
Total nondepreciable capital assets	<u>5,049,461,248</u>	<u>1,359,650,153</u>	<u>21,559,040</u>	<u>(1,047,892,571)</u>	<u>5,339,659,790</u>
<b>Depreciable /amortizable capital assets</b>					
Land improvements	14,964,839	—	—	353,473	15,318,312
Buildings	229,528,550	119,332	1,177,307	12,058,841	240,529,416
Software	10,892,009	963,837	—	127,944	11,983,790
Equipment	289,649,010	22,970,269	15,258,654	17,842	297,378,467
Vehicles	187,406,012	20,174,005	10,286,067	—	197,293,950
Temporary easements	5,638,181	1,863,815	1,007,308	—	6,494,688
Infrastructure	<u>42,600,584,255</u>	—	<u>46,420,770</u>	<u>1,035,334,471</u>	<u>43,589,497,956</u>
Total depreciable/amortizable capital assets	<u>43,338,662,856</u>	<u>46,091,258</u>	<u>74,150,106</u>	<u>1,047,892,571</u>	<u>44,358,496,579</u>
<b>Accumulated depreciation/amortization</b>					
Land improvements	8,005,509	533,371	—	—	8,538,880
Buildings	81,777,739	7,927,109	680,556	—	89,024,292
Software	4,817,934	2,881,576	—	—	7,699,510
Equipment	165,492,257	21,908,051	13,770,278	—	173,630,030
Vehicles	123,944,668	15,628,185	9,724,297	—	129,848,556
Temporary easements	1,258,835	1,879,394	1,007,308	—	2,130,921
Infrastructure	<u>21,059,681,629</u>	<u>825,743,537</u>	<u>46,420,770</u>	—	<u>21,839,004,396</u>
Total accumulated depreciation/amortization	<u>21,444,978,571</u>	<u>876,501,223</u>	<u>71,603,209</u>	—	<u>22,249,876,585</u>
Total depreciable/amortizable capital assets, net	<u>21,893,684,285</u>	<u>(830,409,965)</u>	<u>2,546,897</u>	<u>1,047,892,571</u>	<u>22,108,619,994</u>
Total net capital assets	<u>\$26,943,145,533</u>	<u>\$ 529,240,188</u>	<u>\$24,105,937</u>	<u>\$ —</u>	<u>\$27,448,279,784</u>

Changes in capital assets for the year ended June 30, 2009 are summarized below:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
\$ 2,354,391,148	\$ 2,613,065	\$ 6,750,811	\$ 47,858,550	\$ 2,398,111,952
—	—	—	—	—
165,369,263	95,627,872	—	(70,688,234)	190,308,901
<u>2,672,051,651</u>	<u>1,169,498,939</u>	<u>—</u>	<u>(1,380,510,195)</u>	<u>2,461,040,395</u>
<u>5,191,812,062</u>	<u>1,267,739,876</u>	<u>6,750,811</u>	<u>(1,403,339,879)</u>	<u>5,049,461,248</u>
14,412,383	—	—	552,456	14,964,839
212,256,354	110,274	1,814,526	18,976,448	229,528,550
10,187,636	704,373	—	—	10,892,009
278,181,633	23,754,010	12,286,633	—	289,649,010
179,653,968	15,008,859	7,256,815	—	187,406,012
4,648,594	—	1,879,394	2,868,981	5,638,181
<u>41,257,723,313</u>	<u>—</u>	<u>37,649,253</u>	<u>1,380,510,195</u>	<u>42,600,584,255</u>
<u>41,957,063,881</u>	<u>39,577,516</u>	<u>60,886,621</u>	<u>1,402,908,080</u>	<u>43,338,662,856</u>
7,462,328	543,181	—	—	8,005,509
75,387,932	8,135,175	1,313,569	(431,799)	81,777,739
4,776,457	41,477	—	—	4,817,934
154,879,879	21,738,751	11,126,373	—	165,492,257
115,167,243	15,688,418	6,910,993	—	123,944,668
1,588,698	1,549,531	1,879,394	—	1,258,835
<u>20,393,782,055</u>	<u>703,548,827</u>	<u>37,649,253</u>	<u>—</u>	<u>21,059,681,629</u>
<u>20,753,044,592</u>	<u>751,245,360</u>	<u>58,879,582</u>	<u>(431,799)</u>	<u>21,444,978,571</u>
21,204,019,289	(711,667,844)	2,007,039	1,403,339,879	21,893,684,285
<u>\$26,395,831,351</u>	<u>\$ 556,072,032</u>	<u>\$ 8,757,850</u>	<u>\$ —</u>	<u>\$26,943,145,533</u>

**Note 5: Risk Management**

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition, various lawsuits against the Department arise incident to the Department's normal operations. These risks have been classified as workers' compensation, vehicle liability, general liability, condemnation and inverse condemnation, contractor suits, employment suits, environmental regulatory liability, and levy and drainage district suits. It is the policy of the Department to manage its risks internally, with the exception of purchased earthquake and major building insurance policies. No insurance settlements exceeded coverage in the last three years. In addition, all State employees and officers are covered by the State's Legal Expense Fund.

**(A) Workers' Compensation, Vehicle and General Liabilities**

The Department sets aside assets for the settlement of workers' compensation, vehicle liability and general liability claims in an internal service fund, the MHTC Self-Insurance Fund. Section 537.610, RSMo limits the liability of the State and its public entities on claims within the scope of Sections 537.600 to 537.650, RSMo, except for those claims governed by the provisions of the Missouri Workers' Compensation Law, Chapter 287, RSMo. The limits were \$2,509,186 and \$2,525,423 for all claims arising out of a single accident or occurrence, and \$376,378 and \$378,814 for any one person in a single accident or occurrence, at June 30, 2010 and 2009, respectively, as set by the Missouri Department of Insurance.

Estimated pending self-insurance claims represent the expected losses to be realized on known claims pending and include minor non-incremental claims adjustment expenses. Estimated unreported claims represent expected losses or claims incurred but not reported. Amounts are reported based on actuarial calculations. Liabilities for incurred losses related to workers' compensation, and general and vehicle liability claims are reported at their discounted value, assuming an investment yield of 3 percent.

Changes in pending self-insurance claims and incurred but not reported claims for workers' compensation, vehicle and general liability during the past two years are as follows:

	<u>Beginning Balance</u>	<u>Current Claims and Estimate Changes</u>	<u>Claim Payments</u>	<u>Ending Balance</u>
2010	\$68,776,443	\$31,337,143	\$18,552,315	\$81,561,271
2009	65,171,440	18,461,630	14,856,627	68,776,443

**(B) Other Claims**

Claims for condemnation and inverse condemnation, contractor suits, levy and drainage district suits, environmental regulatory liability, and employment suits are paid from the State Road Fund. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. As listed in the Financing and Other Obligations note disclosure, the Department has approximately \$4,067,320 and \$5,926,304 in claims and judgments payable at June 30, 2010 and 2009, respectively. The Department is involved in other such suits for which no liability has been recorded, as a probable loss has not occurred. The aggregate potential liability of all claims deemed probable or possible to result in a loss was estimated to be approximately \$8,739,323 and \$9,111,304 as of June 30, 2010 and 2009, respectively. These estimates are within a range of \$4,204,426 to \$31,194,317 and \$6,961,447 to \$41,555,547 as of June 30, 2010 and 2009, respectively.

**Note 6: Medical and Life Insurance Plan**

The MoDOT and Missouri State Highway Patrol (MSHP) Insurance Plan (the Medical and Life Insurance Plan) Internal Service Fund accounts for the medical coverage provided on a self-insured basis and life insurance and transplant insurance benefits underwritten by commercial insurance companies. These benefits are available to employees, retirees, certain disabled employees, spouses, certain dependents, and survivors of deceased employees and retirees of the Department, the Missouri State Highway Patrol, and the MoDOT and Patrol Employees' Retirement System. Changes to plan benefits and funding are required to be approved by the Commission. Incurred but not reported claims of \$11,800,000 and \$12,000,000 were reported in the Medical and Life Insurance Plan as of June 30, 2010 and 2009, respectively.

Claims incurred but not reported represent estimated unreported claims. This liability is established from an actuarial report, which is based on data provided by the Department and claims administrators. Changes in the incurred but not reported claims liability during the past two years are as follows:

	<u>Beginning Balance</u>	<u>Current Claims and Estimate Changes</u>	<u>Claim Payments</u>	<u>Ending Balance</u>
2010	\$12,000,000	\$99,880,506	\$100,080,506	\$11,800,000
2009	12,400,000	95,637,552	96,037,552	12,000,000

**Note 7: Other Post-Employment Benefits (OPEB)**

The Department provides a portion of health care insurance through the Medical and Life Insurance Plan, as discussed in the prior Note, in accordance with Section 104.270, RSMo. For purposes of reporting OPEB costs and obligations in accordance with Governmental Accounting Standards Board (GASB) Statement 45, the Insurance Plan is considered an agent multiple-employer defined benefit plan. Eligible members are employees who retire from the Department with a minimum of 5 years of state service and who participate in the Medical and Life Insurance Plan. Premiums vary by coverage categories, which include retirees, certain disabled employees, spouses, certain dependents, and survivors of deceased employees and retirees. Members' and the Department's required contribution rates average approximately 51.0 percent and 49.0 percent, respectively, of total premiums. Plan member contributions range from \$12 to \$609 per month. The medical insurance benefits, and employer and member contribution amounts, are recommended by the Medical and Life Insurance Plan's Board of Trustees and are approved by the Commission. The Insurance Plan is financed on a pay-as-you-go basis. These other post-employment benefit costs are included in the Medical and Life Insurance Plan Internal Service Fund.

	<u>Plan Total</u>			<u>Department Portion</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Annual OPEB Cost	\$ 110,385,424	\$ 90,872,132	\$ 96,308,042	\$ 83,132,045	\$ 65,804,295	\$ 69,730,981
Net OPEB obligations at year end	221,323,950	136,698,656	71,067,283	157,985,387	97,456,294	50,691,490
Percentage of annual OPEB Cost contributed	n/a	n/a	n/a	27%	29%	27%

The Department contributed \$22.6 and \$19.0 million, including implicit rate subsidies, during fiscal years 2010 and 2009, respectively. Although funding is not related to payroll amounts, an equivalent Annual Required Contribution (ARC) rate would be 30.0 percent and 24.6 percent of annual covered payroll of \$266,455,521 and \$267,292,152 for fiscal years 2010 and 2009, respectively. MoDOT's share of the changes in the Plan's net OPEB obligation at June 30, 2010 is as follows:

Normal cost	\$ 30,779,732
Amortization payment	46,921,365
Interest on net OPEB obligation	11,352,030
Adjustment to ARC	<u>(5,921,082)</u>
Annual OPEB cost	83,132,045
Contributions	<u>(22,602,952)</u>
Increase in net OPEB obligation	60,529,093
Net OPEB Obligation – beginning of year	<u>97,456,294</u>
Net OPEB Obligation – end of year	<u>\$157,985,387</u>

## Missouri Department of Transportation Comprehensive Annual Financial Report

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Based on an actuarial valuation report dated October 1, 2009, for the fiscal year ending June 30, 2010, the Plan's total actuarial accrued liability is \$1,094.8 million. Because the Plan is an internal service fund of the Department, the Plan's assets have not been set aside; therefore, there is no actuarial value of assets. The Department's portion of the actuarial accrued liability at year-end was as follows:

Actuarial accrued liability (AAL)	\$798,601,629
Actuarial value of assets	—
Unfunded actuarial accrued liability (UAAL)	<u>\$798,601,629</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll	\$266,455,521
UAAL as a percentage of covered payroll	300%

Actuarial valuations reflect a long-term perspective and involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These calculations are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. A Schedule of Funding Progress, presented as Required Supplementary Information, follows the Notes to the Financial Statements. As allowed by the GASB, this reporting requirement is being implemented prospectively, as data is not available for prior years. Over time, a Schedule of Funding Progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits. The actuarial calculations have been based on the substantive plan in place at the time of valuation and on the pattern of cost sharing between the employers and members at that point.

The actuarial methods and assumptions utilized in the valuation were as follows:

Actuarial cost method	projected unit credit
UAAL amortization method	level dollar amount
UAAL amortization period, closed/open	30 years, open
Investment return (discount) rate	4.5%
Healthcare cost trend rate	8%, decreasing to 5% in 2015

**Note 8: Financing and Other Obligations**

Changes in long-term obligations for the year ended June 30, 2010 were as follows:

<u>Obligation</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
State road bonds	\$2,355,925,000	\$1,085,000,000	\$ 88,285,000	\$3,352,640,000	\$ 123,340,000
Advances from other entities	14,994,037	10,910,480	5,367,449	20,537,068	6,616,088
Federal Highway Administration loan	12,169,793	—	—	12,169,793	12,169,793
Capital leases	19,646,417	3,283,945	8,608,816	14,321,546	9,308,965
Claims and judgments	5,926,304	2,295,357	4,154,341	4,067,320	2,938,561
Compensated absences	37,898,074	25,014,820	25,004,034	37,908,860	25,004,034
Other post-employment benefits	97,456,294	60,529,093	—	157,985,387	—
Pollution remediation	153,657	94,241	233,245	14,653	14,653
	<u>\$2,544,169,576</u>	<u>\$1,187,127,936</u>	<u>\$131,652,885</u>	<u>\$3,599,644,627</u>	<u>\$179,392,094</u>

Amortization of financing activity:

Deferred refunding difference	(16,880,386)
Capital lease termination	(36,564)
Discount	(131,368)
Premium	115,473,978
	<u>\$3,698,070,287</u>

Changes in long-term obligations for the year ended June 30, 2009 were as follows:

<u>Obligation</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Discount Accreted</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
State road bonds	\$2,298,080,000	\$142,735,000	\$ 84,890,000	\$ —	\$2,355,925,000	\$ 88,285,000
Advances from other entities	21,872,045	1,856,026	8,854,796	120,762	14,994,037	1,577,983
Federal Highway Administration loan	12,169,793	—	—	—	12,169,793	—
Capital leases	28,442,871	581,389	9,377,843	—	19,646,417	8,591,150
Claims and judgments	1,775,783	5,105,895	955,374	—	5,926,304	2,964,755
Compensated absences	36,841,734	26,526,222	25,469,882	—	37,898,074	25,469,882
Other post-employment benefits	50,691,490	46,764,804	—	—	97,456,294	—
Pollution remediation	—	153,657	—	—	153,657	153,657
	<u>\$2,449,873,716</u>	<u>\$223,722,993</u>	<u>\$129,547,895</u>	<u>\$ 120,762</u>	<u>\$2,544,169,576</u>	<u>\$127,042,427</u>

Amortization of financing activity:

Deferred refunding difference	(19,125,686)
Capital lease termination	(151,960)
Discount	(145,715)
Premium	98,743,148
	<u>\$2,623,489,363</u>

## Missouri Department of Transportation Comprehensive Annual Financial Report

Payments on state road bonds are made from the Road Fund and the Road Bond Fund. Compensated absences are liquidated by the governmental funds from which the related salaries are paid. All other long-term obligation payments are made from the Road Fund.

The detail of long-term debt is as follows:

<b>State road bonds:</b>	<u>2010</u>	<u>2009</u>
Series A 2000 State Road bonds, originally issued for \$250,000,000, to accelerate projects in the Department's five-year plan due in annual installments of \$6,610,000 to \$13,315,000 beginning February 1, 2002 through 2013; interest varying from 4.30 percent to 5.63 percent; secured by revenues collected under Article IV, Section 30(b) of the Missouri Constitution.	\$ 26,310,000	\$ 38,310,000
Series A 2001 State Road bonds, originally issued for \$200,000,000, to finance projects in conformity with the priorities established in the 1992 plan developed by the Department due in annual installments of \$7,110,000 to \$10,535,000 beginning February 1, 2003 through 2015; interest varying from 2.25 percent to 5.125 percent; secured by revenues collected under Article IV, Section 30(b) of the Missouri Constitution.	30,915,000	40,115,000
Series A 2002 State Road bonds originally issued for \$203,000,000, to finance projects in conformity with the priorities established in the 1992 plan developed by the Department due in annual installments of \$7,435,000 to \$10,075,000 beginning February 1, 2004 through 2015; interest varying from 3.00 percent to 5.25 percent; secured by revenues collected under Article IV, Section 30(b) of the Missouri Constitution.	37,325,000	46,185,000
Series A 2003 State Road bonds, originally issued for \$254,000,000, to finance projects in conformity with the priorities established in the 1992 plan developed by the Department due in annual installments of \$8,125,000 to \$18,910,000 beginning February 1, 2005 through 2023; interest varying from 2.00 percent to 5.00 percent; secured by revenues collected under Article IV, Section 30(b) of the Missouri Constitution.	135,335,000	146,555,000
Series 2006 Refunding State Road bonds, originally issued for \$394,870,000, to advance refund certain portions of Series A 2000 through 2003 State Road bonds; due in annual installments of \$13,110,000 to \$61,200,000 beginning February 1, 2013 through 2022; interest varying from 4.00 percent to 5.00 percent; secured by revenues collected under Article IV, Section 30(b) of the Missouri Constitution.	394,870,000	394,870,000
Series A 2005 State Road bonds, originally issued for \$278,660,000, to finance projects pursuant to the Smoother, Safer, Sooner road and bridge program, due in annual installments of \$23,835,000 to \$33,940,000 beginning May 1, 2006 through 2015; interest varying from 2.50 percent to 5.00 percent; secured by revenues collected under Article IV, Section 30(b) of the Missouri Constitution.	154,485,000	181,210,000
Series B 2005 State Road bonds, originally issued for \$72,000,000, to finance projects pursuant to the Smoother, Safer, Sooner road and bridge program, demand bonds due in 2015; variable interest rate determined weekly, not to exceed 10 percent or the maximum rate permitted by law; secured by revenues collected under Article IV, Section 30(b) of the Missouri Constitution. See Variable Rate Demand Bonds subsection.	58,920,000	58,920,000
Series A 2006 State Road bonds, originally issued for \$296,670,000, to finance projects pursuant to the Smoother, Safer, Sooner road and bridge program; due in annual installments of \$10,000,000 to \$49,085,000; beginning in 2009 through 2021; interest varying from 3.75 percent to 5.00 percent; secured by revenues collected under Article IV, Section 30(b) of the Missouri Constitution.	271,670,000	286,670,000
Series B 2006 State Road bonds, originally issued for \$503,330,000, to finance projects pursuant to the Smoother, Safer, Sooner road and bridge program due in annual installments of \$67,735,000 to \$121,210,000 beginning in 2022 through 2026; interest varying from 4.50 percent to 5.00 percent; secured by revenues collected under Article IV, Section 30(b) of the Missouri Constitution.	503,330,000	503,330,000

Series A 2007 State Road bonds, originally issued for \$526,800,000, to finance projects pursuant to the Smoother, Safer, Sooner road and bridge program due in annual installments of \$1,600,000 to \$69,765,000 beginning in 2009 through 2027; interest varying from 4.00 percent to 5.25 percent; secured by revenues collected under Article IV, Section 30(b) of the Missouri Constitution.	511,745,000	517,025,000
Series A 2008 Federal Reimbursement State Road Bonds, originally issued for \$142,735,000, to finance federally-eligible projects, including the new I-64 project in St. Louis, due in annual installments of \$7,140,000 to \$12,870,000 beginning in 2011 through 2025; interest varying from 3.00 percent to 5.00 percent; secured by revenues collected from federal highway reimbursements.	142,735,000	142,735,000
Series A 2009 Federal Reimbursement State Road Bonds, originally issued for \$195,625,000, to finance federally-eligible projects, including the Safe and Sound bridge program, due in annual installments of \$14,505,000 to \$21,870,000 beginning in 2011 through 2021; interest varying from 2.00 percent to 5.00 percent; secured by revenues collected from federal highway reimbursements.	195,625,000	—
Series B 2009 Federal Reimbursement State Road Bonds, originally issued for \$404,375,000, to finance federally-eligible projects, including the Safe and Sound bridge program, due in annual installments of \$23,175,000 to \$43,250,000 beginning in 2022 through 2033; interest varying from 4.80 percent to 5.45 percent, exclusive of expected U.S. Treasury subsidy; secured by revenues collected from federal highway reimbursements.	404,375,000	—
Series C 2009 State Road bonds, originally issued for \$300,000,000, to finance projects pursuant to Amendment 3 due in annual installments of \$19,070,000 to \$28,015,000 beginning in 2017 through 2029; interest varying from 4.31 percent to 5.63 percent, exclusive of expected U.S. Treasury subsidy; secured by revenues collected under Article IV, Section 30(b) of the Missouri Constitution.	300,000,000	—
Series A 2010 Federal Reimbursement State Road Bonds, originally issued for \$128,865,000, to finance federally-eligible projects, including the new Mississippi River Bridge in St. Louis and the Safe and Sound bridge program, due in annual installments of \$2,745,000 to \$13,610,000 beginning in 2011 through 2022; interest varying from 1.50 percent to 5.00 percent; secured by revenues collected from federal highway reimbursements.	128,865,000	—
Series B 2010 Federal Reimbursement State Road Bonds, originally issued for \$56,135,000, to finance federally-eligible projects, including the new Mississippi River Bridge in St. Louis and the Safe and Sound bridge program, due in annual installments of \$11,290,000 to \$15,425,000 beginning in 2022 through 2025; interest varying from 4.72 percent to 5.02 percent, exclusive of expected U.S. Treasury subsidy; secured by revenues collected from federal highway reimbursements.	<u>56,135,000</u>	<u>—</u>
	<u>\$3,352,640,000</u>	<u>\$2,355,925,000</u>

**Tax-Exempt issuances:** The Series 2000, 2001, 2002, 2003, and Refunding 2006 bonds are Senior Bonds and would take priority in payment over other bonds. The Series A 2005 and Series A and B 2006 bonds are First Lien bonds. The Series A 2007 bonds are Second Lien bonds. The Series B 2005 bonds are Third Lien bonds. The Series A 2008, A 2009, and A 2010 bonds are liens on federal highway reimbursement revenues. As tax-exempt issuances, these bonds are subject to federal arbitrage regulations.

**Taxable issuances:** The Series B 2009 and B 2010 bonds are liens on federal highway reimbursement revenues. The Series C 2009 bonds are Third Lien bonds. These bonds are taxable Build America Bonds as established under the American Recovery and Reinvestment Act.

- Variable Rate Demand Bonds

The Series B 2005 State Road bonds were issued as variable rate instruments with weekly rate changes. The remarketing agents determine the interest rate as the lowest rate that will permit the bonds to be sold at par. During the year, interest rates ranged from 0.12 percent to 0.31 percent. Accrued interest is paid on a monthly basis. These bonds are demand obligations and are subject to tender. If the tendered bonds cannot be remarketed, the remarketing agents have agreed to purchase the bonds and hold them for a maximum of 180 days. The remarketing agents receive quarterly fees to provide the service. The fees are 7.5 basis points of amounts outstanding.

Under an irrevocable letter of credit issued by State Street Bank and Trust Company, the bank is obligated to pay the bond trustee the purchase price of bonds not remarketed. The letter of credit expires July 21, 2012.

If monies are drawn on the letter of credit, the Commission may pay the purchase price of the bonds or obtain a liquidity advance, payable 60 days following the advance, with interest at the federal funds rate plus 0.5 percent. The Commission may enter into a term loan of up to three years bearing interest at a rate equal to the federal funds rate plus 1.5 percent. If the term loan were to be utilized because the outstanding amount of \$58,920,000 was not resold, the Commission would be required to pay approximately \$10,123,000 semi-annually for 3 years, assuming a 1.75 percent interest rate. The Department pays quarterly fees of 17 basis points to the bank.

- Defeased Debt

In December 2006 (fiscal year 2007), the Commission defeased \$407.6 million of outstanding State Road Bonds by placing funds into an irrevocable trust to provide for future debt service payments of portions of Series 2000 through 2003 bonds. Accordingly, the trust account assets and those portions of the bonds are excluded from the Department's financial statements. The amounts of outstanding bonds considered defeased at June 30, 2010 are as follows:

<u>Bond Series</u>	<u>Principal Defeased</u>
2000 A	\$135,980,000
2001 A	105,075,000
2002 A	109,165,000
2003 A	<u>57,390,000</u>
Total	<u>\$407,610,000</u>

<b>Advances from other entities:</b>	<u>2010</u>	<u>2009</u>
American Energy Producers; to make improvements to Route 65; principal due in fiscal year 2011; no interest will accrue.	\$ 183,750	\$ 183,750
City of Chillicothe; to make improvements to Route 65; principal due August 31, 2010; no interest will accrue.	193,365	193,365
City of Columbia; to make improvements to Route 63 at Gans Road; principal due August 1, 2010; no interest will accrue.	970,719	970,719
City of Columbia; to make improvements to Route 763; principal due July 1, 2010; no interest will accrue.	—	1,251,568
City of Fulton; to make improvements at Business Route 54 and Second Street; principal due August 5, 2012; no interest will accrue.	981,014	—
City of Joplin; to make improvements to the intersection of Route FF, Route 43, and 32 <sup>nd</sup> Street; principal due August 31, 2008 and 2009; no interest will accrue.	—	457,291
Joplin Special Road District; to make improvements at Route 43 and Douglas Fir Road; principal due August 1, 2011; no interest will accrue.	297,000	38,568
City of Kansas City; to make improvements at Route 150 and Botts Road; principal due in 2013 and 2014; no interest will accrue.	99,453	—
Kansas City Power and Light; to make improvements to Route 45; principal due August 1, 2010; no interest will accrue.	2,220,834	—
City of Moberly; to make improvements to Routes 24 and DD; principal due August 1, 2011; no interest will accrue.	119,064	—
City of Monett; to make improvements to Route 60; principal due in 2010; no interest will accrue.	—	1,120,692
City of O'Fallon; to accelerate a portion of the Route 364 (Page Avenue Extension) project, which consists of constructing a south outer road; principal due July 1, 2015; no interest will accrue.	8,835,335	8,835,335
City of Pacific; to make improvements to Route I-44; principal due August 1, 2011; no interest will accrue.	173,946	—
City of Rogersville; to make improvements to Route 60; principal due in fiscal year 2013; no interest will accrue	73,630	—
Show Me Ethanol; to make improvements to Route 24; principal due July 29, 2011; no interest will accrue.	53,243	—
City of Springfield; to make improvements on Route 60 (James River Freeway) and National Avenue; principal due in fiscal years 2012 and 2013; no interest will accrue.	2,619,777	—
Springfield Underground; to make improvements to Route 744; principal due August 1, 2010; no interest will accrue.	1,693,300	998,251
County of St. Charles; to provide a location, needs, and cost study of a river crossing on Highway 40 between St. Louis County and St. Charles County; principal due July 1, 2020; no interest will accrue.	644,498	644,498
County of St. Louis; to make improvements to Route 40/I-64 at Spirit of St. Louis Blvd; principal due August 3, 2010; no interest will accrue.	1,054,120	—
City of Trenton; to make improvements to Route 65; principal due August 1, 2012; no interest will accrue.	24,020	—
City of Warrenton; to make improvements to Route 47; principal due August 1, 2010; no interest will accrue.	<u>300,000</u>	<u>300,000</u>
	<u>\$20,537,068</u>	<u>\$14,994,037</u>

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<b>Federal loan:</b>	<u>2010</u>	<u>2009</u>
Federal Highway Administration; for the extension of Page Avenue in St. Charles County; principal payments due in 2011, no interest will accrue.	<u>\$12,169,793</u>	<u>\$12,169,793</u>

Annual debt service requirements to maturity are indicated in the following schedule. The interest amounts for the demand obligation bonds reflect the year-end rate of 0.21 percent and are based upon the current debt service schedule. The interest payments for the Build America Bonds are shown excluding the expected receipt of interest subsidy payments from the U.S. Treasury. The Commission is responsible for loan interest payments to make improvements to Highway 36, due in annual installments beginning in fiscal year 2011 through 2020, at an interest rate of 3.99%. The U.S. Highway 36 – Interstate 72 Corridor Transportation Development District is responsible for principal payments.

<u>Fiscal Year</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Due</u>
<b>State Road Bonds</b>			
2011	\$ 123,340,000	\$ 162,177,718	\$ 285,517,718
2012	146,505,000	155,387,125	301,892,125
2013	155,785,000	149,948,363	305,733,363
2014	162,940,000	143,269,942	306,209,942
2015	170,095,000	136,632,938	306,727,938
2016-2020	1,012,890,000	558,407,812	1,571,297,812
2021-2025	1,021,980,000	300,510,128	1,322,490,128
2026-2030	433,755,000	87,737,300	521,492,300
2031-2033	<u>125,350,000</u>	<u>13,809,338</u>	<u>139,159,338</u>
	<u>\$3,352,640,000</u>	<u>\$1,707,880,664</u>	<u>\$5,060,520,664</u>
<b>Advances from other entities</b>			
2011	\$ 6,616,088	\$ 1,200,187	\$ 7,816,275
2012	3,263,030	1,074,861	4,337,891
2013	1,078,664	955,938	2,034,602
2014	99,453	835,581	935,034
2015	—	717,836	717,836
2016-2020	8,835,335	1,775,040	10,610,375
2021	<u>644,498</u>	<u>—</u>	<u>644,498</u>
	<u>\$ 20,537,068</u>	<u>\$ 6,559,443</u>	<u>\$ 27,096,511</u>
<b>Federal Loan</b>			
2011	<u>\$ 12,169,763</u>	<u>\$ —</u>	<u>\$ 12,169,763</u>

House Bill 1742, signed by the Governor on May 30, 2000, authorized the Department to issue bonds of \$2.25 billion through 2006, with no more than \$500.0 million issued in any one year. Under Constitutional Amendment 3, approved by Missouri voters on November 2, 2004, the authority of the Commission to issue State Road bonds is not subject to statutory provisions.

In December 2003, the Commission entered into a line-of-credit with the MTFC. The maximum amount available in the line-of-credit is the total uncommitted balance of the MTFC accounts. The primary purpose of the loan is to finance federally funded construction projects in the event of federal reimbursement delays for Road Fund projects. The Commission will make a lump-sum payment of principal and interest three months after the loan is advanced. At June 30, 2010 and 2009, no advances had been made to MoDOT on the line-of-credit agreement.

**Capital lease obligations:**

The Department is committed under several capital leases to finance the acquisition of various vehicles and equipment, as well as a building. Lease-purchase agreements for equipment, vehicles, and the building grant a security interest in the related capital assets. The assets acquired through these capital leases are included in capital assets as follows:

	<u>2010</u>	<u>2009</u>
Building	\$ 4,106,522	\$ 4,106,522
Equipment	3,424,116	3,594,246
Vehicles	<u>35,336,749</u>	<u>34,141,487</u>
Total capital leased assets	42,867,387	41,842,255
Accumulated depreciation	<u>20,536,177</u>	<u>16,949,647</u>
Capital leased assets, net	<u>\$22,331,210</u>	<u>\$24,892,608</u>

The following schedule presents the future minimum lease payments under the capital leases and the present value of the future minimum lease payments as of June 30, 2010:

2011	\$ 9,614,655
2012	1,636,405
2013	1,566,518
2014	414,661
2015	396,000
2016-2020	<u>1,749,000</u>
Total minimum lease payments	15,377,239
Less: amount representing interest	<u>1,055,693</u>
Present value of minimum lease payments	<u>\$14,321,546</u>

**Pollution remediation obligations:**

During 2010, MoDOT contracted for several pre-engineering reports related to Department of Natural Resources' requirements for lagoons. The reports will provide information needed to determine remediation activities and future costs. MoDOT is currently performing control and prevention activities in three instances related to buildings and grounds caused by chemical contamination and moisture intrusion. The potential for pollution remediation exists; however, any future remediation obligations are not yet estimable.

**Note 9: Tax Revenues**

Tax revenues for the fiscal years 2010 and 2009 were as follows:

	<u>State Highways and Transportation Department Fund</u>	<u>State Road Fund</u>	<u>State Road Bond Fund</u>	<u>Nonmajor Funds</u>	<u>Total 2010</u>
Fuel taxes	\$503,121,282	\$ 114,205	\$ —	\$ 252,347	\$503,487,834
Sales and use taxes	<u>47,506,321</u>	<u>103,110,616</u>	<u>94,150,295</u>	<u>6,576,177</u>	<u>251,343,409</u>
Total tax revenue	<u>\$550,627,603</u>	<u>\$103,224,821</u>	<u>\$94,150,295</u>	<u>\$6,828,524</u>	<u>\$754,831,243</u>

	<u>State Highways and Transportation Department Fund</u>	<u>State Road Fund</u>	<u>State Road Bond Fund</u>	<u>Nonmajor Funds</u>	<u>Total 2009</u>
Fuel taxes	\$499,207,302	\$ 104,383	\$ —	\$ 194,126	\$499,505,811
Sales and use taxes	<u>42,343,291</u>	<u>96,682,301</u>	<u>88,868,734</u>	<u>6,704,325</u>	<u>234,598,651</u>
Total tax revenue	<u>\$541,550,593</u>	<u>\$96,786,684</u>	<u>\$88,868,734</u>	<u>\$6,898,451</u>	<u>\$734,104,462</u>

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Taxes are remitted by the Missouri Department of Revenue to the Department subsequent to collection. The Department receives the following taxes:

- **Fuel taxes** are paid on the sale of gasoline, aviation fuel used in propelling aircraft with reciprocating engines, and diesel fuel. The taxes are authorized by Sections 142.010 – 142.350; 155.080 and 155.090; and 142.362 – 142.621, RSMo, respectively. The tax rate on gasoline and diesel fuels is \$0.17 per gallon. The Department receives 75 percent of the first \$0.11 and 70 percent of the next \$0.06. The remaining tax is distributed to cities and counties. In addition, the Department receives the entire tax on aviation fuel of \$0.09 per gallon.
- **Sales and use taxes** are paid on the purchase of any new or used motor vehicle or trailer, on vehicles purchased out of state and titled in Missouri, and on the sale of a vehicle between individuals within Missouri. The taxes are authorized by Sections 144.070 and 144.440, RSMo. The general sales tax rate is 3 percent and Proposition C tax (Section 144.701, RSMo) is 1 percent, for a total of 4 percent. The Department receives 75% of the motor vehicle sales voter-approved Constitutional Amendment 3 tax. The remainder is distributed to cities, counties, and school districts. The Department receives 100 percent of the 3 percent general use tax and 75 percent of the Proposition C use tax. The other 25 percent of the Proposition C use tax is distributed to cities and counties. In addition, the Department receives sales and use tax on aviation jet fuel, limited to a maximum of \$10.0 million in each calendar year.

### Note 10: Interfund Transactions

State statute (RSMo 226.200) requires the transfer of unspent monies in the Highway Fund to the State Road Fund on a monthly basis. Transfers for the years ended June 30, 2010 and 2009 were as follows:

	2010		2009	
	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Transfers Out</u>
State Highways and Transportation Department Fund	\$ —	\$536,844,549	\$ —	\$527,110,139
State Road Fund	809,558,619	—	554,257,470	—
Federal Stimulus Fund	—	291,419,734	—	28,279,016
Nonmajor Funds	18,724,760	19,096	1,131,685	—
Total transfers	<u>\$828,283,379</u>	<u>\$828,283,379</u>	<u>\$555,389,155</u>	<u>\$555,389,155</u>

The due to/from amounts in the Road Fund and non-major funds represent interfund services provided and used. Amounts receivable/payable as of June 30, 2010 and 2009 were as follows:

	2010		2009	
	<u>Receivable</u>	<u>Payable</u>	<u>Receivable</u>	<u>Payable</u>
Nonmajor Funds	\$ 68,941	\$ 174,229	\$ 1,131,685	\$ 1,293,502
Federal Stimulus Fund	—	22,539,679	—	10,313,064
State Road Fund	22,644,967	—	10,474,881	—
Total due to/from	<u>\$22,713,908</u>	<u>\$22,713,908</u>	<u>\$11,606,566</u>	<u>\$11,606,566</u>

### Note 11: Defined Benefit Pension Plan

The MoDOT and Patrol Employees' Retirement System (MPERS) was established, and is administered by a board of trustees, in accordance with Section 104.020, RSMo. As the plan includes employees outside of the Department, the MPERS is disclosed in accordance with the requirements of a cost-sharing, multiple-employer, public employee retirement plan. The MPERS provides retirement, death, and disability benefits to full-time employees (defined as working at least 1,040 hours annually) with benefits vesting after five years of creditable service. Contributions to the MPERS for fiscal years 2010 and 2009 were 31.40 percent and 30.72 percent, respectively, of covered payroll. The Department made 100 percent of the required contributions of \$83,667,034, \$82,112,149, and \$81,450,011 in 2010, 2009, and 2008, respectively. The MPERS' funded status ratio was 42.20 percent and 47.30 percent as of June 30, 2010 and 2009, respectively.

The fiscal year 2010 funding policy provides for actuarially-determined and board-approved employer contributions using the entry-age normal cost method on a closed group basis, consisting of normal cost and amortization of any unfunded accrued liabilities over a closed 27-year period. Actuarially determined rates, expressed as percentages of annual covered payroll, provide for amounts sufficient to fund those benefits designated by State statute to be funded in advance. Employees do not contribute to the MPERS. Any amendments to the plan are established by changes in State statute. Refer to the Subsequent Events note for additional information.

The MPERS issues its own stand-alone financial report, which provides detailed information regarding actuarial assumptions and funding progress. Copies may be requested from the MoDOT and Patrol Employees' Retirement System, P.O. Box 1930, Jefferson City, Missouri 65102 or at [www.mpers.org](http://www.mpers.org).

**Note 12: Commitments and Contingencies**

**(A) Unemployment Benefits**

The Department is subject to the Missouri Employment Security Law. Department employees who qualify are entitled to benefit payments during periods of unemployment. The Department is required to reimburse the Division of Employment Security for benefit payments made to its former employees. The Department has identified no practical method of estimating the amount of future benefit payments that may be made to former employees for wage credits earned prior to June 30, 2010 and 2009. Consequently, this potential obligation is not included in the accompanying basic financial statements. Total reimbursements made by the Department were \$693,379 and \$465,917 for fiscal year 2010 and 2009, respectively.

**(B) Construction Commitments**

Construction awards outstanding for both state and federal participating projects at June 30, 2010 and 2009 amounted to approximately \$1,592,822,162 and \$1,702,811,400, respectively. The federal portion of this total was \$1,166,302,168 and \$1,325,150,085, or approximately 73.22 percent and 77.82 percent, for 2010 and 2009, respectively.

**(C) Operating Leases**

The Department is committed under operating leases for buildings, as well as various office and maintenance equipment. Lease expenditures for the years ended June 30, 2010 and 2009 amounted to \$3,300,822 and \$3,168,618, respectively. Future minimum lease payments for these leases are as follows:

Year ending:	<u>2010</u>	<u>2009</u>
2010	\$ —	\$1,477,448
2011	984,140	534,449
2012	37,182	33,768
2013	23,151	1,209
2014	806	1,209
	<u>\$1,045,279</u>	<u>\$2,048,083</u>

**(D) Federal Funding**

The Department receives federal grants that are subject to review and audit by federal grantor agencies. This could result in requests for reimbursement by the grantor agency for any expenditures disallowed under grant terms. The Department believes such disallowances, if any, would be immaterial.

**Note 13: Net Asset Deficit**

The MHTC self-insurance plan fund, an internal service fund, had a net asset deficit of \$11,390,364 at June 30, 2010. Funding is based on annual actuarial studies and budget availability. Increases in appropriations and claims management should eliminate the deficit over time.

**Note 14: Accounting Pronouncements**

**(A) Intangible Assets**

During fiscal year 2010, MoDOT implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which requires certain intangible assets to be included in capital assets. The Summary of Significant Accounting Policies and Capital Assets notes provide disclosures related to intangible assets. These comparative financial statements include fiscal year 2009 restatements for the capitalization and amortization of temporary easements and purchased computer software, which resulted in an \$886,635 decrease in the change in net assets. The fiscal year 2009 statements have not been restated for internally-generated computer software, as allowed by the statement, because sufficient information to apply the provisions of GASB 51 retroactively does not exist. MoDOT has reported easements since fiscal year 2002, at the time the GASB required financial reporting of infrastructure. The effect of the implementation on the comparative statements is as follows:

<b>Governmental Activities</b>	<u><b>July 1, 2009</b></u>	<u><b>July 1, 2008</b></u>
Net assets, as previously reported	\$25,136,797,306	\$25,006,861,264
Addition of intangible capital assets being depreciated, net	<u>2,935,846</u>	<u>3,822,481</u>
Net assets, as restated	\$25,139,733,152	\$25,010,683,745

**(B) Fund Balances and Fund Types**

MoDOT will implement GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2011. The statement requires reclassifications of certain governmental fund types and changes the fund balance categories.

**Note 15: Subsequent Events**

**(A) Defined Benefit Pension Plan**

The MPERS board adopted a funding policy based on a 15 year amortization period for the unfunded retiree liabilities and a 30 year amortization period for the other unfunded liabilities, beginning July 1, 2010. Both periods are closed.

A pension reform bill was passed during a special legislative session, creating a new tier of benefits within the Year 2000 Plan for new employees hired for the first time on or after January 1, 2011. Provisions include 10 year vesting requirements and four percent employee contributions.

**(B) Anticipated Bond Issuance**

The Department anticipates refinancing outstanding senior lien debt by issuing advance refunding bonds in the fall of 2010. This will enable the Department to reduce total debt service by taking advantage of lower interest rates.

# Required Supplementary Information

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**Required Supplementary Information**  
**Budgetary Comparison Schedules – State Highways**  
**and Transportation Department Fund**  
**Year Ended June 30, 2010**  
**With Summarized Financial Information for 2009**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances Between Final Budget and Actual</b>	
	<b>Original</b>	<b>Final</b>		<b>2010</b>	<b>2009</b>
<b>Budgetary fund balance, beginning of year</b>	\$ 9,958,963	\$ 9,958,963	\$ 9,958,963	\$ —	\$ —
Resources (inflows)					
Fuel taxes	543,508,000	543,508,000	501,852,588	(41,655,412)	(24,072,161)
License, fees, and permits	185,121,000	185,121,000	181,173,900	(3,947,100)	23,840,931
Vehicle sales and use taxes	41,924,000	41,924,000	47,254,574	5,330,574	(6,065,661)
Interest	469,000	469,000	504,986	35,986	(2,561,805)
Intergovernmental/cost reimbursements/miscellaneous	<u>10,313,000</u>	<u>10,313,000</u>	<u>7,653,115</u>	<u>(2,659,885)</u>	<u>2,311,143</u>
<b>Amount available for appropriation</b>	<u>791,293,963</u>	<u>791,293,963</u>	<u>748,398,126</u>	<u>(42,895,837)</u>	<u>(6,547,553)</u>
Charges to appropriations (outflows)					
Appropriations spent by other state agencies	<u>217,715,307</u>	<u>219,407,412</u>	<u>197,672,887</u>	<u>21,734,525</u>	<u>19,022,632</u>
<b>Total charges to appropriations</b>	<u>217,715,307</u>	<u>219,407,412</u>	<u>197,672,887</u>	<u>21,734,525</u>	<u>19,022,632</u>
Transfers to State Road Fund	<u>(500,000,000)</u>	<u>(600,000,000)</u>	<u>(540,395,966)</u>	<u>59,604,034</u>	<u>411,661</u>
<b>Budgetary fund balance, end of year</b>	<u>\$ 73,578,656</u>	<u>\$ (28,113,449)</u>	<u>\$ 10,329,273</u>	<u>\$ 38,442,722</u>	<u>\$ 12,886,740</u>

## Required Supplementary Information

### Budgetary Comparison Schedules – State Road Fund

Year Ended June 30, 2010

With Summarized Financial Information for 2009

	Budgeted Amounts		Actual	Variances Between Final Budget and Actual	
	Original	Final		2010	2009
<b>Budgetary fund balance, beginning of year</b>	\$ 606,754,896	\$ 606,754,896	\$ 606,754,896	\$ —	\$ —
Resources (inflows)					
Fuel taxes	109,000	109,000	114,205	5,205	(8,617)
License, fees, and permits	86,014,000	86,014,000	98,115,659	12,101,659	(28,748,638)
Vehicle sales and use taxes	99,197,000	99,197,000	102,555,657	3,358,657	(28,928,610)
Interest	7,497,000	7,497,000	8,893,823	1,396,823	(6,708,562)
Intergovernmental/cost reimbursements/miscellaneous	146,658,000	146,658,000	151,729,564	5,071,564	42,381,060
Federal government	840,514,000	840,514,000	853,375,696	12,861,696	(56,367,206)
Bond proceeds	315,000,000	1,085,000,000	1,107,698,801	22,698,801	(3,932,125)
<b>Amount available for appropriation</b>	<u>2,101,743,896</u>	<u>2,871,743,896</u>	<u>2,929,238,301</u>	<u>57,494,405</u>	<u>(82,312,698)</u>
Charges to appropriations (outflows)					
Administration					
Personal service	22,778,618	22,338,050	21,268,318	1,069,732	992,923
Fringe benefits	26,259,248	26,046,101	24,294,198	1,751,903	2,063,737
Expense and equipment	5,420,362	5,299,016	3,889,228	1,409,788	860,063
Maintenance					
Personal service	154,746,443	150,657,833	149,574,853	1,082,980	1,979,716
Fringe benefits	95,690,785	93,567,573	91,845,678	1,721,895	3,961,415
Expense and equipment	210,859,901	241,957,462	229,608,109	12,349,353	18,749,636
Construction					
Personal service	89,546,360	87,677,620	86,206,069	1,471,551	5,031,300
Fringe benefits	51,655,846	50,751,747	48,371,555	2,380,192	5,454,188
Expense and equipment	26,253,787	26,916,075	26,060,620	855,455	2,566,018
Contracts	1,312,446,263	1,316,404,907	696,625,477	619,779,430	159,117,297
Right of way purchase	50,000,000	50,000,000	45,937,721	4,062,279	16,564,763
Program-bonds	374,325,000	374,325,000	712,184,304	(337,859,304)	(13,795,044)
Fleet, facilities, and information systems					
Personal service	17,726,657	17,239,585	16,463,512	776,073	573,114
Fringe benefits	10,183,832	9,948,185	9,270,385	677,800	716,814
Expense and equipment	87,384,383	92,081,880	85,817,586	6,264,294	8,664,038
Multimodal operations					
Personal service	472,515	472,515	426,178	46,337	31,847
Fringe benefits	280,188	280,188	209,488	70,700	31,061
Expense and equipment	38,224	38,224	20,951	17,273	123,337
Program	7,440,000	7,440,000	176,000	7,264,000	—
Bond principal and interest payments	110,630,000	121,114,000	124,411,876	(3,297,876)	(13,787,469)
<b>Total charges to appropriations</b>	<u>2,654,138,412</u>	<u>2,694,555,961</u>	<u>2,372,662,106</u>	<u>321,893,855</u>	<u>199,898,754</u>
Transfers from Highway Safety Fund	—	19,096	19,096	—	—
Transfers from Federal Stimulus Fund	730,384,200	288,905,614	259,405,613	(29,500,001)	(107,034,048)
Transfers from Highway Fund	500,000,000	600,000,000	540,395,966	(59,604,034)	(411,661)
<b>Budgetary fund balance, end of year</b>	<u>\$ 677,989,684</u>	<u>\$1,066,112,645</u>	<u>\$1,356,396,870</u>	<u>\$ 290,284,225</u>	<u>\$ 10,140,347</u>

**Required Supplementary Information**  
**Budgetary Comparison Schedules – Federal Stimulus Fund**  
 Year Ended June 30, 2010  
 With Summarized Financial Information for 2009

	<u>Budgeted Amounts</u>			<u>Variances Between Final Budget and Actual</u>	
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>2010</u>	<u>2009</u>
<b>Budgetary fund balance, beginning of year</b>	\$ —	\$ —	\$ —	\$ —	\$ —
Resources (inflows)					
American Recovery and Reinvestment Act	351,734,188	351,734,188	279,191,944	(72,542,244)	(89,284,285)
Interest	—	—	1,206	1,206	237
<b>Amount available for appropriation</b>	<u>351,734,188</u>	<u>351,734,188</u>	<u>279,193,150</u>	<u>(72,541,038)</u>	<u>(89,284,048)</u>
Transfers to State Road Fund	(695,884,200)	(259,405,614)	(259,405,613)	1	107,034,048
Transfers to Road and/or Multimodal Federal Fund	(34,500,000)	(29,500,000)	—	29,500,000	—
Transfers to Multimodal Federal Fund	<u>(71,718,109)</u>	<u>(46,705,232)</u>	<u>(19,787,504)</u>	<u>26,917,728</u>	<u>11,500,000</u>
<b>Budgetary fund balance, end of year</b>	<u>\$ (450,368,121)</u>	<u>\$ 16,123,342</u>	<u>\$ 33</u>	<u>\$(16,123,309)</u>	<u>\$ 29,250,000</u>

## Required Supplementary Information

### Budget Basis to GAAP Reconciliations and Disclosure

#### Years Ended June 30, 2010 and 2009

The following are reconciliations of the differences between the State's budgetary basis and accounting principles generally accepted in the United States of America (GAAP) basis for 2010:

	<b>State Highways and Transportation Department Fund</b>	<b>State Road Fund</b>	<b>Federal Stimulus Fund</b>
Fund balance, budgetary basis	\$ 10,329,273	\$1,356,396,870	\$ 33
Receivables	115,501,220	202,628,315	22,539,646
Due from other funds	—	22,644,967	—
Inventories	—	43,710,680	—
Payables	(11,117,326)	(150,856,336)	—
Deferred revenues	(2,952,187)	(21,787,986)	—
Escrowed funds	—	22,705	—
Due to other funds	—	—	(22,539,679)
Change in fair value of investments	13,600	1,466,937	—
Fund balance, GAAP basis	<b>\$111,774,580</b>	<b>\$1,454,226,152</b>	<b>\$ —</b>

The following are reconciliations of the differences between the State's budgetary basis and accounting principles generally accepted in the United States of America (GAAP) basis for 2009:

	<b>State Highways and Transportation Department Fund</b>	<b>State Road Fund</b>	<b>Federal Stimulus Fund</b>
Fund balance, budgetary basis	\$ 9,958,963	\$ 606,754,896	\$ —
Receivables	112,844,307	114,538,715	10,313,064
Due from other funds	—	10,474,881	—
Inventories	—	47,693,063	—
Payables	(7,228,038)	(134,942,706)	—
Deferred revenues	(4,334,217)	(43,944,923)	—
Escrowed funds	—	5,476,028	—
Due to other funds	—	—	(10,313,064)
Change in fair value of investments	28,768	570,648	—
Fund balance, GAAP basis	<b>\$111,269,783</b>	<b>\$ 606,620,602</b>	<b>\$ —</b>

### **Budgetary Principles and Presentation**

The budgetary comparison schedules are presented on the State's budgetary basis of accounting. Under this basis, revenues are recognized when cash is received. Expenditures are recognized for cash disbursements made during the fiscal year and for adjustments made in the lapse period, as defined by the Office of Administration.

All governmental funds reported by MoDOT have legally adopted annual budgets. The legal authority for approval of the Department's budget and amendments for the State Highways and Transportation Department Fund and the Federal Stimulus Fund rests with the State Legislature. Remaining budgeted amounts are not available at the end of the lapse period. The Commission approves the State Road Fund budget and amendments. The fund level is the legal level of control for the State Road Fund. However, at any time, the Commission may approve the Department to spend more or less than the State Legislature or the fund level of the State Road Fund, which will drive the Department's budget to be higher or lower than the other legal limits.

The Department develops its budget through processes involving the districts and the central office divisions. Upon Commission approval, the legislative budget request is sent to the Office of Administration on October 1, and is forwarded to the Governor's Office. The Governor develops a recommendation regarding the budget and forwards both the budget request and the recommendation to the Legislature. The Legislature generally acts on budget matters during January through May. The Governor has veto authority and generally acts on those matters in June. Upon Commission approval, the Department then internally distributes available funds based on input and feedback from the districts and the central office divisions.

## Required Supplementary Information

### Schedule of Funding Progress

### Other Post-Employment Benefits

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
7/1/2007	—	\$686,992,459	\$686,992,459	0%	\$262,657,307	262%
7/1/2009	—	798,601,629	798,601,629	0%	266,455,521	300

Actuarial valuations are performed biennially. The Department is the majority employer participating in the Insurance Plan. The Plan's total actuarial accrued liability is \$1,094.8 million.

Because the Plan is an internal service fund of the Department, the Plan's assets have not been set aside; therefore, there is no actuarial value of assets. This results in a calculated funded ratio of zero percent. The Insurance Plan is financed on a pay-as-you-go basis. The plan is not related to covered payroll; the required information is displayed for information purposes. Refer to the Medical and Life Insurance Plan and Other Post-Employee Benefits disclosures in the Notes to the Financial Statements for further information on the Insurance Plan.

# Combining Financial Statements Nonmajor Governmental Funds

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## Combining Balance Sheets

### Nonmajor Governmental Funds – Special Revenue

June 30, 2010

With Summarized Financial Information for 2009

	<u>Multimodal Fund</u>	<u>State Transportation Fund</u>	<u>Aviation Trust Fund</u>	<u>State Transportation Assistance Revolving Fund</u>	<u>MCS Federal Fund</u>
<b>Assets</b>					
Cash and cash equivalents	\$1,195,901	\$164,301	\$9,411,216	\$1,252,264	\$108,509
State taxes and fees receivable	—	228,100	285,304	—	—
Federal government receivable	5,126,981	—	—	—	171,654
Miscellaneous receivables, net	614,670	—	14,007	14,701	—
Loans receivable	—	—	—	2,363,778	—
Due from other funds	68,941	—	—	—	—
<b>Total assets</b>	<u>\$7,006,493</u>	<u>\$392,401</u>	<u>\$9,710,527</u>	<u>\$3,630,743</u>	<u>\$280,163</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$5,817,457	\$ 222	\$1,102,107	\$ —	\$171,654
Accrued payroll	26,573	7,667	28,026	—	—
Deferred revenue	310,961	—	—	—	—
Due to other funds	17,134	4,687	15,621	—	—
<b>Total liabilities</b>	<u>6,172,125</u>	<u>12,576</u>	<u>1,145,754</u>	<u>—</u>	<u>171,654</u>
<b>Fund Balances</b>					
Reserve for loans receivable	—	—	—	2,363,778	—
Unreserved, special revenue funds	834,368	379,825	8,564,773	1,266,965	108,509
<b>Total fund balances</b>	<u>834,368</u>	<u>379,825</u>	<u>8,564,773</u>	<u>3,630,743</u>	<u>108,509</u>
<b>Total liabilities and fund balances</b>	<u>\$7,006,493</u>	<u>\$392,401</u>	<u>\$9,710,527</u>	<u>\$3,630,743</u>	<u>\$280,163</u>

<b>Grade Crossing Safety Fund</b>	<b>Railroad Expense Fund</b>	<b>Highway Safety Fund</b>	<b>Motorcycle Safety Fund</b>	<b>Total</b>	
				<b>2010</b>	<b>2009</b>
\$5,444,866	\$513,463	\$ 263,387	\$ 191,365	\$ 18,545,272	\$22,689,616
123,055	—	—	—	636,459	586,374
—	—	2,196,203	—	7,494,838	9,603,506
80,064	—	—	—	723,442	492,544
—	—	—	—	2,363,778	2,828,123
—	—	—	—	68,941	1,131,685
<u>\$5,647,985</u>	<u>\$513,463</u>	<u>\$2,459,590</u>	<u>\$ 191,365</u>	<u>\$29,832,730</u>	<u>\$37,331,848</u>
\$ 103,137	\$ 1,211	\$2,024,111	\$ —	\$ 9,219,899	\$10,850,201
—	21,586	18,519	—	102,371	105,722
80,064	—	—	—	391,025	1,468,035
—	<u>14,309</u>	<u>122,478</u>	—	<u>174,229</u>	<u>1,293,502</u>
<u>183,201</u>	<u>37,106</u>	<u>2,165,108</u>	—	<u>9,887,524</u>	<u>13,717,460</u>
—	—	—	—	2,363,778	2,828,123
<u>5,464,784</u>	<u>476,357</u>	<u>294,482</u>	<u>191,365</u>	<u>17,581,428</u>	<u>20,786,265</u>
<u>5,464,784</u>	<u>476,357</u>	<u>294,482</u>	<u>191,365</u>	<u>19,945,206</u>	<u>23,614,388</u>
<u>\$5,647,985</u>	<u>\$513,463</u>	<u>\$2,459,590</u>	<u>\$ 191,365</u>	<u>\$29,832,730</u>	<u>\$37,331,848</u>

## Combining Statements of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds – Special Revenue

Year Ended June 30, 2010

With Summarized Financial Information for 2009

	<u>Multimodal Fund</u>	<u>State Transportation Fund</u>	<u>Aviation Trust Fund</u>	<u>State Transportation Assistance Revolving Fund</u>	<u>MCS Federal Fund</u>
<b>Revenues</b>					
Fuel taxes	\$ —	\$ —	\$ 252,347	\$ —	\$ —
Sales and use taxes	—	2,510,077	4,066,100	—	—
Licenses, fees, and permits	—	—	—	—	—
Intergovernmental/cost reimbursements/miscellaneous	1,368,411	—	—	—	—
Investment earnings	—	—	105,960	86,719	—
State government	12,110,995	—	—	—	—
Federal government	<u>63,945,401</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,319,252</u>
<b>Total revenues</b>	<u>77,424,807</u>	<u>2,510,077</u>	<u>4,424,407</u>	<u>86,719</u>	<u>1,319,252</u>
<b>Expenditures</b>					
Current					
Maintenance	—	—	—	—	1,319,391
Multimodal operations	95,871,051	2,941,275	9,249,492	—	—
Capital outlay	41,871	—	—	—	—
Other state agencies	—	—	63,437	7,355	—
<b>Total expenditures</b>	<u>95,912,922</u>	<u>2,941,275</u>	<u>9,312,929</u>	<u>7,355</u>	<u>1,319,391</u>
<b>Excess of revenues over (under) expenditure</b>	<u>(18,488,115)</u>	<u>(431,198)</u>	<u>(4,888,522)</u>	<u>79,364</u>	<u>(139)</u>
<b>Other Financing Sources (Uses)</b>					
Capital asset sales	—	—	—	—	2,830
Transfers in	18,724,760	—	—	—	—
Transfers out	—	—	—	—	—
<b>Total other financing sources (uses)</b>	<u>18,724,760</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,830</u>
<b>Net Changes in Fund Balances</b>	236,645	(431,198)	(4,888,522)	79,364	2,691
<b>Fund Balances, beginning of year</b>	<u>597,723</u>	<u>811,023</u>	<u>13,453,295</u>	<u>3,551,379</u>	<u>105,818</u>
<b>Fund Balances, end of year</b>	<u>\$ 834,368</u>	<u>\$ 379,825</u>	<u>\$ 8,564,773</u>	<u>\$ 3,630,743</u>	<u>\$ 108,509</u>

<u>Grade Crossing Safety Fund</u>	<u>Railroad Expense Fund</u>	<u>Highway Safety Fund</u>	<u>Motorcycle Safety Fund</u>	<u>Total</u>	
				<u>2010</u>	<u>2009</u>
\$ —	\$ —	\$ —	\$ —	\$ 252,347	\$ 194,126
—	—	—	—	6,576,177	6,704,325
1,259,091	883,289	—	342,797	2,485,177	2,635,105
3,124	—	1,225	35,555	1,408,315	2,460,336
—	—	—	—	192,679	474,553
—	—	—	—	12,110,995	16,633,764
—	—	<u>19,692,358</u>	—	<u>84,957,011</u>	<u>75,795,258</u>
<u>1,262,215</u>	<u>883,289</u>	<u>19,693,583</u>	<u>378,352</u>	<u>107,982,701</u>	<u>104,897,467</u>
—	—	18,890,315	423,679	20,633,385	25,161,126
874,416	643,009	—	—	109,579,243	85,407,410
—	—	—	—	41,871	420,146
<u>22,257</u>	<u>8,311</u>	—	<u>4,518</u>	<u>105,878</u>	<u>75,360</u>
<u>896,673</u>	<u>651,320</u>	<u>18,890,315</u>	<u>428,197</u>	<u>130,360,377</u>	<u>111,064,042</u>
<u>365,542</u>	<u>231,969</u>	<u>803,268</u>	<u>(49,845)</u>	<u>(22,377,676)</u>	<u>(6,166,575)</u>
—	—	—	—	2,830	26,848
—	—	—	—	18,724,760	1,131,685
—	—	<u>(19,096)</u>	—	<u>(19,096)</u>	—
—	—	<u>(19,096)</u>	—	<u>18,708,494</u>	<u>1,158,533</u>
365,542	231,969	784,172	(49,845)	(3,669,182)	(5,008,042)
<u>5,099,242</u>	<u>244,388</u>	<u>(489,690)</u>	<u>241,210</u>	<u>23,614,388</u>	<u>28,622,430</u>
<u>\$5,464,784</u>	<u>\$476,357</u>	<u>\$ 294,482</u>	<u>\$191,365</u>	<u>\$ 19,945,206</u>	<u>\$ 23,614,388</u>



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# Combining Financial Statements Proprietary Funds

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## Combining Statements of Net Assets

Proprietary Funds – Internal Service

June 30, 2010

With Summarized Financial Information for 2009

	MoDOT & MSHP Medical and Life Insurance Plan	MHTC Self-Insurance Plan	Total	
			2010	2009
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 9,317,962	\$ 5,623,955	\$ 14,941,917	\$ 19,929,298
Investments	19,923,158	43,369,455	63,292,613	39,982,016
Federal government receivable	2,486	—	2,486	—
Miscellaneous receivables	2,104,320	349,655	2,453,975	2,209,377
Total current assets	<u>31,347,926</u>	<u>49,343,065</u>	<u>80,690,991</u>	<u>62,120,691</u>
<b>Noncurrent assets</b>				
Investments	13,129,394	20,692,039	33,821,433	44,517,319
Restricted investments	100,000	200,000	300,000	300,000
Total noncurrent assets	<u>13,229,394</u>	<u>20,892,039</u>	<u>34,121,433</u>	<u>44,817,319</u>
<b>Total assets</b>	<u>44,577,320</u>	<u>70,235,104</u>	<u>114,812,424</u>	<u>106,938,010</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable	2,838,827	64,197	2,903,024	3,190,476
Deferred revenue	7,704,199	—	7,704,199	7,752,699
Pending self-insurance claims	—	14,583,000	14,583,000	14,514,000
Incurred but not reported claims	11,800,000	4,286,000	16,086,000	14,811,000
Total current liabilities	<u>22,343,026</u>	<u>18,933,197</u>	<u>41,276,223</u>	<u>40,268,175</u>
<b>Noncurrent liabilities</b>				
Pending self-insurance claims	—	48,452,271	48,452,271	43,102,443
Incurred but not reported claims	—	14,240,000	14,240,000	8,349,000
Total noncurrent liabilities	—	<u>62,692,271</u>	<u>62,692,271</u>	<u>51,451,443</u>
<b>Total liabilities</b>	<u>22,343,026</u>	<u>81,625,468</u>	<u>103,968,494</u>	<u>91,719,618</u>
<b>Net Assets</b>				
Restricted net assets	100,000	200,000	300,000	300,000
Unrestricted net assets	22,134,294	(11,590,364)	10,543,930	14,918,392
<b>Total net assets</b>	<u>\$22,234,294</u>	<u>\$(11,390,364)</u>	<u>\$ 10,843,930</u>	<u>\$ 15,218,392</u>

## Combining Statements of Revenues, Expenses and Changes in Net Assets

Proprietary Funds – Internal Service

Year Ended June 30, 2010

With Summarized Financial Information for 2009

	MoDOT & MSHP Medical and Life Insurance Plan	MHTC Self-Insurance Plan	Total	
			2010	2009
<b>Operating Revenues</b>				
Self-insurance premiums				
Highway workers' compensation	\$ —	\$ 6,500,000	\$ 6,500,000	\$ 5,000,000
Highway patrol workers' compensation	—	3,000,000	3,000,000	3,000,000
Highway fleet vehicle liability	—	1,200,000	1,200,000	—
Highway general liability	—	8,000,000	8,000,000	6,700,000
Medical insurance premiums				
State	82,187,328	—	82,187,328	77,527,565
Member	30,867,546	—	30,867,546	29,047,218
American Recovery and Reinvestment Act	88,179	—	88,179	—
Other	5,433,349	320,111	5,753,460	6,458,165
<b>Total operating revenues</b>	<u>118,576,402</u>	<u>19,020,111</u>	<u>137,596,513</u>	<u>127,732,948</u>
<b>Operating Expenses</b>				
Self-insurance programs				
Highway workers' compensation	—	9,804,076	9,804,076	8,324,511
Highway patrol workers' compensation	—	582,612	582,612	4,721,599
Highway fleet vehicle liability	—	2,127,139	2,127,139	1,396,991
Highway general liability	—	18,823,316	18,823,316	4,018,529
Other	—	630,167	630,167	748,744
Medical and life insurance program				
Insurance premiums	5,976,741	—	5,976,741	6,351,102
Medical benefits	80,367,008	—	80,367,008	77,763,567
Prescription drug benefits	19,513,498	—	19,513,498	17,873,985
Professional fees	1,687,891	—	1,687,891	1,634,455
Administrative services	5,685,350	—	5,685,350	5,176,172
Other	15,893	—	15,893	14,195
<b>Total operating expenses</b>	<u>113,246,381</u>	<u>31,967,310</u>	<u>145,213,691</u>	<u>128,023,850</u>
<b>Operating income (loss)</b>	<u>5,330,021</u>	<u>(12,947,199)</u>	<u>(7,617,178)</u>	<u>(290,902)</u>
<b>Nonoperating Revenues</b>				
Net appreciation and investment income	1,180,085	2,062,631	3,242,716	4,269,438
<b>Total nonoperating revenues</b>	<u>1,180,085</u>	<u>2,062,631</u>	<u>3,242,716</u>	<u>4,269,438</u>
<b>Changes in Net Assets</b>	6,510,106	(10,884,568)	(4,374,462)	3,978,536
<b>Net Assets, beginning of year</b>	<u>15,724,188</u>	<u>(505,796)</u>	<u>15,218,392</u>	<u>11,239,856</u>
<b>Net Assets, end of year</b>	<u>\$ 22,234,294</u>	<u>\$(11,390,364)</u>	<u>\$ 10,843,930</u>	<u>\$ 15,218,392</u>

## Combining Statements of Cash Flows

Proprietary Funds – Internal Service

Year Ended June 30, 2010

With Summarized Financial Information for 2009

	MoDOT & MSHP Medical and Life Insurance Plan	MHTC Self-Insurance Plan	Total	
			2010	2009
<b>Cash Flows From Operating Activities</b>				
Receipts from interfund services provided	\$ 118,419,593	\$ 19,029,825	\$ 137,449,418	\$ 127,268,824
Payments for interfund services used	(106,105,747)	(18,552,315)	(124,658,062)	(116,699,892)
Payments to suppliers	<u>(7,541,662)</u>	<u>(765,091)</u>	<u>(8,306,753)</u>	<u>(5,804,304)</u>
Net cash provided by (used in) operating activities	<u>4,772,184</u>	<u>(287,581)</u>	<u>4,484,603</u>	<u>4,764,628</u>
<b>Cash Flows From Investing Activities</b>				
Proceeds from sale and maturities of investments	18,100,189	47,809,153	65,909,342	140,142,352
Purchases of investments	(24,115,265)	(54,334,985)	(78,450,250)	(130,752,242)
Interest received	1,020,546	2,143,667	3,164,213	3,773,921
Investment fees	<u>(30,961)</u>	<u>(64,328)</u>	<u>(95,289)</u>	<u>(96,045)</u>
Net cash provided by (used in) investing activities	<u>(5,025,491)</u>	<u>(4,446,493)</u>	<u>(9,471,984)</u>	<u>13,067,986</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(253,307)	(4,734,074)	(4,987,381)	17,832,614
<b>Cash and Cash Equivalents, beginning of year</b>	<u>9,571,269</u>	<u>10,358,029</u>	<u>19,929,298</u>	<u>2,096,684</u>
<b>Cash and Cash Equivalents, end of year</b>	<u>\$ 9,317,962</u>	<u>\$ 5,623,955</u>	<u>\$ 14,941,917</u>	<u>\$ 19,929,298</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>				
Operating income (loss)	\$ 5,330,021	\$(12,947,199)	\$ (7,617,178)	\$ (290,902)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Receivables	(156,809)	9,714	(147,095)	(464,124)
Accounts and claims payable	(352,528)	12,649,904	12,297,376	4,974,265
Deferred revenue	<u>(48,500)</u>	<u>—</u>	<u>(48,500)</u>	<u>545,389</u>
Net cash provided by (used in) operating activities	<u>\$ 4,772,184</u>	<u>\$ (287,581)</u>	<u>\$ 4,484,603</u>	<u>\$ 4,764,628</u>
<b>Noncash Items Impacting Recorded Assets</b>				
Increase in fair value of investments	<u>\$ 129,011</u>	<u>\$ (55,208)</u>	<u>\$ 73,803</u>	<u>\$ 829,906</u>

# Combining Financial Statements Fiduciary Funds

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## Combining Statements of Assets and Liabilities

Fiduciary Funds – Agency

June 30, 2010

With Summarized Financial Information for 2009

	<u>Local Fund</u>	<u>MCS Agency Fund</u>	<u>Total</u>	
			<u>2010</u>	<u>2009</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 3,690,183	\$3,714,268	\$ 7,404,451	\$29,073,677
Noncurrent restricted investments	67,052,296	—	67,052,296	42,788,621
Other	<u>277,063</u>	<u>802</u>	<u>277,865</u>	<u>196,333</u>
<b>Total assets</b>	<b><u>\$71,019,542</u></b>	<b><u>\$3,715,070</u></b>	<b><u>\$74,734,612</u></b>	<b><u>\$72,058,631</u></b>
<b>Liabilities</b>				
Due to other governments	\$ —	\$3,715,070	\$ 3,715,070	\$ 4,526,520
Advances from other governments	<u>71,019,542</u>	<u>—</u>	<u>71,019,542</u>	<u>67,532,111</u>
<b>Total liabilities</b>	<b><u>\$71,019,542</u></b>	<b><u>\$3,715,070</u></b>	<b><u>\$74,734,612</u></b>	<b><u>\$72,058,631</u></b>

## Combining Statements of Changes in Assets and Liabilities

### Fiduciary Funds – Agency

Years ended June 30, 2010 and 2009

	2010			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b>Local Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$24,547,845	\$158,503,339	\$179,361,001	\$ 3,690,183
Noncurrent restricted investments	42,788,621	140,822,617	116,558,942	67,052,296
Other	195,645	1,554,854	1,473,436	277,063
<b>Total assets</b>	<b><u>\$67,532,111</u></b>	<b><u>\$300,880,810</u></b>	<b><u>\$297,393,379</u></b>	<b><u>\$71,019,542</u></b>
<b>Liabilities</b>				
Advances from other governments	\$67,532,111	\$ 40,470,962	\$ 36,983,531	\$71,019,542
<b>Total liabilities</b>	<b><u>\$67,532,111</u></b>	<b><u>\$ 40,470,962</u></b>	<b><u>\$ 36,983,531</u></b>	<b><u>\$71,019,542</u></b>
<b>MCS Agency Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 4,525,832	\$177,897,493	\$178,709,057	\$ 3,714,268
Other	688	5,916	5,802	802
<b>Total assets</b>	<b><u>\$ 4,526,520</u></b>	<b><u>\$177,903,409</u></b>	<b><u>\$178,714,859</u></b>	<b><u>\$ 3,715,070</u></b>
<b>Liabilities</b>				
Due to other governments	\$ 4,526,520	\$177,903,409	\$178,714,859	\$ 3,715,070
<b>Total liabilities</b>	<b><u>\$ 4,526,520</u></b>	<b><u>\$177,903,409</u></b>	<b><u>\$178,714,859</u></b>	<b><u>\$ 3,715,070</u></b>
<b>Totals</b>				
<b>Assets</b>				
Cash and cash equivalents	\$29,073,677	\$336,400,832	\$358,070,058	\$ 7,404,451
Noncurrent restricted investments	42,788,621	140,822,617	116,558,942	67,052,296
Other	196,333	1,560,770	1,479,238	277,865
<b>Total assets</b>	<b><u>\$72,058,631</u></b>	<b><u>\$478,784,219</u></b>	<b><u>\$476,108,238</u></b>	<b><u>\$74,734,612</u></b>
<b>Liabilities</b>				
Due to other governments	\$ 4,526,520	\$177,903,409	\$178,714,859	\$ 3,715,070
Advances from other governments	67,532,111	40,470,962	36,983,531	71,019,542
<b>Total liabilities</b>	<b><u>\$72,058,631</u></b>	<b><u>\$218,374,371</u></b>	<b><u>\$215,698,390</u></b>	<b><u>\$74,734,612</u></b>

**2009**

<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
\$ 1,964,395	\$187,630,873	\$165,047,423	\$24,547,845
42,313,215	130,726,178	130,250,772	42,788,621
405,148	1,588,518	1,798,021	195,645
<u>\$44,682,758</u>	<u>\$319,945,569</u>	<u>\$297,096,216</u>	<u>\$67,532,111</u>
<u>\$44,682,758</u>	<u>\$ 55,582,080</u>	<u>\$ 32,732,727</u>	<u>\$67,532,111</u>
<u>\$44,682,758</u>	<u>\$ 55,582,080</u>	<u>\$ 32,732,727</u>	<u>\$67,532,111</u>
\$ 7,199,488	\$185,125,533	\$187,799,189	\$ 4,525,832
33,200	137,910	170,422	688
<u>\$ 7,232,688</u>	<u>\$185,263,443</u>	<u>\$187,969,611</u>	<u>\$ 4,526,520</u>
<u>\$ 7,232,688</u>	<u>\$185,263,443</u>	<u>\$187,969,611</u>	<u>\$ 4,526,520</u>
<u>\$ 7,232,688</u>	<u>\$185,263,443</u>	<u>\$187,969,611</u>	<u>\$ 4,526,520</u>
\$ 9,163,883	\$372,756,406	\$352,846,612	\$29,073,677
42,313,215	130,726,178	130,250,772	42,788,621
438,348	1,726,428	1,968,443	196,333
<u>\$51,915,446</u>	<u>\$505,209,012</u>	<u>\$485,065,827</u>	<u>\$72,058,631</u>
<u>\$ 7,232,688</u>	<u>\$185,263,443</u>	<u>\$187,969,611</u>	<u>\$ 4,526,520</u>
<u>44,682,758</u>	<u>55,582,080</u>	<u>32,732,727</u>	<u>67,532,111</u>
<u>\$51,915,446</u>	<u>\$240,845,523</u>	<u>\$220,702,338</u>	<u>\$72,058,631</u>



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**Budgetary Comparison  
Schedules and  
Reconciliations  
Debt Service and Nonmajor  
Governmental Funds**

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## Budgetary Comparison Schedule and Reconciliation

Debt Service – State Road Bond Fund

Year Ended June 30, 2010

With Summarized Financial Information for 2009

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual	
			2010	2009
<b>Budgetary fund balance, beginning of year</b>	\$ 18,761,766	\$ 18,761,766	\$ —	\$ —
Resources (inflows)				
Vehicle sales and use tax	91,547,000	93,743,605	2,196,605	(27,729,755)
Interest	255,000	328,305	73,305	(856,400)
<b>Amount available for appropriation</b>	<u>110,563,766</u>	<u>112,833,676</u>	<u>2,269,910</u>	<u>(28,586,155)</u>
Charges to appropriations (outflows)				
Bond principal and interest payments	123,101,000	94,599,579	28,501,421	31,320,594
<b>Total charges to appropriations</b>	<u>123,101,000</u>	<u>94,599,579</u>	<u>28,501,421</u>	<u>31,230,594</u>
<b>Budgetary fund balance, end of year</b>	<u>\$ (12,537,234)</u>	<u>\$ 18,234,097</u>	<u>\$30,771,331</u>	<u>\$ 2,734,439</u>

The following reconciliation is the difference between the State's budgetary basis and accounting principles generally accepted in the United States of America (GAAP) basis:

Reconciliation to GAAP	Actual 2010
<b>Budgetary fund balance, end of year</b>	\$18,234,097
Receivables	8,587,506
Payables	(25,230)
Change in fair value of investments	23,330
<b>GAAP basis fund balance, end of year</b>	<u>\$26,819,703</u>

## Budgetary Comparison Schedule and Reconciliation

Nonmajor Governmental – Multimodal Federal

Year Ended June 30, 2010

With Summarized Financial Information for 2009

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual	
			2010	2009
<b>Budgetary fund balance, beginning of year</b>	\$ 449,252	\$ 449,252	\$ —	\$ —
Resources (inflows)				
State appropriations	16,010,365	11,882,222	(4,128,143)	(8,644,831)
Intergovernmental/cost reimbursement/miscellaneous	—	1,624,642	1,624,642	1,585,761
American Recovery and Reinvestment Act	17,500,000	13,499,999	(4,000,001)	(7,250,000)
Federal government	<u>45,300,000</u>	<u>51,676,790</u>	<u>6,376,790</u>	<u>7,846,569</u>
<b>Amount available for appropriation</b>	<u>79,259,617</u>	<u>79,132,905</u>	<u>(126,712)</u>	<u>(6,462,501)</u>
Charges to appropriations (outflows)				
Maintenance				
Personal service	—	—	—	10,325
Expense and equipment	—	—	—	2,925
Multimodal operations				
Personal service	539,586	413,846	125,740	150,798
Fringe benefits	303,041	219,925	83,116	68,908
Expense and equipment	478,500	232,361	246,139	173,268
Program	173,776,782	96,858,376	76,918,406	75,957,237
Mississippi Parkway Commission Program	—	—	—	<u>34,286</u>
<b>Total charges to appropriations</b>	<u>175,097,909</u>	<u>97,724,508</u>	<u>77,373,401</u>	<u>76,397,747</u>
Transfers from Federal Stimulus Fund	<u>76,205,232</u>	<u>19,787,504</u>	<u>(56,417,728)</u>	<u>(11,500,000)</u>
<b>Budgetary fund balance, end of year</b>	<u>\$ (19,633,060)</u>	<u>\$ 1,195,901</u>	<u>\$ 20,828,961</u>	<u>\$ 58,435,246</u>

The following reconciliation is the difference between the State's budgetary basis and accounting principles generally accepted in the United States of America (GAAP) basis:

Reconciliation to GAAP	Actual 2010
<b>Budgetary fund balance, end of year</b>	\$ 1,195,901
Receivables	5,741,651
Due from other funds	68,941
Payables	(5,844,030)
Deferred revenues	(310,961)
Due to other funds	<u>(17,134)</u>
<b>GAAP basis fund balance, end of year</b>	<u>\$ 834,368</u>

## Budgetary Comparison Schedule and Reconciliation

Nonmajor Governmental - State Transportation Fund

Year Ended June 30, 2010

With Summarized Financial Information for 2009

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual	
			2010	2009
<b>Budgetary fund balance, beginning of year</b>	\$ 606,934	\$ 606,934	\$ —	\$ —
Resources (inflows)				
Sales and use taxes	2,500,000	2,499,225	(775)	(273,697)
Interest	—	—	—	70
<b>Amount available for appropriation</b>	<u>3,106,934</u>	<u>3,106,159</u>	<u>(775)</u>	<u>(273,627)</u>
Charges to appropriations (outflows)				
Multimodal operations				
Personal service	155,184	132,871	22,313	20,202
Fringe benefits	104,038	62,997	41,041	14,343
Expense and equipment	61,346	29,590	31,756	25,240
Program	<u>3,141,398</u>	<u>2,716,400</u>	<u>424,998</u>	<u>43,654</u>
<b>Total charges to appropriations</b>	<u>3,461,966</u>	<u>2,941,858</u>	<u>520,108</u>	<u>103,439</u>
<b>Budgetary fund balance, end of year</b>	\$ <u>(355,032)</u>	\$ <u>164,301</u>	\$ <u>519,333</u>	\$ <u>(170,188)</u>

The following reconciliation is the difference between the State's budgetary basis and accounting principles generally accepted in the United States of America (GAAP) basis:

Reconciliation to GAAP	Actual 2010
<b>Budgetary fund balance, end of year</b>	\$164,301
Receivables	228,100
Payables	(7,889)
Due to other funds	<u>(4,687)</u>
<b>GAAP basis fund balance, end of year</b>	<u>\$379,825</u>

## Budgetary Comparison Schedule and Reconciliation

Nonmajor Governmental - Aviation Trust Fund

Year Ended June 30, 2010

With Summarized Financial Information for 2009

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual	
			2010	2009
<b>Budgetary fund balance, beginning of year</b>	\$14,371,482	\$14,371,482	\$ —	\$ —
Resources (inflows)				
Fuel taxes	550,000	246,514	(303,486)	(103,268)
Sales and use taxes	9,050,000	4,018,391	(5,031,609)	(922,937)
Interest	400,000	171,403	(228,597)	(239,434)
Intergovernmental/cost reimbursements/miscellaneous	—	—	—	3,060
<b>Amount available for appropriation</b>	<u>24,371,482</u>	<u>18,807,790</u>	<u>(5,563,692)</u>	<u>(1,262,579)</u>
Charges to appropriations (outflows)				
Multimodal operations				
Personal service	478,560	459,895	18,665	12,200
Fringe benefits	263,378	258,615	4,763	13,725
Expense and equipment	91,894	91,733	161	—
Program	15,000,000	8,542,207	6,457,793	4,313,639
Other state agencies	63,437	63,437	—	—
<b>Total charges to appropriations</b>	<u>15,897,269</u>	<u>9,415,887</u>	<u>6,481,382</u>	<u>4,339,564</u>
<b>Budgetary fund balance, end of year</b>	<u>\$ 8,474,213</u>	<u>\$ 9,391,903</u>	<u>\$ 917,690</u>	<u>\$ 3,076,985</u>

The following reconciliation is the difference between the State's budgetary basis and accounting principles generally accepted in the United States of America (GAAP) basis:

	Actual 2010
<b>Reconciliation to GAAP</b>	
<b>Budgetary fund balance, end of year</b>	\$ 9,391,903
Receivables	299,311
Payables	(1,130,133)
Due to other funds	(15,621)
Change in fair value of investments	19,313
<b>GAAP basis fund balance, end of year</b>	<u>\$ 8,564,773</u>

**Budgetary Comparison Schedule and Reconciliation**  
 Nonmajor Governmental – State Transportation Assistance Revolving Fund  
 Year Ended June 30, 2010  
 With Summarized Financial Information for 2009

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual	
			2010	2009
<b>Budgetary fund balance, beginning of year</b>	\$ 703,072	\$ 703,072	\$ —	\$ —
Resources (inflows)				
Interest	87,790	89,633	1,843	19,333
Intergovernmental/cost reimbursements/miscellaneous	<u>490,482</u>	<u>464,345</u>	<u>(26,137)</u>	<u>(63,886)</u>
<b>Amount available for appropriation</b>	<u>1,281,344</u>	<u>1,257,050</u>	<u>(24,294)</u>	<u>(44,553)</u>
Charges to appropriations (outflows)				
Multimodal operations				
Program	550,000	—	550,000	—
Other state agencies	<u>7,355</u>	<u>7,355</u>	<u>—</u>	<u>—</u>
<b>Total charges to appropriations</b>	<u>557,355</u>	<u>7,355</u>	<u>550,000</u>	<u>—</u>
<b>Budgetary fund balance, end of year</b>	<u>\$ 723,989</u>	<u>\$ 1,249,695</u>	<u>\$525,706</u>	<u>\$(44,553)</u>

The following reconciliation is the difference between the State's budgetary basis and accounting principles generally accepted in the United States of America (GAAP) basis:

	Actual 2010
<b>Reconciliation to GAAP</b>	
<b>Budgetary fund balance, end of year</b>	\$1,249,695
Receivables	2,378,479
Change in fair value of investments	<u>2,569</u>
<b>GAAP basis fund balance, end of year</b>	<u>\$3,630,743</u>

## Budgetary Comparison Schedule and Reconciliation

Nonmajor Governmental – MCS Federal Fund

Year Ended June 30, 2010

With Summarized Financial Information for 2009

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual	
			2010	2009
<b>Budgetary fund balance, beginning of year</b>	\$ 105,818	\$ 105,818	\$ —	\$ —
Resources (inflows)				
Intergovernmental/cost reimbursements/miscellaneous	—	2,655	2,655	21,348
Federal government	<u>2,000,000</u>	<u>1,258,892</u>	<u>(741,108)</u>	<u>(772,743)</u>
<b>Amount available for appropriation</b>	<u>2,105,818</u>	<u>1,367,365</u>	<u>(738,453)</u>	<u>(751,395)</u>
Charges to appropriations (outflows)				
Maintenance				
Program	<u>2,000,000</u>	<u>1,258,856</u>	<u>741,144</u>	<u>773,893</u>
<b>Total charges to appropriations</b>	<u>2,000,000</u>	<u>1,258,856</u>	<u>741,144</u>	<u>773,893</u>
<b>Budgetary fund balance, end of year</b>	\$ <u>105,818</u>	\$ <u>108,509</u>	\$ <u>2,691</u>	\$ <u>22,498</u>

The following reconciliation is the difference between the State's budgetary basis and accounting principles generally accepted in the United States of America (GAAP) basis:

Reconciliation to GAAP	Actual 2010
<b>Budgetary fund balance, end of year</b>	\$ 108,509
Receivables	171,654
Payables	<u>(171,654)</u>
<b>GAAP basis fund balance, end of year</b>	\$ <u>108,509</u>

## Budgetary Comparison Schedule and Reconciliation

Nonmajor Governmental – Grade Crossing Safety Fund

Year Ended June 30, 2010

With Summarized Financial Information for 2009

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual	
			2010	2009
<b>Budgetary fund balance, beginning of year</b>	\$4,988,488	\$4,988,488	\$ —	\$ —
Resources (inflows)				
License, fees, and permits	1,300,000	1,269,468	(30,532)	109,774
Intergovernmental/cost reimbursements/miscellaneous	—	7,055	7,055	42,105
<b>Amount available for appropriation</b>	<u>6,288,488</u>	<u>6,265,011</u>	<u>(23,477)</u>	<u>151,879</u>
Charges to appropriations (outflows)				
Multimodal operations				
Program	3,543,857	797,888	2,745,969	2,573,378
Other state agencies	22,257	22,257	—	—
<b>Total charges to appropriations</b>	<u>3,566,114</u>	<u>820,145</u>	<u>2,745,969</u>	<u>2,573,378</u>
Transfers to Railroad Expense Fund	<u>(100,000)</u>	—	<u>100,000</u>	<u>100,000</u>
<b>Budgetary fund balance, end of year</b>	<u>\$2,622,374</u>	<u>\$5,444,866</u>	<u>\$2,822,492</u>	<u>\$2,825,257</u>

The following reconciliation is the difference between the State's budgetary basis and accounting principles generally accepted in the United States of America (GAAP) basis:

Reconciliation to GAAP	Actual 2010
<b>Budgetary fund balance, end of year</b>	\$5,444,866
Receivables	203,119
Payables	(103,137)
Deferred revenues	<u>(80,064)</u>
<b>GAAP basis fund balance, end of year</b>	<u>\$5,464,784</u>

## Budgetary Comparison Schedule and Reconciliation

### Nonmajor Governmental – Railroad Expense Fund

Year Ended June 30, 2010

With Summarized Financial Information for 2009

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual	
			2010	2009
<b>Budgetary fund balance, beginning of year</b>	\$ 919,271	\$ 919,271	\$ —	\$ —
Resources (inflows)				
License, fees, and permits	850,000	251,242	(598,758)	420,731
Intergovernmental/cost reimbursements/miscellaneous	—	—	—	764
<b>Amount available for appropriation</b>	<u>1,769,271</u>	<u>1,170,513</u>	<u>(598,758)</u>	<u>421,495</u>
Charges to appropriations (outflows)				
Multimodal operations				
Personal service	433,616	351,822	81,794	77,369
Fringe benefits	300,020	166,980	133,040	79,713
Expense and equipment	253,953	129,937	124,016	124,917
Other state agencies	39,575	8,311	31,264	—
<b>Total charges to appropriations</b>	<u>1,027,164</u>	<u>657,050</u>	<u>370,114</u>	<u>281,999</u>
Transfers from Grade Crossing Safety Fund	—	—	—	(100,000)
<b>Budgetary fund balance, end of year</b>	<u>\$ 742,107</u>	<u>\$ 513,463</u>	<u>\$(228,644)</u>	<u>\$ 603,494</u>

The following reconciliation is the difference between the State's budgetary basis and accounting principles generally accepted in the United States of America (GAAP) basis:

Reconciliation to GAAP	Actual 2010
<b>Budgetary fund balance, end of year</b>	\$513,463
Payables	(22,797)
Due to other funds	(14,309)
<b>GAAP basis fund balance, end of year</b>	<u>\$476,357</u>

## Budgetary Comparison Schedule and Reconciliation

Nonmajor Governmental – Highway Safety Fund

Year Ended June 30, 2010

With Summarized Financial Information for 2009

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual	
			2010	2009
<b>Budgetary fund balance, beginning of year</b>	\$ 256,405	\$ 256,405	\$ —	\$ —
Resources (inflows)				
Intergovernmental/cost reimbursements/miscellaneous	—	1,201	1,201	9,044
Federal government	<u>30,500,000</u>	<u>19,884,689</u>	<u>(10,615,311)</u>	<u>(3,166,006)</u>
<b>Amount available for appropriation</b>	<u>30,756,405</u>	<u>20,142,295</u>	<u>(10,614,110)</u>	<u>(3,156,962)</u>
Charges to appropriations (outflows)				
Maintenance				
Personal service	356,502	298,407	58,095	33,968
Fringe benefits	288,598	153,394	135,204	36,991
Expense and equipment	55,000	49,018	5,982	26
Program	<u>30,000,000</u>	<u>19,358,993</u>	<u>10,641,007</u>	<u>7,766,379</u>
<b>Total charges to appropriations</b>	<u>30,700,100</u>	<u>19,859,812</u>	<u>10,840,288</u>	<u>7,837,364</u>
Transfers to Road Fund	<u>(19,096)</u>	<u>(19,096)</u>	<u>—</u>	<u>—</u>
<b>Budgetary fund balance, end of year</b>	<u>\$ 37,209</u>	<u>\$ 263,387</u>	<u>\$ 226,178</u>	<u>\$ 4,680,402</u>

The following reconciliation is the difference between the State's budgetary basis and accounting principles generally accepted in the United States of America (GAAP) basis:

Reconciliation to GAAP	Actual 2010
<b>Budgetary fund balance, end of year</b>	\$ 263,387
Receivables	2,196,203
Payables	(2,042,630)
Due to other funds	<u>(122,478)</u>
<b>GAAP basis fund balance, end of year</b>	<u>\$ 294,482</u>

## Budgetary Comparison Schedule and Reconciliation

Nonmajor Governmental – Motorcycle Safety Fund

Year Ended June 30, 2010

With Summarized Financial Information for 2009

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual	
			2010	2009
<b>Budgetary fund balance, beginning of year</b>	\$241,210	\$241,210	\$ —	\$ —
Resources (inflows)				
License, fees, and permits	<u>425,000</u>	<u>378,352</u>	(46,648)	(42,109)
<b>Amount available for appropriation</b>	<u>666,210</u>	<u>619,562</u>	<u>(46,648)</u>	<u>(42,109)</u>
Charges to appropriations (outflows)				
Maintenance				
Program	425,000	423,679	1,321	46,110
Other state agencies	<u>4,518</u>	<u>4,518</u>	—	—
<b>Total charges to appropriations</b>	<u>429,518</u>	<u>428,197</u>	<u>1,321</u>	<u>46,110</u>
<b>Budgetary fund balance, end of year</b>	<u>\$236,692</u>	<u>\$191,365</u>	<u>\$(45,327)</u>	<u>\$ 4,001</u>

The following reconciliation is the difference between the State's budgetary basis and accounting principles generally accepted in the United States of America (GAAP) basis:

	Actual 2010
<b>Reconciliation to GAAP</b>	
<b>Budgetary fund balance, end of year</b>	<u>\$191,365</u>
<b>GAAP basis fund balance, end of year</b>	<u>\$191,365</u>



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# Statistical Section

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**Sources:**

Unless otherwise stated, information in the following tables is derived from the Missouri Department of Transportation (MoDOT) annual financial reports for the years shown.

**Note:**

The objective of this statistical section is to provide users with historical perspective by presenting information for multiple years. Over time, data for the most recent ten years will be presented. In fiscal year 2002, the Department implemented Governmental Accounting Standards Board Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; consequently, schedules presenting government-wide information commence with that year. In other cases, schedules originate with the year that the Department began tracking the information, the tracking process or data collection system changed, or it became administratively feasible to report retroactively.



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## Financial Trends

### Net Assets – Government-wide

Years Ended June 30

(Amounts in Thousands)

<u>Year</u>	<u>Invested in capital assets, net of related debt</u>	<u>Restricted</u>	<u>Total</u>
2010	\$24,396,695	\$ 985,705	\$25,382,400
2009	24,461,090	678,643	25,139,733
2008	23,945,040	1,061,821	25,006,861
2007	24,016,417	788,665	24,805,082
2006	24,341,909	401,282	24,743,191
2005	24,234,053	387,012	24,621,065
2004	23,952,946	511,414	24,464,360
2003	23,937,412	457,734	24,395,146
2002	23,967,986	390,330	24,358,316

*Note:*

Amounts for 2009 include the restatement of beginning balances due to implementation of Governmental Accounting Standards Board Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*.

Amounts for 2003 and 2004 include the restatement of beginning balances due to transfers of Motor Carriers and Highway Safety functions from other state agencies.

## Financial Trends

### Changes in Net Assets – Government-wide

Years Ended June 30

(Amounts in Thousands)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Transportation Program Expenses</b>				
Administration	\$ 33,648	\$ 34,834	\$ 33,645	\$ 38,887
Fleet, facilities, and information systems	55,543	54,464	56,721	54,400
Maintenance	433,729	424,327	406,374	378,902
Construction	268,009	257,943	240,821	273,086
Multimodal operations	110,151	85,999	74,128	71,268
Interest	138,106	106,538	102,344	75,228
Other state agencies	177,646	174,587	178,319	169,906
Missouri Constitution Article X refunds	—	—	—	—
Self-insurance	31,967	19,210	32,103	7,854
Medical and life insurance	90,644	89,774	87,710	102,642
Other post-employment benefits	83,132	65,804	69,731	—
Depreciation	<u>876,501</u>	<u>751,246</u>	<u>746,456</u>	<u>849,957</u>
<b>Total transportation program expenses</b>	<b><u>2,299,076</u></b>	<b><u>2,064,726</u></b>	<b><u>2,028,352</u></b>	<b><u>2,022,130</u></b>
<b>Transportation Program Revenues</b>				
Charges for services				
Licenses, fees, and permits	284,337	290,399	291,843	259,086
Employee insurance premiums	30,868	29,047	26,534	25,369
Other	<u>108,214</u>	<u>160,013</u>	<u>86,719</u>	<u>67,816</u>
<b>Total charges for services</b>	<b>423,419</b>	<b>479,459</b>	<b>405,096</b>	<b>352,271</b>
Federal government				
American Recovery and Reinvestment Act	298,421	28,279	—	—
Operating	84,212	76,569	62,179	78,588
Capital	<u>974,391</u>	<u>833,839</u>	<u>907,956</u>	<u>797,196</u>
<b>Total federal government</b>	<b><u>1,357,024</u></b>	<b><u>938,687</u></b>	<b><u>970,135</u></b>	<b><u>875,784</u></b>
<b>Total transportation program revenues</b>	<b><u>1,780,443</u></b>	<b><u>1,418,146</u></b>	<b><u>1,375,231</u></b>	<b><u>1,228,055</u></b>
<b>Net expense of transportation program</b>	<b><u>(518,633)</u></b>	<b><u>(646,580)</u></b>	<b><u>(653,121)</u></b>	<b><u>(794,075)</u></b>
<b>General Revenues</b>				
Fuel taxes	503,488	499,506	514,908	517,648
Sales and use taxes	250,432	233,810	272,039	275,259
Unrestricted investment earnings	12,123	27,607	51,581	49,301
State appropriations	12,111	16,634	13,257	12,283
Donated assets	—	—	—	441
Gain (loss) on sale of capital assets	<u>(16,854)</u>	<u>(1,928)</u>	<u>3,115</u>	<u>1,034</u>
<b>Total general revenues</b>	<b><u>761,300</u></b>	<b><u>775,629</u></b>	<b><u>854,900</u></b>	<b><u>855,966</u></b>
<b>Changes in Net Assets</b>	<b><u>\$ 242,667</u></b>	<b><u>\$ 129,049</u></b>	<b><u>\$ 201,779</u></b>	<b><u>\$ 61,891</u></b>

**Note:**

Government-wide financial statements are prepared on a full accrual basis and include transactions related to capital assets and long-term obligations. These statements also include the effects of eliminating off-setting revenues and expenses related to the Department's internal service funds.

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 30,838	\$ 29,703	\$ 29,318	\$ 37,040	\$ 39,832
53,222	55,976	43,603	53,789	59,672
362,163	375,323	314,965	271,003	255,408
165,494	210,298	197,761	223,029	225,074
60,530	52,978	46,880	46,607	50,725
53,543	43,465	39,276	33,366	20,505
146,969	178,506	166,271	165,215	166,295
—	—	—	133	—
27,387	21,998	15,916	15,502	20,977
92,952	82,474	68,194	64,209	54,257
—	—	—	—	—
<u>829,556</u>	<u>689,699</u>	<u>771,756</u>	<u>913,227</u>	<u>992,712</u>
<u>1,822,654</u>	<u>1,740,420</u>	<u>1,693,940</u>	<u>1,823,120</u>	<u>1,885,457</u>
299,892	282,058	268,830	272,755	261,831
26,216	26,024	23,909	21,504	21,191
46,165	<u>41,838</u>	<u>74,598</u>	<u>80,109</u>	<u>60,145</u>
372,273	349,920	367,337	374,368	343,167
—	—	—	—	—
61,630	57,497	43,050	24,569	22,190
<u>768,173</u>	<u>770,568</u>	<u>660,350</u>	<u>742,415</u>	<u>809,268</u>
<u>829,803</u>	<u>828,065</u>	<u>703,400</u>	<u>766,984</u>	<u>831,458</u>
<u>1,202,076</u>	<u>1,177,985</u>	<u>1,070,737</u>	<u>1,141,352</u>	<u>1,174,625</u>
<u>(620,578)</u>	<u>(562,435)</u>	<u>(623,203)</u>	<u>(681,768)</u>	<u>(710,832)</u>
522,896	518,990	515,048	497,781	495,629
182,465	181,462	180,213	178,057	185,895
24,450	5,352	(12,846)	16,865	18,210
11,453	11,769	11,299	10,389	17,385
4	—	162	13,277	—
<u>1,436</u>	<u>1,567</u>	<u>(2,238)</u>	<u>(3,117)</u>	<u>—</u>
<u>742,704</u>	<u>719,140</u>	<u>691,638</u>	<u>713,252</u>	<u>717,119</u>
<u>\$ 122,126</u>	<u>\$ 156,705</u>	<u>\$ 68,435</u>	<u>\$ 31,484</u>	<u>\$ 6,287</u>

## Financial Trends

### Changes in Fund Balances—Governmental Funds

Years Ended June 30

(Amounts in Thousands)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Revenues</b>				
Fuel taxes	\$ 503,488	\$ 499,506	\$ 514,908	\$ 517,648
Sales and use taxes	251,343	234,599	270,339	275,259
Licenses, fees, and permits	284,909	290,925	290,709	259,086
Intergovernmental/cost reimbursements/miscellaneous	128,160	139,105	80,668	89,997
Investment earnings	8,957	23,417	46,890	44,388
American Recovery and Reinvestment Act	298,333	28,279	—	—
State government	12,111	16,634	13,257	12,283
Federal government	<u>1,059,348</u>	<u>909,634</u>	<u>970,135</u>	<u>877,795</u>
<b>Total revenues</b>	<b>2,546,649</b>	<b>2,142,099</b>	<b>2,186,906</b>	<b>2,076,456</b>
<b>Expenditures</b>				
Administration	49,247	49,224	46,822	45,797
Fleet, facilities, and information systems	59,586	56,986	58,933	58,759
Maintenance	471,740	466,143	433,653	436,796
Construction	293,021	273,099	264,693	300,579
Multimodal operations	110,412	86,202	74,303	71,485
Capital outlay	1,405,741	1,307,318	1,143,496	1,248,304
Debt service - principal	102,261	103,123	88,097	105,630
Debt service - interest	146,006	115,468	109,730	89,997
Missouri Constitution Article X refunds	—	—	—	—
Other state agencies	<u>201,472</u>	<u>197,248</u>	<u>199,237</u>	<u>189,409</u>
<b>Total expenditures</b>	<b>2,839,486</b>	<b>2,654,811</b>	<b>2,418,964</b>	<b>2,546,756</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(292,837)</b>	<b>(512,712)</b>	<b>(232,058)</b>	<b>(470,300)</b>
<b>Other Financing Sources (Uses)</b>				
Notes issued	10,910	1,856	4,539	406
Bonds issued	1,085,000	142,735	526,800	800,000
Refunding bonds issued	—	—	—	394,870
Refunding bonds escrow payment	—	—	—	(432,408)
Bond interest rate swap	—	—	(11,118)	—
Premium on bonds	30,631	2,835	27,808	73,180
Discount on bonds	—	—	(170)	—
Capital leases issued	3,284	581	763	1,355
Refinancing capital leases issued	—	—	22,985	—
Capital lease termination payment	—	—	(22,559)	—
Capital asset sales	7,252	6,830	8,705	8,679
Transfers in	828,283	555,389	574,864	523,744
Transfers out	<u>(828,283)</u>	<u>(555,389)</u>	<u>(574,864)</u>	<u>(523,744)</u>
<b>Total other financing sources (uses)</b>	<b>1,137,077</b>	<b>154,837</b>	<b>557,753</b>	<b>846,082</b>
<b>Net Changes in Fund Balances</b>	<b>\$ <u>844,240</u></b>	<b>\$ <u>(357,875)</u></b>	<b>\$ <u>325,695</u></b>	<b>\$ <u>375,782</u></b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>17%</b>	<b>16%</b>	<b>16%</b>	<b>15%</b>
<b>Debt service as a percentage of total revenues</b>	<b>10%</b>	<b>10%</b>	<b>9%</b>	<b>9%</b>

**Notes:**

Some amounts have been reclassified for comparability.

Governmental fund financial statements are prepared on a modified accrual basis to report changes in net current financial resources. These statements differ from cash-based budget reports primarily because revenues are recognized if they are collected within 60 days of the end of the fiscal year and expenditures are recorded when the related liability is incurred, except that certain long-term obligations are recognized to the extent they have matured.

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 522,896	\$ 518,990	\$ 515,048	\$ 497,781	\$ 495,629
182,465	181,462	180,213	178,057	185,895
299,892	282,058	268,830	272,755	261,831
53,652	53,254	73,892	75,533	45,867
22,256	3,230	(12,812)	17,204	15,999
—	—	—	—	—
11,453	11,769	11,299	10,389	17,385
<u>827,791</u>	<u>828,065</u>	<u>703,400</u>	<u>766,984</u>	<u>831,458</u>
1,920,405	1,878,828	1,739,870	1,818,703	1,854,064
42,843	41,088	40,352	46,428	47,156
68,753	67,791	56,791	69,386	69,956
411,847	406,185	339,673	292,536	271,571
190,713	228,985	219,217	227,374	231,851
60,676	53,092	46,989	46,689	50,791
1,252,825	918,733	1,038,713	1,076,363	1,171,815
73,919	56,094	40,330	31,833	27,024
57,776	45,096	33,214	28,961	21,466
—	—	—	133	—
<u>169,726</u>	<u>194,682</u>	<u>180,851</u>	<u>177,369</u>	<u>182,133</u>
2,329,078	2,011,746	1,996,130	1,997,072	2,073,763
(408,673)	(132,918)	(256,260)	(178,369)	(219,699)
1,787	17,122	2,277	23,230	33,376
350,660	—	254,000	—	403,000
—	—	—	—	—
—	—	—	—	—
21,336	—	9,559	22	11,892
—	—	—	—	—
2,646	44,468	3,312	5,362	34,295
—	—	—	—	—
—	—	—	—	—
6,669	5,941	3,341	2,598	6,935
570,592	136,487	166,206	185,502	165,212
<u>(570,592)</u>	<u>(136,487)</u>	<u>(166,206)</u>	<u>(185,502)</u>	<u>(165,212)</u>
383,098	67,531	272,489	31,212	489,498
\$ <u>(25,575)</u>	\$ <u>(65,387)</u>	\$ <u>16,229</u>	\$ <u>(147,157)</u>	\$ <u>269,799</u>
12%	9%	8%	7%	5%
7%	5%	4%	3%	3%

## Financial Trends

### Fund Balances – Governmental Funds

Years Ended June 30

(Amounts in Thousands)

<u>Year</u>	<u>Reserved</u>	<u>Unreserved, Special Revenue</u>	<u>Unreserved, Debt Services</u>	<u>Total</u>
2010	\$119,568	\$1,466,378	\$ 26,820	\$1,612,766
2009	139,089	602,416	27,021	768,526
2008	122,644	978,951	24,805	1,126,400
2007	116,356	664,305	20,044	800,705
2006	116,682	299,664	8,577	424,923
2005	139,366	311,132	—	450,498
2004	33,076	482,809	—	515,885
2003	28,299	470,566	—	498,865
2002	30,097	610,768	—	640,865
2001	35,529	331,457	—	366,986

*Notes:*

Amounts for 2003 and 2004 include restatement of beginning balances due to transfers of Motor Carriers and Highway Safety functions from other state agencies.

Amounts for 2002 include the restatement of beginning balances due to the implementation of Governmental Accounting Standards Board Statement 34.

## Financial Trends

### Expenditures of Federal Awards

Years Ended June 30

(Amounts in Thousands)

<u>Year</u>	<u>Roads and Bridges</u>	<u>Multimodal</u>	<u>Motor Carriers</u>	<u>Highway Safety</u>	<u>Total</u>
2009	\$858,715	\$52,741	\$1,207	\$25,377	\$938,040
2008	909,643	46,440	1,410	17,208	974,701
2007	800,933	47,658	1,327	34,637	884,555
2006	764,803	45,148	1,434	28,596	839,981
2005	764,091	34,203	2,733	20,057	821,084
2004	660,692	28,588	2,458	13,132	704,870
2003	742,640	27,633	1,175	—	771,448
2002	809,262	21,567	—	—	830,829

*Source:*

MoDOT Schedule of Expenditures of Federal Awards prepared for inclusion in the State Auditor's single audit report for the State of Missouri

*Notes:*

Includes State Emergency Management Agency amounts.

Fiscal year 2010 data is not yet available.

Motor Carriers and Highway Safety grants for fiscal years 2002, and 2002-2003, respectively, were reported with other state agencies.

## Revenue Capacity Revenue Base – State Motor Fuel Taxes

Years Ended June 30

(Amounts in Thousands)

<u>Year</u>	<u>Gallons</u>	<u>Net State Receipts</u>	<u>Missouri Constitution Article X Refunds</u>	<u>Distribution</u>		
				<u>Cities</u>	<u>Counties</u>	<u>MoDOT</u>
2010	4,032,237	\$684,164	\$ —	\$102,113	\$80,085	\$501,966
2009	4,002,068	680,862	—	101,685	79,750	499,427
2008	4,182,599	710,246	—	106,357	83,418	520,471
2007	4,141,906	704,071	—	105,875	83,036	515,160
2006	4,156,348	707,856	—	104,820	82,208	520,828
2005	4,182,914	710,343	—	106,890	83,831	519,622
2004	4,125,374	700,217	—	105,657	82,868	511,692
2003	4,005,507	679,397	437	101,791	79,832	497,337
2002	3,938,484	669,724	—	98,640	77,351	493,733
2001	3,834,656	653,674	7,307	98,426	77,192	470,749

Source:

MoDOT Resource Management Division

Notes:

Amounts are provided on a cash basis.

Dollar amounts are shown net of motor fuel tax refunds.

## Revenue Capacity

### Revenue Rates – State Motor Fuel Taxes

Years Ended June 30

(Cents per Gallon)

<u>Year</u>	<u>Total Fuel Tax Rate</u>	<u>Local Governments</u>	<u>MoDOT</u>
2010	17.00	4.55	12.45
2009	17.00	4.55	12.45
2008	17.00	4.55	12.45
2007	17.00	4.55	12.45
2006	17.00	4.55	12.45
2005	17.00	4.55	12.45
2004	17.00	4.55	12.45
2003	17.00	4.55	12.45
2002	17.00	4.55	12.45
2001	17.00	4.55	12.45

*Source:*

MoDOT Resource Management Division

*Note:*

Motor fuel tax rates are established by Chapter 142, RSMo. Increases in these rates require a statutory change.

## Revenue Capacity

### Principal Revenue Suppliers - State Motor Fuel Taxes

Year Ended June 30

(Amounts in Thousands)

	<u>2010</u>
Gallons from top ten suppliers	3,358,595
Net revenue from top ten suppliers	\$ 570,961
Net revenue from all suppliers	\$ 684,164
Percentage from top ten suppliers	83.5%

*Sources:*

Net revenue from top ten suppliers: Missouri Department of Revenue

Net revenue from all suppliers: MoDOT Resource Management Division

Remainder extrapolated

*Notes:*

Top ten supplier information is released by the Department of Revenue only in the aggregate. Information on individual suppliers is not available. There are 120 total suppliers.

Principal revenue payer information is to be reported comparatively for fiscal year 2010 and fiscal year 2001. However, information for fiscal year 2001 is not readily available from the Department of Revenue.

## Debt Capacity Legal Debt Limit

Years Ended June 30

(Amounts in Thousands)

<u>Year</u>	<u>Legal Limitations</u>	<u>Debt Issued Applicable To Limit (cumulative par)</u>	<u>Legal Debt Margin (excess available)</u>	<u>Ratio of Debt To Legal Limit</u>
2010	\$ n/a	\$ —	\$ —	—%
2009	n/a	—	—	—
2008	n/a	—	—	—
2007	n/a	—	—	—
2006	n/a	—	—	—
2005	2,250,000	907,000	1,343,000	40
2004	2,250,000	907,000	1,343,000	40
2003	2,250,000	653,000	1,597,000	29
2002	2,250,000	653,000	1,597,000	29
2001	2,250,000	250,000	2,000,000	11

*Source:*

MoDOT Resource Management Division

*Notes:*

Legal debt limitations apply only to road revenue bonds.

Sections 226.133 and 226.134 RSMo, authorized the issuance of road revenue bonds from 2001 through 2006, with a legal limit of \$2.25 billion.

n/a = Article IV of the Missouri Constitution, amended in 2005, authorized the issuance of road revenue bonds, not subject to any legal limitations.

## Debt Capacity Ratios of Outstanding Debt

Years Ended June 30

(Amounts in Thousands)

<u>Debt Outstanding at June 30</u>				
<u>Year</u>	<u>Road Bonds</u>	<u>Loans</u>	<u>Capital Leases</u>	<u>Total</u>
2010	\$3,352,640	\$ 32,707	\$14,322	\$3,399,669
2009	2,355,925	27,164	19,646	2,402,735
2008	2,298,080	34,042	28,443	2,360,565
2007	1,833,795	46,453	35,225	1,915,473
2006	1,119,885	68,376	43,505	1,231,766
2005	828,500	80,830	53,514	962,844
2004	861,000	95,249	17,221	973,470
2003	630,455	101,338	22,982	754,775
2002	646,390	93,069	28,674	768,133
2001	250,000	92,325	2,474	344,799

*Sources:*

Personal Income: United States Department of Commerce, Bureau of Economic Analysis

Population: United States Department of Commerce, Census Bureau

*Notes:*

Personal income and population are reported on a calendar year basis within the applicable fiscal year.

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<u>Ratio of Debt to Income</u>		<u>Ratio of Debt to Population</u>	
<u>Personal Income</u>	<u>Percentage of Personal Income</u>	<u>Population</u>	<u>Per Capita</u>
\$213,238,000	1.59%	5,987	\$568
205,288,000	1.17	5,912	406
198,757,000	1.19	5,878	402
188,399,000	1.02	5,838	328
178,036,000	0.69	5,788	213
170,392,000	0.57	5,745	168
164,163,000	0.59	5,706	171
160,014,000	0.47	5,676	133
155,843,000	0.49	5,642	136
149,979,000	0.23	5,606	62

# Debt Capacity Pledged Revenue Coverage Related to Revenue Bonds

Years Ended June 30

(Amounts in Thousands)

Year	Senior Bond Revenues (1)	Operating Expenses (2)	Senior Net Pledged Revenues Available	Senior Lien Bonds		
				Principal	Interest	Coverage
2010	\$ 916,928	\$ 281,320	\$635,608	\$41,280	\$32,386	8.63
2009	906,977	277,087	629,890	39,540	34,339	8.53
2008	965,169	278,713	686,456	38,005	36,118	9.27
2007	959,049	269,210	689,839	36,740	38,899	9.12
2006	946,991	243,361	703,630	35,440	40,537	9.27
2005	904,978	545,048	359,930	32,500	43,788	4.72
2004	893,734	501,226	392,508	23,455	31,086	7.20
2003	867,255	476,193	391,062	15,935	28,041	8.90
2002	865,950	467,158	398,792	6,610	18,488	15.89
2001	846,204	486,232	359,972	—	—	—

Year	Federal Reimbursement Revenues (5)	Expenses	Federal Reimbursement Bonds Net Pledged Revenues	Federal Reimbursement		
				Principal	Interest (6)	Coverage
2010	\$749,825	—	\$749,825	—	\$17,771	42.20
2009	—	—	—	—	—	—
2008	—	—	—	—	—	—
2007	—	—	—	—	—	—
2006	—	—	—	—	—	—
2005	—	—	—	—	—	—
2004	—	—	—	—	—	—
2003	—	—	—	—	—	—
2002	—	—	—	—	—	—
2001	—	—	—	—	—	—

Sources:  
MoDOT Controller's Division

Notes:

(1) Senior Bond Revenues consist of various percentages of the state motor fuel tax, sales and use taxes, and motor vehicle fees, as set by the State's constitution and statutes. Revenues are reported net of motor fuel tax refunds, and certain costs of collection, and exclude the State Road Bond Fund.

(2) Operating expenses consist of retirement benefit costs, the cost of enforcement of motor vehicle laws, and costs of other highway-related activities. Prior to fiscal year 2006, additional MoDOT operating expenses, principally personnel expenses and administrative costs, were paid from the highway fund.

(3) State Road Bond Fund taxes.

(4) First, Second, Third Lien Net Pledged Revenues consist of various percentages of the state motor fuel tax, sales and use taxes, and motor vehicle fees, as set by the State's constitution and statutes. Revenues are reported net of motor fuel tax refunds, and certain costs of collection, including State Road Bond Fund taxes, less Senior Lien Bonds principal and interest.

(5) Federal highway reimbursement revenues excluding American Recovery and Reinvestment Act and reimbursements passed through to other political entities.

(6) Federal reimbursement interest does not include \$9.0 million interest paid from the Bond Proceeds Capitalized Interest Fund in 2010 and 2009.

First, Second, Third Lien Revenues (3)	First, Second, Third Lien Net Pledged Revenues (4)	First Lien			Second Lien			Third Lien		
		Principal	Interest	Coverage	Principal	Interest	Coverage	Principal	Interest	Coverage
\$93,744	\$655,686	\$41,725	\$47,609	7.34	\$ 5,280	\$26,299	5.43	\$ —	\$4,786	5.22
91,013	647,024	35,575	49,140	7.64	9,775	26,690	5.34	—	687	5.31
84,476	696,809	24,510	50,204	9.33	—	16,978	7.60	—	1,662	7.47
65,738	679,938	23,530	40,651	10.60	—	—	—	13,080	2,339	8.55
26,096	653,749	23,835	10,392	19.10	—	—	—	—	2,047	18.03
—	283,642	—	—	—	—	—	—	—	—	—
—	337,967	—	—	—	—	—	—	—	—	—
—	347,086	—	—	—	—	—	—	—	—	—
—	373,694	—	—	—	—	—	—	—	—	—
—	359,972	—	—	—	—	—	—	—	—	—

## Demographic and Economic Information Population, Personal Income, and Unemployment Rate

Years Ended December 31

(Amounts in Thousands)

<u>Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2009	5,988	\$213,238,000	\$36	9.2%
2008	5,912	205,288,000	35	6.0
2007	5,878	198,757,000	34	5.1
2006	5,838	188,399,000	32	5.2
2005	5,788	178,036,000	31	6.3
2004	5,745	170,392,000	30	5.9
2003	5,706	164,163,000	29	5.9
2002	5,676	160,014,000	28	5.7
2001	5,642	155,843,000	28	4.8
2000	5,606	149,979,000	27	3.2

*Sources:*

Population: United States Department of Commerce, Census Bureau

Personal Income, Per Capita Personal Income, and Unemployment Rate: United States Department of Commerce, Bureau of Economic Analysis

## Demographic and Economic Information Employment Sectors

Years Ended December 31

(Amounts in Thousands)

	2009			2000		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage</u>
Trade, transportation, and utilities	535	1	20%	556	1	20%
Government	462	2	17	431	2	15
Education and health services	410	3	15	333	4	12
Professional and business services	331	4	12	324	5	12
Leisure and hospitality	263	5	10	270	6	10
Manufacturing	261	6	9	370	3	13
Financial activities	163	7	6	160	7	6
Construction, natural resources, and mining	137	8	5	150	8	5
Other services	115	9	4	116	9	4
Information	<u>62</u>	10	<u>2</u>	<u>77</u>	10	<u>3</u>
<b>Total</b>	<b><u>2,739</u></b>		<b><u>100%</u></b>	<b><u>2,787</u></b>		<b><u>100%</u></b>

Source:

United States Department of Labor, Bureau of Labor Statistics

Note:

Information on employers is provided at the more general level of employment sectors, rather than the top ten specific employers of the State of Missouri. This data is more relevant to the mission of a transportation system.

## Demographic and Economic Information Licensed Drivers with Population Data

Years Ended June 30

(Amounts in Thousands)

<u>Year</u>	<u>Licensed Drivers</u>	<u>Change in Licensed Drivers</u>	<u>Population</u>	<u>Change in Population</u>
2009	4,218	21	5,912	34
2008	4,197	35	5,878	40
2007	4,162	22	5,838	50
2006	4,140	5	5,788	43
2005	4,135	87	5,745	39
2004	4,048	82	5,706	30
2003	3,966	35	5,676	34
2002	3,931	69	5,642	36
2001	3,862	6	5,606	138
2000	3,856	16	5,468	30

*Sources:*

Licensed Drivers: Missouri Department of Revenue for federal reporting

Population: United States Department of Commerce, Census Bureau

*Notes:*

Fiscal year 2010 licensed drivers data is not yet available.

Licensed drivers data for 2001 and prior are reported on a calendar year basis.

Population is reported on a calendar year basis within the applicable fiscal year.

## Demographic and Economic Information Vehicle Registrations with Fuel Tax Receipts

Years Ended June 30

(Amounts in Thousands)

<u>Fiscal Year</u>	<u>Registrations</u>	<u>Percentage Change in Registrations</u>	<u>Net State Fuel Tax Receipts</u>	<u>Percentage Change in Fuel Tax Receipts</u>	<u>Fuel Tax Receipts per Registration</u>
2009	6,057	1.6 %	\$680,862	(4.3)%	112
2008	5,961	(0.6)	710,246	0.9	119
2007	5,997	(0.7)	704,071	(0.5)	117
2006	6,040	7.1	707,856	(0.4)	117
2005	5,609	(1.9)	710,343	1.4	127
2004	5,715	13.0	700,217	3.0	123
2003	4,974	(7.8)	679,397	1.4	137
2002	5,362	10.1	669,724	2.4	125
2001	4,819	(3.3)	653,674	(3.1)	136
2000	4,980	4.3	673,891	5.0	135

**Sources:**

Registrations: Missouri Department of Revenue, Missouri State Highway Patrol, and MoDOT for federal reporting

Fuel Tax Receipts: MoDOT Resource Management Division, cash basis

**Notes:**

Fiscal year 2010 registrations data is not yet available.

Registration data from 2001 and prior are reported on a calendar year basis.

## Operating Information

### Demand and Level of Service Indicators

Years Ended December 31

<u>Year</u>	<u>Daily Vehicle Miles Traveled (Amounts in Thousands)</u>			<u>Population (Amounts in Thousands)</u>	<u>Average Daily Miles Per Capita</u>
	<u>Non-State Highways</u>	<u>State Highways</u>	<u>Total Public Highways</u>		
2009	69,096	130,047	199,143	5,988	33.3
2008	68,086	130,703	198,789	5,912	33.6
2007	69,150	134,149	203,299	5,878	34.6
2006	55,829	132,758	188,587	5,838	32.3
2005	55,763	132,604	188,367	5,788	32.5
2004	55,874	132,635	188,509	5,745	32.8
2003	55,162	130,945	186,107	5,706	32.6
2002	55,615	131,130	186,745	5,676	32.9

**Sources:**

Daily Vehicle Miles Traveled: MoDOT Transportation Planning Division

Population: United States Department of Commerce, Census Bureau

**Note:**

Certain 2007 data was revised by source



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## Operating Information Demand and Level of Service Indicators

Years Ended June 30

Year	Freight Tonnage By Mode (Amounts in Thousands) (1) (2)				Travel Information by Mode		
	Port (3)	Motor Carrier (3)	Aviation	Rail	Number of Transit Passengers (3)	Number of Amtrak Rail Passengers	Number of Business Capable Airports (2)
2010	n/a-cy	n/a-cy	n/a-cy	n/a-cy	59,900,000	569,000	n/a-cy
2009	n/a-src	368,000	190	n/a-src	67,700,000	579,000	34
2008	29,000	361,000	240	412,000	67,900,000	532,000	32
2007	29,000	470,000	260	410,000	64,200,000	433,000	30
2006	35,000	399,000	267	441,000	70,400,000	433,000	29
2005	28,000	418,000	278	400,000	66,000,000	422,000	29
2004	32,800	419,000	282	405,000	64,600,000	402,000	29
2003	34,100	385,000	290	395,000	65,100,000	390,000	27
2002	30,000	363,000	299	380,000	67,700,000	427,000	27

Source:

MoDOT Tracker – Measures of Departmental Performance

Notes:

(1) Due to data reporting variability between the various modes and the private and public sectors, this measure represents generalized trends in freight development and movement, and should not be construed as absolute tons moved per year for each of the modes.

(2) Measured on a calendar year basis.

(3) Certain prior year data was revised by source.

(4) Measurement was changed to better reflect current department focus.

(5) Measurement criteria changed in 2010.

n/a-cy = not available - calendar year basis.

n/a-src = not available - external source provides data.

<b>Road and Bridge Projects</b>		<b>Safety</b>		
<b>Percent of Programmed Project Cost As Compared To Final Project Cost (4)</b>	<b>Percent of Projects Completed on Time</b>	<b>Number of Fatalities from Traffic Crashes (2) (3)</b>	<b>Number of Disabling Injuries from Traffic Crashes (2) (3)</b>	<b>Percent of Stripes Meeting Expectations (3) (5)</b>
n/a-src	97%	n/a-cy	na/-cy	81.0%
0.31 %	93	878	6,540	74.2
(2.27)	91	960	6,932	89.6
(2.57)	88	992	7,744	78.3
1.61	76	1,096	8,144	81.5
(2.84)	73	1,257	8,624	n/a
3.98	72	1,130	8,857	n/a
1.73	71	1,232	8,730	n/a
(0.79)	73	1,208	9,156	n/a

## Operating Information Capital Asset Indicators (1)

Years Ended December 31

<u>Year</u>	<u>Centerline Miles (2)</u>	<u>Percentage of Major Highways In Good Condition (3)</u>	<u>Number of Deficient Bridges</u>
2009	33,639	86.5%	2,679
2008	33,676	83.4	2,838
2007	33,685	78.0	2,844
2006	33,681	74.0	2,836
2005	32,423	60.8	2,892
2004	32,403	47.4	2,907
2003	32,397	44.5	2,959
2002	32,340	45.0	3,029

*Sources:*

MoDOT Tracker – Measures of Departmental Performance

Centerline miles provided by Transportation Planning Division

*Notes:*

(1) Assets of non-highway modes are not owned by the state. MoDOT administers funds to those entities, primarily through federal and state grants.

(2) Beginning in 2006, outer roadways were included in the mileage report.

(3) The Department's emphasis on Smooth Roads Initiative projects in 2005 and 2006 significantly increased the condition of major highways.

# Operating Information Capital Asset Indicators

Years Ended December 31

<b>Total Public Centerline Miles</b>								
<b>Functional Classification</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>Rural</b>								
Interstate	722	722	722	800	800	801	801	799
Freeway/Expressway	2	2	—	—	—	15	—	2
Principal Arterial	3,115	3,116	3,117	3,246	3,171	3,175	3,196	3,170
Minor Arterial	3,948	3,927	3,927	4,076	4,135	4,025	4,015	3,916
Collector	1	1	3	63	3	6	3	6
Major Collector	16,181	16,210	16,213	16,381	16,458	16,723	16,692	16,820
Minor Collector	5,948	5,961	5,966	5,995	5,949	5,771	5,775	5,740
Local	885	875	869	922	21	25	56	55
<b>Urban</b>								
Interstate	459	459	459	381	381	380	380	382
Freeway/Expressway	398	397	399	343	344	330	329	285
Principal Arterial	803	808	811	701	694	702	708	729
Minor Arterial	526	516	513	352	340	334	335	334
Collector	410	437	442	234	110	98	90	57
Major Collector	—	—	—	1	1	1	—	24
Minor Collector	—	—	—	—	—	—	—	—
Local	241	245	244	186	16	17	17	21
<b>Total Centerline Miles</b>	<b><u>33,639</u></b>	<b><u>33,676</u></b>	<b><u>33,685</u></b>	<b><u>33,681</u></b>	<b><u>32,423</u></b>	<b><u>32,403</u></b>	<b><u>32,397</u></b>	<b><u>32,340</u></b>
<b>Statewide Composite</b>								
Interstate	1,181	1,181	1,181	1,181	1,181	1,181	1,181	1,181
Freeway/Expressway	400	399	399	343	344	345	329	287
Arterial Systems	8,392	8,367	8,368	8,375	8,340	8,236	8,254	8,149
Collector Systems	22,540	22,609	22,624	22,674	22,521	22,599	22,560	22,647
Local	1,126	1,120	1,113	1,108	37	42	73	76
<b>Total Centerline Miles</b>	<b><u>33,639</u></b>	<b><u>33,676</u></b>	<b><u>33,685</u></b>	<b><u>33,681</u></b>	<b><u>32,423</u></b>	<b><u>32,403</u></b>	<b><u>32,397</u></b>	<b><u>32,340</u></b>

**Source:**

MoDOT Transportation Planning Division

**Note:**

Beginning in 2006, outer roadways were included in the mileage report.

## Operating Information

### Employee Full-Time Equivalents (FTE)

Years Ended June 30

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
District 1	456	447	453	467
District 2	459	465	462	484
District 3	421	414	446	458
District 4	787	795	790	832
District 5	536	518	534	553
District 6	916	917	902	921
District 7	442	437	464	492
District 8	536	530	535	548
District 9	451	447	447	470
District 10	537	542	544	540
Director's and Commission Secretary Offices	10	10	10	10
Organizational Support Team	142	140	144	149
System Delivery Team	633	658	713	736
System Facilitation Team	<u>311</u>	<u>316</u>	<u>322</u>	<u>338</u>
<b>Total</b>	<b><u>6,637</u></b>	<b><u>6,636</u></b>	<b><u>6,766</u></b>	<b><u>6,998</u></b>

Source:

State of Missouri payroll reporting system

Note:

Prior years data was revised.

# Other Information

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**Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards**

Missouri Highway and Transportation Commission  
Missouri Department of Transportation  
Jefferson City, Missouri

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Missouri Department of Transportation as of and for the year ended June 30, 2010 which collectively comprise its basic financial statements, and have issued our report thereon dated September 27, 2010, which contained an explanatory paragraph regarding a change in accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Department's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, we identified a certain deficiency in internal control over financial reporting described in the accompanying schedule of findings and responses as item 10-1 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Department's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Department's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the governing body, management and others within the Department and is not intended to be and should not be used by anyone other than these specified parties.

BKD, ll

September 27, 2010

**Missouri Department of Transportation**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2010**

**Findings Required to be Reported by *Government Auditing Standards***

Reference Number	Finding	Questioned Costs
10-1	<p>Criteria or Specific Requirement – Management is responsible for maintaining financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP).</p> <p>Condition – A journal entry was required to properly state accounts payable at year-end.</p> <p>Context – Current accounts payable cut-off procedures do not cover invoices processed by the Office of Administration on behalf of other state agencies.</p> <p>Effect – Potentially material misstatements in the financial statements could occur and not be prevented or detected in a timely manner.</p> <p>Cause – The Department did not receive invoices paid by other state agencies in a timely manner to review for proper cut-off of accounts payable.</p> <p>Recommendation – Management should expand their cut-off procedures to include invoices paid by other state agencies.</p>	None

**Missouri Department of Transportation**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2010**

Reference Number	Finding	Questioned Costs
10-1 (continued)	<p>Views of responsible officials and planned corrective actions – The Office of Administration (OA) prepares the State of Missouri’s Comprehensive Annual Financial Report and the State Auditor performs the annual audit. The State Auditor’s report dated December 31, 2009 for the year ended June 30, 2009 did not identify any deficiencies in internal controls over financial reporting. In addition, on March 15, 2010, the OA Division of Accounting issued a memorandum to all state agencies regarding SAM II Financial Fiscal Year End Accounting Procedures which included specific guidance on processing payments in July and August when the payment relates to the prior fiscal year. This guidance was consistent with that issued in prior years and emphasized the importance of correctly recording year end accounts payable to ensure accurate financial reporting. We relied on this system of internal controls for payments processed by OA against the State Highways and Transportation Department Fund. In the future, we will work with the Office of Administration and other agencies spending highway funds to obtain copies of invoices paid from those funds and apply year-end procedures to those invoices to ensure they are properly reported in the audited financial statements.</p>	