

Comprehensive Annual Financial Report

for the fiscal year ended
June 30, 2014

Prepared by the Financial Services Division
under the direction of
Roberta Broeker, CPA, Chief Financial Officer
and Brenda Morris, CPA, Financial Services Director

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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September 26, 2014

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, 2014.

Revised Statutes of Missouri, Section 21.795, require the Department, an agency of the state of Missouri, to have a financial statement audit performed annually by an independent certified public accountant. In fulfillment of this requirement, as well as bond requirements, the Department prepared this CAFR and contracted with the independent auditing firm of RubinBrown, LLP to audit the financial statements.

The objective of the independent audit is to provide 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 unmodified opinion and that the Department's financial statements for the fiscal year ended June 30, 2014, 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 comprises all funds from which MoDOT spends including certain other state agencies' spending as allowed by Missouri law. Only MoDOT appropriations are reported for other state of Missouri funds. 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 Division is an independent audit unit that performs audits of the various districts and divisions 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.

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 approximately 33,890 miles of highway and 10,370 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 the MoDOT director.

The Commission is responsible for the annual update of the Department's five-year Statewide Transportation Improvement Program (STIP) and awards contracts 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 by divisions and districts. The divisions represent a variety of disciplines and provide direction and oversight of the activities in the districts and support to the Department. These activities include the design and construction of highways and facilities, transportation planning including the five-year STIP, maintenance and safety of the existing highway system and activities related to other modes of transportation, such as aviation, railways, river ports, freight, transit, and bicycle and pedestrian facilities. The districts represent seven geographical regions of the state of Missouri and are responsible for providing projects and services to the citizens of Missouri.

Budgetary Controls

The Commission approves the appropriation request submitted to the State Legislature for all governmental funds reported by MoDOT with the exception of those funds appropriated to other state agencies and to the Office of Administration for certain fringe benefits. The request is developed with input from the districts and divisions. The legal authority of the State Road Fund budget and any related amendments is the Commission. The legal authority for all other funds rests with the Legislature who takes action on appropriation requests between January and 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. An additional budgetary control in place includes management using reports to monitor spending by program, division or appropriation.

Missouri Economy

Missouri's transportation system impacts the state's economy. Missouri businesses depend on our roadways, rail, waterways and airports to move their products and services both nationally and globally. An efficient, well-connected transportation system helps attract new businesses to our communities and helps existing businesses maintain a competitive edge with easy customer access, minimal shipping costs and strong links to a diverse workforce. The Department believes investments in transportation should create jobs and provide opportunities for advancement to all Missouri citizens.

Missouri employment continues toward pre-recession levels. Per the Bureau of Labor Statistics, United States Department of Labor, in fiscal year 2014, the unemployment rate continued to decline to 6.5 percent in June 2014. This compares to an unemployment rate of 6.8 percent in June 2013. Compared to the national trend, the Missouri unemployment rate declined less than the United States rate and ended 0.4 percentage points higher in June of 2014 than the national rate of 6.1 percent. Employment gains occurred over the previous year in most areas including manufacturing, finance, professional and business services, educational and health services, leisure and hospitality and

government. Personal income in the first quarter of 2014 is continuing to show steady growth at 2.7 percent over the previous year. Consumer confidence decreased in fiscal year 2014, which indicates that consumers continue to be cautious about making purchases.

MoDOT contributes to the economy in the areas of job creation, personal income growth and new value added to the economy. Based on the 2014-2018 STIP investment of \$4,400.0 million, an analysis estimates that on average, each year the plan creates 6,528 additional jobs, \$309.9 million in new personal income and \$414.5 million in new value added to the economy. By comparison, the analysis of the 2013-2017 STIP investment of \$4,294.0 million estimates 6,780 jobs, \$307.9 million in new personal income and \$523.2 million in new value added to the economy. While the investment increased slightly, the number of jobs created and the new value added to the economy decreased. These statistics show the impact to the economy because the STIP has fewer projects that expand the system and more that are focused on maintaining the system. Maintaining the system projects, such as bridge replacements, have a smaller economic impact than expansion projects, such as new interchanges.

The Department's state fuel tax receipts, the second largest source of transportation revenue, were essentially unchanged in 2014 from 2013, and the 2014 state fuel tax receipts are 6.1 percent lower than receipts from 2008, the year with the most receipts in the last seven years. Fuel tax-driven revenue streams are not increasing, because vehicles continue to become more fuel efficient and people are driving fewer miles. There have been no increases in the state motor fuel tax rate since 1996 and it is not indexed to keep pace with inflation. Motor vehicle and driver licensing fees increased 1.6 percent from 2013. Vehicle and driver licensing fees, similar to motor fuel taxes, are not indexed to keep pace with inflation and for most annual registration fees no increases have occurred since 1984. Motor vehicle sales tax receipts had growth, increasing 3.2 percent from 2013. Overall, state revenues for the Department increased 1.3 percent in 2014 compared to 2013.

Federal funding continues to be uncertain. On June 29, 2012, Congress passed Moving Ahead for Progress in the 21st Century (MAP-21), a two-year \$105.0 billion transportation bill for the nation's transportation projects. This two-year act was set to expire September 30, 2014. After many months of discussion regarding the insolvency of the Highway Trust Fund, on July 31, 2014, Congress took action to provide \$10.8 billion from the General Fund and the Leaking Underground Storage Tank Trust Fund to the Highway Trust Fund and to extend MAP-21 until May 31, 2015. The President signed the bill on August 8, 2014. This short-term fix will not solve the federal transportation funding issue. Congress will still need to work on a new highway authorization act to secure funding for transportation in the future.

Construction

Missouri's 2015-2019 STIP is primarily maintenance-focused with little room for anything else, but that has not always been the case. In 2004, Missouri voters approved Amendment 3, which redirected motor vehicle sales taxes formerly deposited into the State's General Revenue Fund to the newly created State Road Bond Fund and directed MoDOT to sell bonds and use the proceeds to improve roads and bridges. With that, Missouri's major roads went from 47.0 percent in good condition to 89.7 percent as of December 2013. Minor, less traveled roads have been maintained at 78.4 percent in good condition as of December 2013, a significant improvement from December 2012 when only 69.3 percent were in good condition. The condition of Missouri's bridges has steadily improved over the last five years, due to the Safe and Sound Bridge Improvement Program, a program to replace or rehabilitate 802 bridges throughout the state.

An unprecedented amount of work was also made possible when the President signed into law the American Recovery and Reinvestment Act (ARRA) in February 2009. This \$787.0 billion act was intended to stimulate the economy and provide jobs to the American public. As of September 30, 2013, the Department expended \$639.2 million and completed its projects associated with Missouri's highway infrastructure, on the job training, ferry boat and forest highway projects. In addition, the Department has also expended \$66.2 million for other transportation modes, such as rail and transit. Only ARRA rail projects are still in progress.

But these opportunities are over. ARRA funds are gone and the bond proceeds have been used to make improvements Missourians wanted. Now the redirected vehicle sales taxes that made it possible are being used to pay off that debt, just like the mortgage on a home.

During 2014, the Department completed the I-70 Stan Musial Veterans Memorial Bridge, a joint project with Illinois to build a new 4-lane bridge over the Mississippi River at St. Louis. In addition to the main span, this project also included the Missouri and Illinois approaches and interchanges, the relocation of Illinois Route 3 and a tri-level in Illinois.

The I-64 Daniel Boone Bridge design-build project costing \$125.0 million was awarded in July 2012. The project is needed to maintain the existing system by constructing a new westbound bridge over the Missouri River between St. Louis and St. Charles counties to replace an aging structure. The current westbound bridge was built in the mid-1930s and was not designed for interstate level traffic. The project is expected to be completed in the summer of 2016.

In February of 2014, construction began on the Manchester Bridge project, located in Jackson County, to replace the I-70 bridges over Manchester Trafficway, the Blue River and an adjacent rail yard. Built in the late 1950s, the current I-70 bridges are among the earliest pieces of interstate construction in western Missouri and need frequent maintenance and extensive repairs. The project is scheduled to conclude in December 2015.

The Department, St. Charles County and local municipalities have teamed together to allocate \$119.4 million toward building Route 364. The project includes building an improved connection from Page Avenue and Mid Rivers Mall Drive to I-64/U.S. Route 40/61 at Route N. The design-build contracting process was approved in February 2013 and the project is expected to be opened to traffic in October 2014.

The Department will replace the U.S. Route 69 Bridges over the Missouri River between Platte County, Missouri and Wyandotte County, Kansas starting in the fall of 2014. The project cost of \$79.0 million will be split with the state of Kansas. The southbound U.S. Route 69 Bridge, commonly referred to as the Fairfax Bridge, was built in 1933. The northbound U.S. Route 69 Bridge, commonly referred to as the Platte Purchase Bridge, was built in 1957. Both were built to accommodate the type, size, and weight of vehicles at the time they were constructed, and were not designed for the heavy weight loads and high volume of truck traffic typically found today within the heavy industrial zone where these bridges are located. The new bridges will be opened for traffic in December 2016.

The Department plans to begin construction in September 2014 on a project that will convert U.S. Route 60 to a freeway between Greene County Farm Road 241 west of Rogersville and Chicory Road east of Rogersville. This \$35.0 million project was awarded in June 2014 and will be completed by December 2016.

Long-term Financial Planning

The Department's 2015 budget, \$2.2 billion, approved by the Commission in June, is approximately \$83.9 million more than the Department's 2014 budget, with amendments. While the fiscal year 2015 budget is more than the fiscal year 2014 budget, it is significantly smaller than the fiscal year 2011 budget of \$3.0 billion. With the completion of projects built with Amendment 3 bond proceeds and ARRA funds, the construction program over the next several years will continue to decline. Program funds will focus on taking care of the existing transportation system as revenues are insufficient to do more.

The Department projects its annual construction program, which just a few years ago was \$1.3 billion, will be just over \$700.0 million in 2015, before dropping to \$325.0 million per year from 2017 through 2019. The baseline annual amount required to keep the statewide system of roads and bridges in the condition it is today is \$485.0 million. If no change occurs to funding levels, the transportation system will deteriorate.

The Commission approved the Bolder Five-Year Direction, a cost savings initiative within MoDOT, in June 2011. As of June 30, 2014, the Department is nearing full implementation of this direction. The only component not yet completed is the reduction of facilities. As of June 30, 2014, 107 of the 131 facilities targeted had been conveyed. As of June 30, 2014, the Department has realized \$507.0 million in savings. The savings have been invested in minor road improvements and in the STIP. In addition to monetary savings, the Department continues to explore ways to do things differently to maximize the limited resources the Department has available.

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

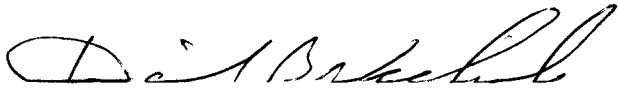
Other Information

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, 2014.

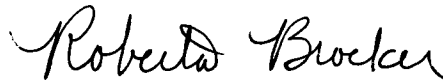
Acknowledgements

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 and professionalism of the Financial Services Division staff contributed significantly to the timely preparation of the 2014 report.

Respectfully submitted,



David B. Nichols, P.E.
Director



Roberta Broeker, CPA
Chief Financial Officer

Principal Officials

as of June 30, 2014

Commission

Stephen R. Miller	Chairman
Lloyd J. Carmichael	Vice Chairman
Bryan T. Scott*	Member
Gregg C. Smith	Member
Kenneth H. Suelthaus	Member
Pam Harlan	Secretary

MoDOT

David B. Nichols	Director
Ed Hassinger	Chief Engineer
Roberta Broeker	Chief Financial Officer
Kathryn Harvey	Assistant Chief Engineer
Rich Tiemeyer	Chief Counsel
Bill Rogers	Audits and Investigations Director
Dennis Heckman	State Bridge Engineer
Dave Ahlvers	State Construction and Materials Engineer
Mara Campbell**	Customer Relations Director
Eric Schroeter	State Design Engineer
Rudy Nickens	Equal Opportunity and Diversity Director
Lester Woods	External Civil Rights Director
Brenda Morris	Financial Services Director
Debbie Rickard	General Services Director
Jay Wunderlich	Governmental Relations Director
Micki Knudsen	Human Resources Director
Beth Ring	Information Systems Director
Scott Marion	Motor Carrier Services Director
Michelle Teel	Multimodal Operations Director
Jeff Padgett	Risk and Benefits Management Director
Eileen Rackers	State Traffic and Highway Safety Engineer
Machelle Watkins	State Transportation Planning Director

Districts

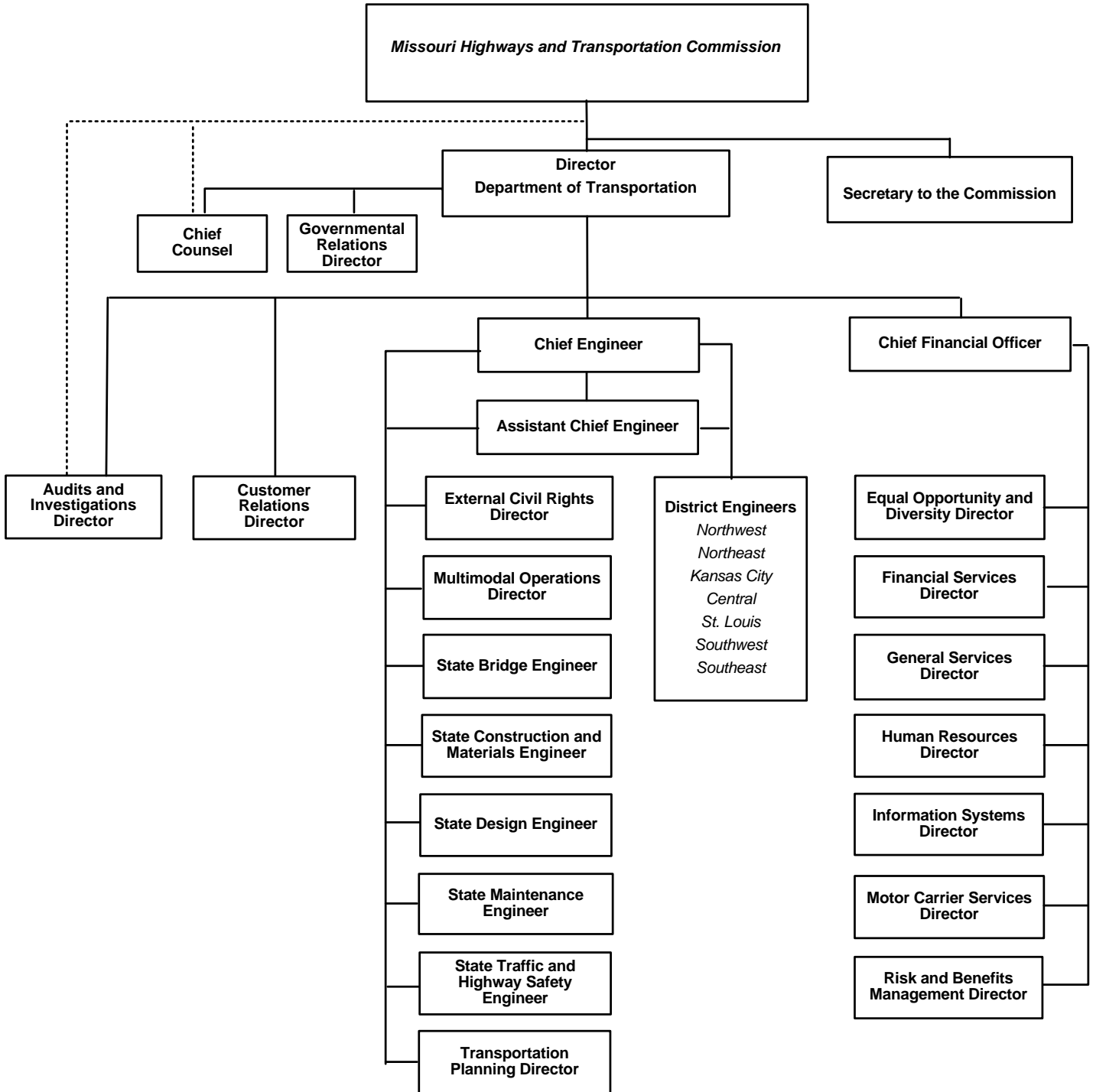
Don Wichern	Northwest District Engineer
Paula Gough	Northeast District Engineer
Dan Niec	Kansas City District Engineer
Dave Silvester	Central District Engineer
Greg Horn	St. Louis District Engineer
Rebecca Baltz	Southwest District Engineer
Mark Shelton	Southeast District Engineer

* Commissioner Scott was appointed by the Governor on September 3, 2014 and is awaiting confirmation by the State Senate.

**On September 8, 2014, Sally Oxenhandler was appointed Interim Customer Relations Director.

Organizational Chart

June 30, 2014





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Financial Section



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Independent Auditors' Report

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

Report On The Financial Statements

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 (the Department) as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility For The Financial Statements

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

Auditors' Responsibility

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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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, 2014 and 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Financial Reporting Entity

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, 2014 and 2013, 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.

Emphasis of Matter Relating to Restatements

As discussed in Note 15, the 2013 financial statements have been restated as a result of the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and to correct errors in infrastructure in progress, infrastructure, and infrastructure depreciation. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 22 through 33, the Budgetary Comparison Schedules on pages 82 through 84 and the Schedule of Funding Progress – Other Post-Employment Benefits on page 85 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The combining financial statements and the budgetary comparison schedules and reconciliations – debt service and nonmajor governmental funds, the introductory and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2014 on our consideration of the Department's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

RubinBrown LLP

September 26, 2014



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Management's Discussion and Analysis

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. Please note, fiscal year 2013 was restated for the implementation of GASB 65, *Items Previously Reported as Assets and Liabilities*, as well as the correction of errors related to infrastructure in progress, infrastructure and infrastructure depreciation. The notes to the financial statements provide more detail.

FINANCIAL HIGHLIGHTS

Government-wide Highlights

- The net position of the Department at the close of the fiscal year was \$27.4 billion, compared to \$27.0 billion at 2013. Of this amount, \$0.8 billion represents the amount available for highways and transportation uses in fiscal year 2014 compared to \$0.9 billion in fiscal year 2013. This represents a 10.7 percent decrease in the amount available for highways and transportation uses from 2013 compared to a 14.7 percent decrease in 2013 from 2012.
- The majority of the Department's assets, capital assets totaled \$29.5 billion and \$29.1 billion for fiscal years 2014 and 2013, respectively. This represents a 1.3 percent increase compared to a 1.8 percent increase in 2013 from 2012.
- Non-current liabilities of the Department total \$3.2 billion at June 30, 2014 compared to \$3.3 billion at 2013, a \$0.1 billion decrease. Fiscal year 2013 compared to 2012 also had a \$0.1 billion decrease.

Fund Highlights

- As of the close of the fiscal year, the Department's *governmental funds* reported combined ending fund balances of \$1.1 billion, compared to \$1.2 billion in 2013. From fiscal year 2013 to 2012, a decrease of \$0.1 billion also occurred.
- Approximately 97.6 percent of the Department's governmental fund balances, or \$1.1 billion, are available for spending at the Department's discretion in accordance with the purpose of the funds, compared to 97.1 percent, or \$1.2 billion, in 2013. As a result of the Department's focus on reducing inventory, the remaining nonspendable fund balance is \$29.1 million of inventory, compared to \$34.8 million in 2013. At June 30, 2014, there was a \$1.6 million unassigned negative fund balance compared to \$0.2 million at June 30, 2013. These unassigned (negative) fund balances were due to the timing of receipts, while the corresponding expenditures were recorded as incurred.
- The *proprietary funds* reported combined net position of \$36.5 million at the close of the fiscal year, compared to \$33.0 million in 2013. Restricted investments at the close of both years totaled \$0.3 million, resulting in unrestricted net position of \$36.5 million and \$32.7 million for fiscal years 2014 and 2013, 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 Position 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 Position* combine and consolidate all of the Department's assets and liabilities, except fiduciary funds, with the difference between the two reported as "net position". This includes current financial resources, capital assets and long-term obligations. Over time, increases or decreases in net position 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 position 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 (GASB) Statement 34 reporting:

- 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.
- 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 outlays represent either increases or decreases in liabilities on the government-wide statements, but are reported as expenditures on the governmental fund statements.

Deferred inflow and outflow of resources are related to transactions that have occurred but are not yet recognized in the financial statements as revenues or expenditures.

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 three 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) and the State Road Bond Fund. The Highway and Road 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 (MHTC) Self-Insurance Plan and the MoDOT 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 two 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 Position

As noted earlier, net position 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, 2014, 2013 and 2012. The Department's combined net position increased \$465.0 million over the course of this fiscal year's operations, an increase of 1.7 percent. This compares to an increase of \$543.0 million in 2013 from 2012.

The following table reflects the condensed financial information derived from the Statements of Net Position as of June 30, 2014, 2013 and 2012:

(Amounts in millions)	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>Percent Change 2014-2013</u>
Assets				
Current and other assets	\$ 1,448	\$ 1,514	\$ 1,623	(4.4)%
Capital assets, net	<u>29,477</u>	<u>29,093</u>	<u>28,568</u>	1.3
Total assets	<u>30,925</u>	<u>30,607</u>	<u>30,191</u>	1.0
Deferred Outflow of Resources				
Deferred bond refunding	<u>91</u>	<u>14</u>	<u>17</u>	550.0
Total deferred outflow of resources	<u>91</u>	<u>14</u>	<u>17</u>	550.0
Liabilities				
Current liabilities	428	414	415	3.4
Noncurrent liabilities	<u>3,170</u>	<u>3,254</u>	<u>3,383</u>	(2.6)
Total liabilities	<u>3,598</u>	<u>3,668</u>	<u>3,798</u>	(1.9)
Net Position				
Net Investment in capital assets	26,636	26,077	25,383	2.1
Restricted (internal service fund requirements and highways and transportation uses)	<u>782</u>	<u>876</u>	<u>1,027</u>	(10.7)
Total net position	<u>\$27,418</u>	<u>\$26,953</u>	<u>\$26,410</u>	1.7 %

The total assets of the Department were \$30.9 billion with deferred outflow of \$91.0 million, while total liabilities were \$3.6 billion, resulting in a net position of \$27.4 billion. By far, the largest portion of the Department's net position, \$26.6 billion, 97.1 percent, was invested in capital assets (i.e., land, buildings, equipment, infrastructure and other), less any related debt outstanding 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. Deferred outflow of resources have been added per GASB 65. The deferred outflow of resources increased due to the related refunding of bonds. This refunding, as well as repayment of debt, decreased the total liabilities. Capital assets cannot be used to repay debt, although they are reported net of debt. Within the net position, highways and transportation uses are expended to pay debt and liabilities.

Total assets increased \$317.0 million in 2014, compared to a \$416.0 million increase in 2013 from 2012. Total liabilities decreased \$70.0 million in 2014, compared to a \$130.0 million decrease in 2013 from 2012. The Department refunded debt, while making debt payments, thus decreasing liabilities and current and other assets.

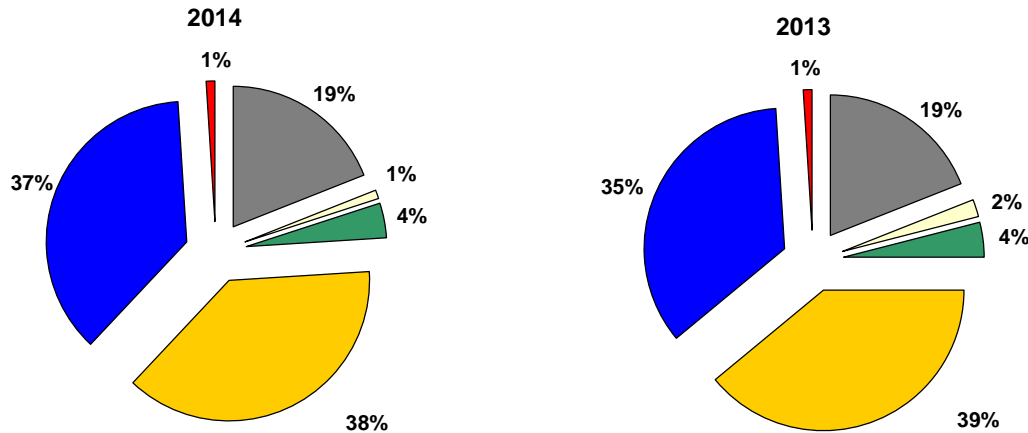
Statements of Activities

The following condensed financial information was derived from the government-wide Statements of Activities and reflects how the Department’s net position changed during the year, compared to the prior years. The information is for the fiscal years ended June 30, 2014, 2013 and 2012.

(Amounts in millions)	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>Percent Change 2014-2013</u>
Revenues				
Program revenues				
Charges for services	\$ 413	\$ 428	\$ 452	(3.5)%
American Recovery and Reinvestment Act	29	50	99	(42.0)
Operating grants and contributions – federal government	88	88	74	---
Capital grants and contributions – federal government	839	892	861	(5.9)
General revenues				
Taxes	802	791	788	1.4
Investment earnings (loss)	14	(1)	13	(1,500.0)
Miscellaneous	(2)	7	8	(128.6)
Total revenues	<u>2,183</u>	<u>2,255</u>	<u>2,295</u>	(3.2)
Expenses				
Program expenses				
Administration	33	32	30	3.1
Fleet, facilities and information systems	33	35	37	(5.7)
Maintenance	420	398	390	5.5
Construction	194	223	368	(13.0)
Multimodal operations	89	89	68	---
Interest on debt	130	136	141	(4.4)
Other state agencies	209	200	215	4.5
Self-insurance (workers' compensation and liability)	19	15	14	26.7
Medical and life insurance	97	95	97	2.1
Other post-employment benefits	51	75	76	(32.0)
Depreciation on assets	443	414	323	7.0
Total expenses	<u>1,718</u>	<u>1,712</u>	<u>1,759</u>	0.4
Changes in net position	465	543	536	(14.4)
Net position, beginning of year	<u>26,953</u>	<u>26,410</u>	<u>25,874</u>	2.1
Net position, end of year	<u>\$27,418</u>	<u>\$26,953</u>	<u>\$26,410</u>	1.7 %

Governmental Activities

The following chart depicts revenues of the governmental activities, as a percent, for the fiscal years ended June 30, 2014 and 2013.



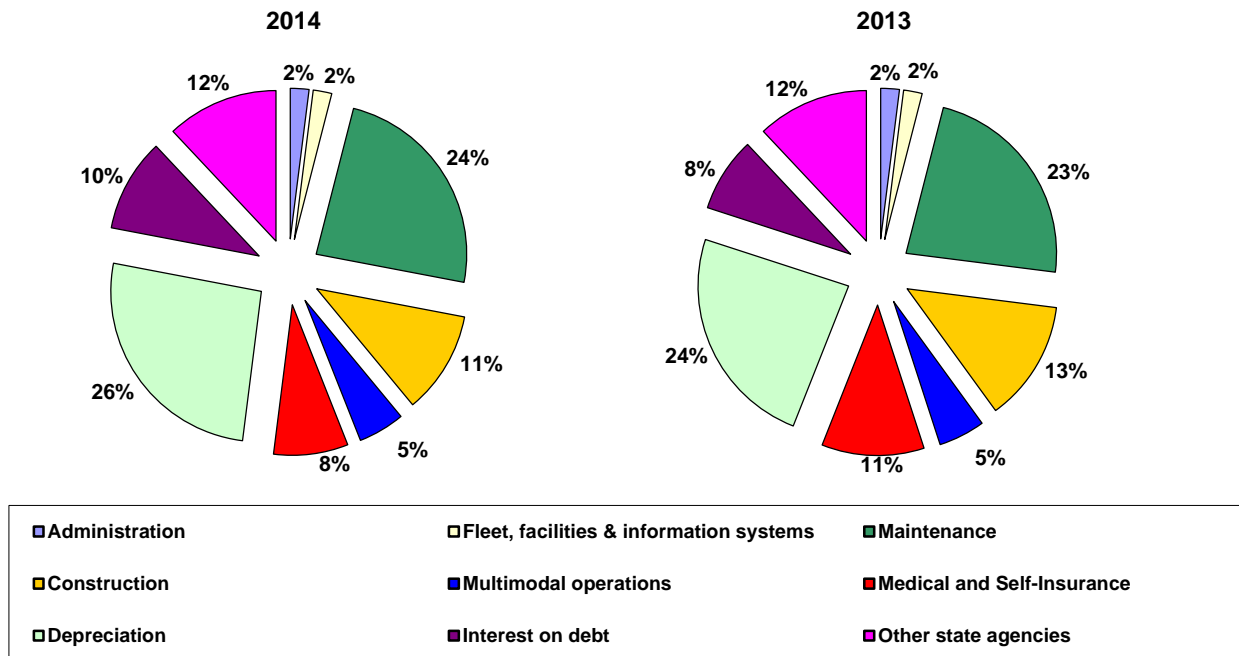
Revenues for the year decreased \$71.3 million compared to a decrease of \$40.1 million in 2013 from 2012. Highway projects ended September 30, 2014, while some rail projects related to American Recovery and Reinvestment Act (ARRA) are still in progress resulting in the \$21.1 million decrease in ARRA revenues. Federal grants revenue, including operating grants and contributions and capital grants and contributions, decreased \$52.3 million from 2013. The decrease is attributable to decreased expenditures for construction and hazard elimination projects. The following three revenue sources provided \$2.1 billion, or 94.1 percent, of the Department's revenues:

- Charges for services, including licenses, fees, permits and cost reimbursements: \$413.7 million
- Sales, use and fuel taxes: \$801.7 million
- Federal Highway Administration capital grants: \$839.9 million

In 2013, these same revenue sources provided \$2.1 billion, or 93.6 percent, of the Department's revenues.

As other revenue sources decline, revenues derived from taxes become a larger portion of the revenue for the department. Taxes overall increased only 1.4 percent with fuel tax revenues remaining essentially unchanged from fiscal year 2014 to 2013. The slight increase in sales tax has been offset by declines in other revenue sources. Overall, state transportation funding, excluding ARRA revenues, has decreased.

The following chart depicts expenses of the governmental activities for the fiscal years ended June 30, 2014 and 2013.



Expenses for the year increased \$5.9 million, or 0.3 percent. The increase in expenses is the net effect of increased Maintenance program expenditures related to the harsh winter while the Construction program decreased due to less construction expenditures.

The Department's expenses for construction and maintenance of the state's highway system totaled \$614.0 million and \$621.0 million in 2014 and 2013, respectively. This represents 35.8 percent and 36.3 percent of the total expenses for 2014 and 2013, 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 fund financial statements is to provide information on near-term inflow, outflow and balances of spendable resources.

Governmental Funds

At the end of the fiscal year, the fund balances of the governmental funds totaled \$1.1 billion, a decrease of \$71.5 million from the previous year. This compares to a decrease of \$89.5 million in 2013 from 2012. Revenues from the federal government decreased \$58.9 million from 2013 related to decreased reimbursements for construction and hazard elimination projects. The Department spent \$118.2 million less in 2014. This change is a combination of decreases in capital outlays, \$106.6 million; construction, \$25.4 million; maintenance, \$4.2 million; and fleet, facilities and information systems, \$2.2 million; and a combination of increases from debt service, \$11.8 million; other state agencies, \$6.8 million; and administration, \$1.6 million. Other financing sources increased only one percent as the department sold \$3.2 million of capital assets in fiscal year 2013 due to the Department's reorganization which included the reduction of equipment. In fiscal year 2014, maintenance expenditures decreased in nonmajor funds due to a change in how expenditures for hazard elimination projects are handled. Previously, these transactions impacted two funds and were eliminated on the statewide statements to avoid duplication.

State Highways and Transportation Department Fund: The Highway Fund was established by statute to receive revenues derived from the use of state highways. The fund pays the costs incurred to collect revenues received and to administer and enforce state motor vehicle laws and traffic regulations. As shown on the Balance Sheets, the fund ended the fiscal year with assets of \$116.0 million, liabilities of \$8.5 million, deferred inflow of \$2.1 million and a restricted fund balance of \$105.4 million. 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 \$685.7 million in revenues, a decrease of \$47.8 million from 2013. In 2013, revenues were \$5.8 million less than 2012. The largest portion of the revenue decrease is attributed to legislation that became effective in fiscal year 2014 that changed all state use tax to a sales tax. A portion of the use tax collected was deposited into the Highway Fund, but sales tax is not.

State 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 \$1.1 billion, a decrease of \$79.6 million from 2013. This compares to a decrease in 2013 of \$109.7 million from 2012. Deferred inflow of resources for the fund was \$22.2 million compared to 26.8 million in fiscal year 2013. Liabilities totaled \$126.2 million, an increase of \$7.3 million from 2013, and fund balances totaled \$952.1 million, a decrease of \$82.2 million from 2013 compared to a decrease of \$83.7 million in 2013 from 2012.

State Road 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 \$50.1 million, compared to \$37.0 million in 2013. The ARRA revenue represents the federal government subsidy received for the Build America Bonds issued in 2010. Sales tax revenue increased \$37.3 million due to the same legislative change in use tax mentioned above in the Highway Fund. Since the source of revenue for the Bond Fund is sales tax, changing the use tax to a sales tax resulted in more revenues to the Bond Fund. Revenues are used to repay bonds; therefore, expenditures of the Bond Fund were \$143.8 million in 2014 compared to \$125.1 million in 2013.

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 MSHP Medical and Life Insurance Plan. 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 Position – Proprietary Funds, total assets increased \$3.7 million in 2014 compared to an increase of \$5.6 million in 2013. Total current liabilities of the proprietary funds at 2014 were \$45.4 million, an increase of \$2.4 million from 2013. In 2013, total current liabilities of the proprietary funds decreased \$2.4 million from 2012. Total pending self-insurance claims and incurred but not reported claims decreased \$2.2 million compared to a \$4.0 million decrease in 2013 from 2012.

Total net position of the internal service funds increased \$3.6 million at the end of the current fiscal year to \$36.5 million, compared to an increase of \$9.3 million in 2013 from 2012. Highway worker's compensation and general liability expenses increased \$14.7 million while nonoperating revenues increased \$1.5 million due to a change in the market value of investments.

The largest operating expenses of the proprietary funds, medical and prescription drug benefits, totaled \$104.9 million compared to \$102.9 million in 2013. This accounts for 76.1 percent of the total operating expenses, compared to 78.1 percent in 2013. This \$2.0 million increase compares to a \$2.8 million decrease in 2013 from 2012. The net income of the Self Insurance fund was \$4.9 million in fiscal year 2014 compared to \$9.8 million in fiscal year 2013. The decrease in net income from fiscal year 2014 to 2013 is the net result of decreased operating revenue due to a subrogation settlement in fiscal year 2013 of \$2.1 million and an increase in operating expenses. The change in net position of the medical and life insurance plan was a negative \$1.3 million in fiscal year 2014 compared to a negative change in net position of \$0.5 million in fiscal year 2013. The increase in negative net position is the net effect of an operating loss of \$2.0 million and nonoperating revenue of \$0.7 million. The operating loss can be attributed to an increase in prescription drug benefits.

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 a net position.

SIGNIFICANT EVENTS FOR THE YEAR ENDED JUNE 30, 2014

On May 14, 2014, the Commission authorized the issuance of up to \$625.0 million in First Lien Refunding State Road Bonds (Series A 2014 Bonds) and \$350.0 million in Second Lien Refunding State Road Bonds (Series B 2014 Bonds). The bond proceeds refunded a portion of the Series A & B 2006 Bonds and a portion of the Series 2007 Bonds with a par amount totaling \$977.8 million. The par

amount of the refunding bonds was \$901.0 million with a true-interest-cost of 2.33 percent and 1.71 percent for the Series A 2014 Bonds and Series B 2014 Bonds, respectively. Approximately \$105.6 million, or 10.8 percent, in net present value savings was realized.

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 I-70 Stan Musial Veterans Memorial Bridge, includes the main span, as well as Missouri and Illinois approaches and interchanges, relocation of Illinois Route 3 and a tri-level in Illinois. The total cost of the project was \$676.3 million, with Missouri and Illinois participating in the main span and approaches at 42.0 and 58.0 percent, respectively. All projects were opened to traffic in February 2014.

The I-64 Daniel Boone Bridge Design-Build project costing \$125.0 million was awarded in July 2012. The project is needed to maintain the existing system by constructing a new westbound bridge over the Missouri River between St. Louis and St. Charles counties to replace an aging structure. The current westbound bridge was built in the mid-1930s and was not designed for interstate level traffic. The project is expected to be completed in the summer of 2016.

The Department, St. Charles County and the local municipalities have partnered together to build Route 364 in St. Charles County, a \$119.4 million project. The project includes building an improved connection from Page Avenue and Mid Rivers Mall Drive to I-64/US Route 40/61 at Route N. The design-build contracting process was approved in February 2013 and the project is expected to be opened to traffic in October 2014.

In January of 2014, construction began on the Manchester Bridge project, located in Jackson County, to replace the I-70 bridges over Manchester Trafficway, the Blue River and an adjacent rail yard. This project is a maintain the system type project. Built in the late 1950s, the current I-70 bridges are among the earliest pieces of interstate construction in western Missouri and need frequent maintenance and extensive repairs. The project is scheduled to conclude in December 2015.

Additional federal revenues became available to all states when the President signed ARRA into law. As of September 30, 2013, the Department expended \$639.2 million and completed its projects associated with Missouri's highway infrastructure, on the job training, ferry boat and forest highway projects. The Department has also expended \$66.2 million for other transportation modes, such as rail and transit. Only ARRA rail projects are still in progress.

The Department, like other entities, has been impacted by increased costs of petroleum products utilized in daily maintenance operations. While construction project bid amounts and subsequent construction awards have been at less than budgeted amounts for the last several years, in fiscal year 2014 the construction award amount was slightly higher than the budgeted amount. The Department has successfully used a variety of innovations, which focus on getting the most value for each tax dollar, to minimize the impacts of rising costs. These 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 design changes with bid submittal; and
- packaging of bids to increase competition among bidders.

The Department is recognized nationally by other departments of transportation for MoDOT's performance management system and practical design efforts. In fact, the Federal Highway Administration has acknowledged the Department's performance management system as a noteworthy practice because it achieves accountability and transparency, aligns performance measures and strategic goals and is an outcome-based performance management tool.

During fiscal year 2013, MoDOT initiated a statewide engagement effort called “On the Move” to update Missouri's long range transportation plan. MoDOT sought direction regarding transportation priorities from stakeholders and the public across the state through listening sessions, mobile tours and virtual forums. In February 2014, the Commission adopted the long-range transportation plan, “A Vision for Missouri's Transportation Future” from the information gathered through On the Move.

During the fiscal year 2014 legislative session, the legislature passed House Joint Resolution 68, a bill allowing the citizens of Missouri to vote for a temporary, 10-year three-quarters of one percent general sales tax effective January 1, 2015. The legislation required the Department to prepare a list of projects that would be built with the proceeds of the general sales tax. The Department engaged stakeholders and the public in preparing this list and the Commission approved the list at its July 9th meeting. The Governor placed the proposal on the August 2014 ballot as Constitutional Amendment 7. Amendment 7 was defeated.

CAPITAL ASSETS AND LONG-TERM OBLIGATION ADMINISTRATION

Capital Assets

The Department's investment in capital assets for its governmental activities as of June 30, 2014, totals \$53.4 billion, with accumulated depreciation of \$23.9 billion and a net value of \$29.5 billion. The net value represents an increase of \$383.3 million from fiscal year 2013, compared to an increase of \$525.2 million in 2013 from 2012. These assets are summarized in the table below. Additional information about the Department's capital assets is presented in the Notes to the Financial Statements.

(Amounts in millions)	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>Percent Change 2014-2013</u>
Land and permanent easements	\$ 2,486	\$ 2,490	\$ 2,477	(0.2) %
Software in progress	3	1	1	200.0
Construction in progress	159	167	152	(4.8)
Infrastructure in progress	2,170	2,735	2,969	(20.7)
Land improvements	17	18	16	(5.6)
Buildings	162	156	164	3.8
Software	5	6	5	(16.7)
Vehicles and equipment	174	171	172	1.8
Temporary easements	1	1	2	---
Infrastructure	<u>24,300</u>	<u>23,348</u>	<u>23,338</u>	4.1
Total	<u>\$29,477</u>	<u>\$29,093</u>	<u>\$29,296</u>	1.3 %

As provided by generally accepted accounting principles (GAAP), the Department records its infrastructure assets at actual or estimated historical cost. Included in infrastructure are approximately 33,890 miles of highways and 10,370 bridges that the Department is responsible for maintaining.

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.

Long-Term Obligation Administration

The following table 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.

(Amounts in millions)	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>Percent Change 2014-2013</u>
State road bonds	\$2,679	\$2,918	\$3,072	(8.2)%
Premium on bonds	230	84	100	173.8
Advances from other entities	23	26	28	(11.5)
Capital lease obligations	---	2	2	100.0
Compensated absences	33	32	33	3.1
Other liabilities	<u>3</u>	<u>5</u>	<u>3</u>	(40.0)
Total obligations	2,968	3,067	3,238	(3.2)
Current portion of obligations	<u>211</u>	<u>198</u>	<u>187</u>	6.6
Total noncurrent obligations	<u>\$2,757</u>	<u>\$2,869</u>	<u>\$3,051</u>	(3.9)%

The Department's total obligations, excluding pending self-insurance claims and incurred but unreported claims, decreased \$112.0 million from 2013, compared to a decrease of \$182.0 million in 2013 from 2012. At the end of the current fiscal year, state road bonds total \$2.7 billion, or 90.3 percent, of the total 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 user fees, including fuel taxes, sales and use taxes, licenses and fees and federal highway reimbursements. Principal payments are due on various dates through fiscal year 2033.

The advances from other entities 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 agreements provide a means of financing office equipment. In addition to equipment lease agreements, the Department entered into an agreement for an office facility to accommodate the consolidation of motor carrier services in fiscal year 2005. Due to emphasis on decreasing leased office space, the Department negotiated the termination of this lease in fiscal year 2014. Capital lease payments mature on various dates through fiscal year 2018.

RECENT EVENTS AND FUTURE BUDGETS

The Department's fiscal year 2015 budget for all funds was approved by the Legislature in May 2014 and signed into law by the Governor in June 2014. 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 2014, with a total spending plan of \$2.2 billion. While the fiscal year 2015 budget is more than the fiscal year 2014 budget, it is significantly smaller than the fiscal year 2011 budget of \$3.0 billion. With the completion of projects built with Amendment 3 bond proceeds and federal stimulus funds, the construction program over the next several years will continue to decline. Program funds will focus on taking care of the existing transportation system as revenues are insufficient to do more.

Federal funding continues to be uncertain. On June 29, 2012, Congress passed Moving Ahead for Progress in the 21st Century (MAP-21), a two-year, \$105.0 billion transportation bill for the nation's transportation projects. This two-year act was set to expire September 30, 2014. After many months of discussion regarding the insolvency of the Highway Trust Fund, on July 31, 2014, Congress took action to provide \$10.8 billion from the General Fund and the Leaking Underground Storage Tank Trust Fund to the Highway Trust Fund and to extend MAP-21 until May 31, 2015. The President signed the bill on August 8, 2014. This short-term fix will not solve the federal transportation funding issue. Congress will still need to work on a new highway authorization act to secure funding for transportation in the future.

The Department will replace the U.S. 69 Bridges over the Missouri River between Platte County, Missouri and Wyandotte County, Kansas starting in the fall of 2014. The project cost of \$79.0 million will be split with the state of Kansas. The southbound U.S. Route 69 Bridge, commonly referred to as the Fairfax Bridge, was built in 1933. The northbound U.S. Route 69 Bridge, commonly referred to as the Platte Purchase Bridge was built in 1957. Both were built to accommodate the type, size and weight of vehicles at the time they were constructed, and were not designed for the heavy weight loads and high volume of truck traffic typically found today within the heavy industrial zone where these bridges are located. The new bridges will open to traffic in December 2016.

The Department plans to begin construction in September 2014 on a project that will convert U.S. Route 60 to a freeway between Greene County Farm Road 241 west of Rogersville and Chicory Road east of Rogersville. This \$35.0 million project was awarded in June 2014 and will be completed by December 2016.

Annually, the Department prepares a financial forecast that is used to develop its STIP. The financial forecast for the 2015-2019 STIP projected a significant decline in federal revenues as well as an ongoing erosion of state revenues. Reduced funding leads to a significant decline in construction awards. Based on this financial forecast, the Commission took action in January 2014 to suspend the Cost Share/Economic Development Program for all projects not approved by the Cost Share Committee at, or prior to, its November 15, 2013 meeting. In addition, the Commission suspended the addition of any new projects to the 2015-2019 STIP except: projects in Safety and Taking Care of the Existing System categories where funds are already committed in the STIP, but the specific projects have not been identified; and projects funded with federal sub-allocated funds matched with local agency funds. The result was only 30 projects were added to the 2015-2019 STIP when normally 500 or more projects are added.

The STIP further illustrates the downturn in MoDOT's construction budget that has been falling since a peak of \$1.3 billion in 2009. In fiscal year 2015, construction awards are projected to be \$720.0 million, \$596.0 million in fiscal year 2016 and \$325.0 million annually in fiscal years 2017, 2018 and 2019. The amount needed to maintain roads and bridges in the condition they are today is \$485.0 million.

The Department has to overcome the challenges of reduced motor fuel tax revenue due to more fuel efficient vehicles on the road as well as fewer miles traveled by consumers. Since 1992, concrete and asphalt costs have outpaced fuel tax revenue two-to-one. With no new funding source available in the near future, the Department will work closely with planning partners and other transportation stakeholders to keep the funding conversation going. Meanwhile, setting priorities among equally important transportation projects will be a tough job as time passes and the construction budget shrinks.

The Governmental Accounting Standards Board (GASB) issued Statement No. 68, Accounting and Financial Reporting for Pensions, in June of 2012 for fiscal years beginning after June 15, 2014. This Statement replaces the requirements of previously published Statement No. 27, Accounting for Pensions by State and Local Governmental Employers. By publishing this Statement, GASB expands the transparency requirements of governments by requiring expanded disclosures of assessments, explanations of how and why net pension liability changed, and contribution schedules. The Department will be implementing this Statement with its fiscal year 2015 Comprehensive Annual Financial Report.

ECONOMIC CONDITIONS

The current economic environment presents government entities, including state transportation departments, with unusual circumstances and challenges. The past year has seen only slight improvement in the Missouri economy. Consumer sentiment indices have shown some decline in consumer confidence, as consumers remain cautious with spending. The economy 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. For a number of years, the Department experienced a favorable bidding environment for construction projects. For example, during the previous five fiscal years, 2009-2013, 2,081 highway and bridge construction projects estimated at \$5.0 billion were awarded for \$4.6 billion, a 9.14 percent difference. In fiscal year 2014, however, this favorable environment shifted in the other direction. Projects estimated at \$684.6 million were awarded for \$691.4 million, or 1.0 percent higher than estimated.

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, Financial Services 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 website at www.modot.org.



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Government-wide Financial Statements

Statements of Net Position

June 30, 2014 and 2013

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
		(as restated)
Assets		
Current assets		
Cash and cash equivalents	\$ 965,699,201	\$ 1,035,555,070
Investments	3,303,283	2,377,978
Restricted cash and investments	72,250,000	71,791,700
State taxes and fees receivables	137,254,182	137,391,420
Federal government receivables	77,779,235	62,959,841
Miscellaneous receivables, net	39,976,921	39,199,566
Loans receivable	341,764	395,694
Inventories	<u>29,135,029</u>	<u>34,840,942</u>
Total current assets	<u>1,325,739,615</u>	<u>1,384,512,211</u>
Noncurrent assets		
Investments	108,417,861	115,412,204
Restricted cash and investments	---	200,000
Miscellaneous receivables, net	12,547,870	12,294,588
Loans receivable	1,359,115	1,700,879
Capital assets		
Assets not being depreciated	4,818,408,397	5,392,943,803
Assets being depreciated, net	<u>24,658,204,174</u>	<u>23,700,400,845</u>
Total noncurrent assets	<u>29,598,937,417</u>	<u>29,222,952,319</u>
Total assets	<u>30,924,677,032</u>	<u>30,607,464,530</u>
Deferred Outflow of Resources		
Deferred bond refunding	<u>91,218,404</u>	<u>13,961,482</u>
Total deferred outflow of resources	<u>91,218,404</u>	<u>13,961,482</u>
Liabilities		
Current liabilities		
Accounts payable	118,352,903	112,944,056
Accrued payroll	23,432,173	22,687,988
Accrued interest payable	23,469,734	30,128,100
Deposits	758,573	741,783
Unearned revenue	18,685,379	17,544,326
Pending self-insurance claims	17,541,000	17,715,000
Incurred but not reported claims	14,982,000	14,841,000
Financing and other obligations	<u>210,991,374</u>	<u>197,882,062</u>
Total current liabilities	<u>428,213,136</u>	<u>414,484,315</u>
Noncurrent liabilities		
Pending self-insurance claims	47,216,461	49,547,962
Incurred but not reported claims	13,410,000	13,258,000
Other post-employment benefit obligations	351,544,236	321,937,451
Financing and other obligations	<u>2,757,109,627</u>	<u>2,869,180,063</u>
Total noncurrent liabilities	<u>3,169,280,324</u>	<u>3,253,923,476</u>
Total liabilities	<u>3,597,493,460</u>	<u>3,668,407,791</u>
Net Position		
Net Investment in capital assets	26,636,055,757	26,077,114,342
Restricted for:		
Internal service fund requirements	300,000	300,000
Highways and transportation	<u>782,046,219</u>	<u>875,603,879</u>
Total net position	<u>\$27,418,401,976</u>	<u>\$26,953,018,221</u>

Statements of Activities

Years Ended June 30, 2014 and 2013

	Governmental Activities	
	2014	2013 (as restated)
Transportation Program Expenses		
Administration	\$ 32,790,697	\$ 32,244,395
Fleet, facilities and information systems	32,790,073	34,904,795
Maintenance	419,999,406	398,274,230
Construction	194,551,808	222,767,005
Multimodal operations	89,148,029	89,183,960
Interest	129,873,350	136,493,467
Other state agencies	208,609,602	199,659,461
Self-insurance	19,407,407	15,336,349
Medical and life insurance	97,482,972	94,694,864
Other post-employment benefits	50,586,458	75,151,587
Depreciation	<u>442,733,984</u>	<u>413,381,652</u>
Total transportation program expenses	<u>1,717,973,786</u>	<u>1,712,091,765</u>
Transportation Program Revenues		
Charges for services		
Licenses, fees and permits	290,152,501	283,021,795
Intergovernmental/cost reimbursements/miscellaneous	85,337,046	107,936,890
Interest	51,964	105,950
Member insurance premiums	<u>38,169,311</u>	<u>37,327,828</u>
Total charges for services	413,710,822	428,392,463
Federal government		
American Recovery and Reinvestment Act	28,764,691	49,911,874
Operating	87,530,939	87,688,971
Capital	<u>839,911,985</u>	<u>892,031,320</u>
Total federal government	<u>956,207,615</u>	<u>1,029,632,165</u>
Total transportation program revenues	<u>1,369,918,437</u>	<u>1,458,024,628</u>
Net expense of transportation program	<u>(348,055,349)</u>	<u>(254,067,137)</u>
General Revenues		
Fuel taxes	489,983,918	486,528,830
Sales and use taxes	311,761,030	304,162,919
Unrestricted investment earnings (loss)	13,755,109	(1,156,653)
State appropriations	14,346,615	11,630,299
Gain (loss) on sale of capital assets	<u>(16,407,568)</u>	<u>(4,560,219)</u>
Total general revenues	<u>813,439,104</u>	<u>796,605,176</u>
Changes in Net Position	465,383,755	542,538,039
Net Position, beginning of year (as restated)	<u>26,953,018,221</u>	<u>26,410,480,182</u>
Net Position, end of year	<u>\$27,418,401,976</u>	<u>\$26,953,018,221</u>



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Fund Financial Statements

Balance Sheets
Governmental Funds
 June 30, 2014 and 2013

	2014				
	State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 8,715,400	\$ 866,458,834	\$36,669,426	\$25,638,948	\$ 937,482,608
State taxes and fees receivable	103,857,406	19,602,586	13,330,509	463,681	137,254,182
Federal government receivable	---	62,053,996	---	15,725,239	77,779,235
Miscellaneous receivables, net	3,395,221	43,472,957	63,917	3,335,614	50,267,709
Loans receivable	---	---	---	1,700,879	1,700,879
Due from other funds	---	7,844,525	---	---	7,844,525
Inventories	---	29,135,029	---	---	29,135,029
Restricted cash and investments	---	71,950,000	---	---	71,950,000
Total assets	<u>\$115,968,027</u>	<u>\$1,100,517,927</u>	<u>\$50,063,852</u>	<u>\$46,864,361</u>	<u>\$1,313,414,167</u>
Liabilities, Deferred Inflow of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ 1,196,187	\$ 98,779,510	\$ ---	\$13,017,776	\$ 112,993,473
Accrued payroll	7,273,756	16,064,945	---	93,472	23,432,173
Deposits	---	758,573	---	---	758,573
Unearned revenue	---	10,624,707	---	583,769	11,208,476
Due to other funds	---	---	---	7,844,525	7,844,525
Total liabilities	<u>8,469,943</u>	<u>126,227,735</u>	<u>---</u>	<u>21,539,542</u>	<u>156,237,220</u>
Deferred Inflow of Resources					
Deferred Revenues	<u>2,074,523</u>	<u>22,212,790</u>	<u>---</u>	<u>2,031,057</u>	<u>26,318,370</u>
Total deferred inflow of resources	<u>2,074,523</u>	<u>22,212,790</u>	<u>---</u>	<u>2,031,057</u>	<u>26,318,370</u>
Fund balances					
Nonspendable – inventories	---	29,135,029	---	---	29,135,029
Unassigned	---	---	---	(1,575,780)	(1,575,780)
Restricted – highways and transportation	<u>105,423,561</u>	<u>922,942,373</u>	<u>50,063,852</u>	<u>24,869,542</u>	<u>1,103,299,328</u>
Total fund balances	<u>105,423,561</u>	<u>922,942,373</u>	<u>50,063,852</u>	<u>23,293,762</u>	<u>1,130,858,577</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$115,968,027</u>	<u>\$1,100,517,927</u>	<u>\$50,063,852</u>	<u>\$46,864,361</u>	<u>\$1,313,414,167</u>

2013

State Highways
and
Transportation
Department
Fund

State Road
Fund

State
Road Bond
Fund

Nonmajor
Governmental
Funds

Total
Governmental
Funds

\$ 8,268,052	\$ 960,620,934	\$25,414,796	\$22,621,814	\$ 1,016,925,596
106,803,058	18,640,528	11,511,475	436,359	137,391,420
---	48,028,506	---	14,931,335	62,959,841
3,367,628	43,633,355	40,574	2,413,983	49,455,540
---	---	---	2,096,573	2,096,573
---	2,626,005	---	---	2,626,005
---	34,840,942	---	---	34,840,942
---	71,691,700	---	---	71,691,700
<u>\$118,438,738</u>	<u>\$1,180,081,970</u>	<u>\$36,966,845</u>	<u>\$42,500,064</u>	<u>\$1,377,987,617</u>

\$ 1,539,198	\$ 92,679,368	\$ 3,846	\$15,685,256	\$ 109,907,668
6,972,389	15,624,477	---	91,122	22,687,988
---	741,783	---	---	741,783
---	9,924,567	---	211,615	10,136,182
---	---	---	2,626,005	2,626,005
<u>8,511,587</u>	<u>118,970,195</u>	<u>3,846</u>	<u>18,613,998</u>	<u>146,099,626</u>
<u>2,120,929</u>	<u>26,820,534</u>	<u>---</u>	<u>566,847</u>	<u>29,508,310</u>
<u>2,120,929</u>	<u>26,820,534</u>	<u>---</u>	<u>566,847</u>	<u>29,508,310</u>
---	34,840,942	---	---	34,840,942
---	---	---	(234,005)	(234,005)
<u>107,806,222</u>	<u>999,450,299</u>	<u>36,962,999</u>	<u>23,553,224</u>	<u>1,167,772,744</u>
<u>107,806,222</u>	<u>1,034,291,241</u>	<u>36,962,999</u>	<u>23,319,219</u>	<u>1,202,379,681</u>
<u>\$118,438,738</u>	<u>\$1,180,081,970</u>	<u>\$36,966,845</u>	<u>\$42,500,064</u>	<u>\$1,377,987,617</u>



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Reconciliation of the Governmental Funds Balance Sheets to the Statements of Net Position

Governmental Funds

June 30, 2014 and 2013

	<u>Total</u>	
	<u>2014</u>	<u>2013</u> (as restated)
Fund balances – total governmental funds	\$ 1,130,858,577	\$ 1,202,379,681
Amounts reported for governmental activities in the statements of net position are different because:		
Capital assets, net of accumulated depreciation of \$23,890,841,995 and \$23,520,983,029 in 2014 and 2013, respectively, used in governmental activities are not financial resources and therefore are not reported in the funds.	29,476,612,571	29,093,344,648
Amounts resulting from the difference calculated between the reacquisition price and the net carrying amount of refunded bonds, reported as deferred outflow of resources, are not reported in the funds.	91,218,404	13,961,482
Some of the Department's tax revenue will be collected after the 60-day availability period and is deferred in the fund financial statements. However, revenue from this amount is recognized in the government-wide financial statements, net of allowance for uncollectible amounts.	26,318,370	29,508,310
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 position.		
Medical and life insurance plan	30,284,966	31,621,646
Self-insurance plan	6,224,059	1,330,130
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	(2,968,101,001)	(3,067,062,125)
Other post-employment benefits obligations	(351,544,236)	(321,937,451)
Accrued interest payable	<u>(23,469,734)</u>	<u>(30,128,100)</u>
Total net position – governmental activities	<u>\$27,418,401,976</u>	<u>\$26,953,018,221</u>

Statements of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Years Ended June 30, 2014 and 2013

	2014				
	State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Fuel taxes	\$ 489,629,923	\$ 128,032	\$ ---	\$ 225,963	\$ 489,983,918
Sales and use taxes	2,320,388	147,776,270	151,612,341	10,052,031	311,761,030
Licenses, fees and permits	187,620,158	100,109,044	---	2,428,698	290,157,900
Intergovernmental/cost reimbursements/miscellaneous	5,836,383	78,193,683	---	722,832	84,752,898
Investment earnings	264,207	10,785,218	413,683	215,631	11,678,739
American Recovery and Reinvestment Act	---	12,986,185	4,913,556	10,734,899	28,634,640
State government	---	---	---	14,346,615	14,346,615
Federal government	---	839,979,131	---	86,191,381	926,170,512
Total revenues	<u>685,671,059</u>	<u>1,189,957,563</u>	<u>156,939,580</u>	<u>124,918,050</u>	<u>2,157,486,252</u>
Expenditures					
Current					
Administration	---	48,547,149	---	---	48,547,149
Fleet, facilities and information systems	---	35,904,361	---	---	35,904,361
Maintenance	---	436,404,202	---	14,172,464	450,576,666
Construction	---	216,562,721	---	---	216,562,721
Multimodal operations	---	762,747	---	88,569,370	89,332,117
Capital outlay	---	849,812,486	---	84,830	849,897,316
Debt service	---	184,001,031	143,838,727	---	327,839,758
Other state agencies	233,469,660	---	---	---	233,469,660
Total expenditures	<u>233,469,660</u>	<u>1,771,994,697</u>	<u>143,838,727</u>	<u>102,826,664</u>	<u>2,252,129,748</u>
Excess of revenues over (under) expenditures	<u>452,201,399</u>	<u>(582,037,134)</u>	<u>13,100,853</u>	<u>22,091,386</u>	<u>(94,643,496)</u>
Other Financing Sources (Uses)					
Notes issued	---	13,240,155	---	---	13,240,155
Refunding bonds issued	---	900,990,000	---	---	900,990,000
Premium on bonds	---	185,693,095	---	---	185,693,095
Refunding bonds escrow payment	---	(1,082,244,879)	---	---	(1,082,244,879)
Capital leases issued	---	(2,043,820)	---	---	(2,043,820)
Capital asset sales	---	7,443,361	---	44,480	7,487,841
Transfers in	---	476,745,383	---	---	476,745,383
Transfers out	(454,584,060)	---	---	(22,161,323)	(476,745,383)
Total other financing sources (uses)	<u>(454,584,060)</u>	<u>499,823,295</u>	<u>---</u>	<u>(22,116,843)</u>	<u>23,122,392</u>
Net Changes in Fund Balances	(2,382,661)	(82,213,839)	13,100,853	(25,457)	(71,521,104)
Fund Balances, beginning of year	<u>107,806,222</u>	<u>1,034,291,241</u>	<u>36,962,999</u>	<u>23,319,219</u>	<u>1,202,379,681</u>
Fund Balances, end of year	<u>\$ 105,423,561</u>	<u>\$ 952,077,402</u>	<u>\$ 50,063,852</u>	<u>\$ 23,293,762</u>	<u>\$ 1,130,858,577</u>

2013

State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 486,135,509	\$ 138,610	\$ ---	\$ 254,711	\$ 486,528,830
56,791,147	125,161,522	114,329,854	7,880,396	304,162,919
183,156,641	97,407,997	---	2,457,157	283,021,795
7,237,088	129,295,255	---	2,199,138	138,731,481
176,449	(1,434,901)	69,963	39,529	(1,148,960)
---	28,026,219	5,337,922	16,547,733	49,911,874
---	---	---	11,630,299	11,630,299
---	<u>894,664,491</u>	---	<u>90,406,070</u>	<u>985,070,561</u>
<u>733,496,834</u>	<u>1,273,259,193</u>	<u>119,737,739</u>	<u>131,415,033</u>	<u>2,257,908,799</u>
---	46,936,054	---	---	46,936,054
---	38,057,876	---	---	38,057,876
---	417,868,882	---	36,871,484	454,740,366
---	241,930,422	---	---	241,930,422
---	824,349	---	88,579,674	89,404,023
---	955,004,763	---	1,484,100	956,488,863
---	190,944,733	125,107,968	---	316,052,701
<u>226,683,268</u>	---	---	---	<u>226,683,268</u>
<u>226,683,268</u>	<u>1,891,567,079</u>	<u>125,107,968</u>	<u>126,935,258</u>	<u>2,370,293,573</u>
<u>506,813,566</u>	<u>(618,307,886)</u>	<u>(5,370,229)</u>	<u>4,479,775</u>	<u>(112,384,774)</u>
---	9,493,172	---	---	9,493,172
---	---	---	---	---
---	---	---	---	---
---	---	---	---	---
---	116,309	---	---	116,309
---	13,288,747	---	12,213	13,300,960
---	511,732,245	---	---	511,732,245
<u>(509,143,956)</u>	---	---	<u>(2,588,289)</u>	<u>(511,732,245)</u>
<u>(509,143,956)</u>	<u>534,630,473</u>	---	<u>(2,576,076)</u>	<u>22,910,441</u>
(2,330,390)	(83,677,413)	(5,370,229)	1,903,699	(89,474,333)
<u>110,136,612</u>	<u>1,117,968,654</u>	<u>42,333,228</u>	<u>21,415,520</u>	<u>1,291,854,014</u>
<u>\$ 107,806,222</u>	<u>\$ 1,034,291,241</u>	<u>\$ 36,962,999</u>	<u>\$ 23,319,219</u>	<u>\$ 1,202,379,681</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, 2014 and 2013

	<u>2014</u>	<u>2013</u> (as restated)
Net changes in fund balances – total governmental funds	\$ (71,521,104)	\$ (89,474,333)
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 (\$849,897,316 and \$956,488,863 for 2014 and 2013, respectively) exceeded depreciation (\$442,733,984 and \$413,381,652 for 2014 and 2013, respectively).	407,163,332	543,107,211
In the statements of activities, only the gains (losses) 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 position differ from the changes in fund balances by the book value of the assets sold.	(23,895,409)	(17,861,179)
Certain revenues in the statements of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(3,189,940)	(17,812,074)
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 position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statements of net position. These are the net effects of the differences in the treatment of long-term debt obligations and related items.	163,269,002	155,722,675
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	(1,012,974)	727,708
Interest expense recognition	19,062,856	14,227,079
Claims and judgments	1,527,528	(1,996,330)
Other post-employment benefits	(29,606,785)	(53,392,868)
Pollution remediation obligations	30,000	20,963
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	(1,336,680)	(503,413)
Self-insurance plan	<u>4,893,929</u>	<u>9,772,600</u>
Changes in net position – governmental activities	<u>\$465,383,755</u>	<u>\$ 542,538,039</u>

Statements of Net Position

Proprietary Funds

June 30, 2014 and 2013

	<u>Internal Service Funds</u>	
	<u>2014</u>	<u>2013</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 28,216,593	\$ 18,629,474
Investments	3,303,283	2,377,978
Restricted investments	300,000	300,000
Miscellaneous receivables	<u>2,257,082</u>	<u>2,038,614</u>
Total current assets	<u>34,076,958</u>	<u>23,346,066</u>
Noncurrent assets		
Investments	<u>108,417,861</u>	<u>115,412,204</u>
Total noncurrent assets	<u>108,417,861</u>	<u>115,412,204</u>
Total assets	<u>142,494,819</u>	<u>138,758,270</u>
Liabilities		
Current liabilities		
Accounts payable	5,359,430	3,036,388
Unearned revenue	7,476,903	7,408,144
Pending self-insurance claims	17,541,000	17,715,000
Incurred but not reported claims	<u>14,982,000</u>	<u>14,841,000</u>
Total current liabilities	<u>45,359,333</u>	<u>43,000,532</u>
Noncurrent liabilities		
Pending self-insurance claims	47,216,461	49,547,962
Incurred but not reported claims	<u>13,410,000</u>	<u>13,258,000</u>
Total noncurrent liabilities	<u>60,626,461</u>	<u>62,805,962</u>
Total liabilities	<u>105,985,794</u>	<u>105,806,494</u>
Net Position		
Restricted net position	300,000	300,000
Unrestricted net position	<u>36,209,025</u>	<u>32,651,776</u>
Total net position	<u>\$ 36,509,025</u>	<u>\$ 32,951,776</u>

Statements of Revenues, Expenses and Changes in Net Position

Proprietary Funds

Years Ended June 30, 2014 and 2013

	<u>Internal Service Funds</u>	
	<u>2014</u>	<u>2013</u>
Operating Revenues		
Self-insurance premiums		
Highway workers' compensation	\$ 6,900,000	\$ 6,900,000
Highway patrol workers' compensation	3,000,000	3,000,000
Highway fleet vehicle liability	1,400,000	1,400,000
Highway general liability	11,410,000	11,410,000
Medical insurance premiums		
State	73,050,798	72,855,375
Member	38,169,311	37,327,828
Other	<u>5,346,829</u>	<u>8,098,024</u>
Total operating revenues	<u>139,276,938</u>	<u>140,991,227</u>
Operating Expenses		
Self-insurance programs		
Highway workers' compensation	4,871,116	2,014,792
Highway patrol workers' compensation	1,723,458	2,160,053
Highway fleet vehicle liability	2,458,877	2,705,069
Highway general liability	9,786,534	7,917,555
Other	567,422	538,880
Medical and life insurance program		
Insurance premiums	6,609,549	6,334,536
Medical benefits	83,413,544	83,567,235
Prescription drug benefits	21,495,343	19,347,104
Professional fees	1,062,677	898,425
Administrative services	<u>5,881,532</u>	<u>6,306,284</u>
Total operating expenses	<u>137,870,052</u>	<u>131,789,933</u>
Operating income (loss)	<u>1,406,886</u>	<u>9,201,294</u>
Nonoperating Revenues		
Net appreciation and investment income	<u>2,150,363</u>	<u>67,893</u>
Total nonoperating revenues	<u>2,150,363</u>	<u>67,893</u>
Changes in Net Position	3,557,249	9,269,187
Net Position, beginning of year	<u>32,951,776</u>	<u>23,682,589</u>
Net Position, end of year	<u>\$ 36,509,025</u>	<u>\$ 32,951,776</u>

Statements of Cash Flows
Proprietary Funds
Years Ended June 30, 2014 and 2013

	<u>Internal Service Funds</u>	
	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities		
Receipts from interfund services provided	\$ 139,093,764	\$ 140,777,800
Payments for interfund services used	(132,502,164)	(128,395,643)
Payments to suppliers	<u>(5,188,589)</u>	<u>(7,031,955)</u>
Net cash provided by (used in) operating activities	<u>1,403,011</u>	<u>5,350,202</u>
Cash Flows From Investing Activities		
Proceeds from sale and maturities of investments	47,400,889	49,939,568
Purchases of investments	(41,526,394)	(58,715,851)
Interest received	2,442,834	2,574,037
Investment fees	<u>(133,221)</u>	<u>(131,932)</u>
Net cash provided by (used in) investing activities	<u>8,184,108</u>	<u>(6,334,178)</u>
Net increase (decrease) in cash and cash equivalents	9,587,119	(983,976)
Cash and Cash Equivalents, beginning of year	<u>18,629,474</u>	<u>19,613,450</u>
Cash and Cash Equivalents, end of year	<u>\$ 28,216,593</u>	<u>\$ 18,629,474</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	\$ 1,406,886	\$ 9,201,294
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Receivables	(183,175)	(213,426)
Accounts and claims payable	110,541	(3,251,454)
Unearned revenue	<u>68,759</u>	<u>(386,212)</u>
Net cash provided by (used in) operating activities	<u>\$ 1,403,011</u>	<u>\$ 5,350,202</u>
Noncash Items Impacting Recorded Assets		
Increase (decrease) in fair value of investments	<u>\$ (194,544)</u>	<u>\$ (2,370,317)</u>

Statements of Assets and Liabilities

Fiduciary Funds – Agency

June 30, 2014 and 2013

	<u>Agency Funds</u>	
	<u>2014</u>	<u>2013</u>
Assets		
Restricted cash and cash equivalents	\$ 43,670,322	\$ 33,562,141
Restricted investments	21,444,033	58,136,872
Other	<u>50,346</u>	<u>178,116</u>
Total assets	<u>\$65,164,701</u>	<u>\$91,877,129</u>
Liabilities		
Due to other governments	\$ 4,697,641	\$ 5,241,099
Advances from other governments	<u>60,467,060</u>	<u>86,636,030</u>
Total liabilities	<u>\$65,164,701</u>	<u>\$91,877,129</u>



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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, Missouri voters 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 consolidation 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. Legislation passed in 2014 to recognize that 2003 reorganization, transferring all the authority, powers, duties, and functions of the Division of Highway Safety relating to the motorcycle safety program, the driver improvement program, the ignition interlock program, and other state highway safety programs from the Department of Public Safety to the Commission and Department. 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*, as amended by GASB Statement 61, 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 and is part of the primary government of the state. Like other state agencies, the Department 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 from the state's General fund. 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 online at www.ao.mo.gov/acct.

(B) Government-wide and Fund Financial Statements

1. Government-wide Financial Statements

The government-wide statements of net position 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.) to receive 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 and maintain 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 refunded bonds.

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 states, excluding Hawaii and Alaska, 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 gap coverage federal subsidies, 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 gap coverage, based on the current funding levels from the federal government, are recognized in the fiscal year in which the revenue-generating transactions occur. Because potential retroactive adjustments to the federal subsidies are not measurable, revenue impacts are recognized in the fiscal period in which adjustments are 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 needed.

(D) Financial Statement Element Attributes

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 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 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 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 Outflow of Resources and Deferred Inflow of Resources

In addition to assets, financial statements may report a separate section for deferred outflow of resources. Deferred outflow of resources consists of the consumption of net position that is applicable to a future reporting period and so will not be recognized as an outflow of resources until then. Deferred outflow of resources related to refunding long-term debt is reported in the statement of net position. A deferred bond refunding amount results from the difference in the carrying value of refunded debt and its reacquisition price, and is amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, financial statements may report a separate section for deferred inflow of resources. Deferred inflow of resources consists of the acquisition of net position that is applicable to a future reporting period and so will not be recognized as inflow of resources until then. Deferred inflow of resources related to receivables, when the corresponding revenues are unavailable, is reported in the governmental funds balance sheets. Deferred inflow of resources includes federal reimbursements, cost reimbursements and other miscellaneous receivables.

6. Deposits and Unearned Revenue

Deposits consist of amounts held to ensure permit work, such as driveway installations, is completed to MoDOT specifications. Upon approval, the deposits are returned.

Unearned revenue consists of amounts collected in advance of the year in which earned. In the government-wide and governmental funds, local shares of project costs and property sales down-payments are held until work or contract completion. In the internal service funds, employee and employer medical insurance premiums received a month in advance are held for the subsequent month's coverage.

7. 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 \$33,432,838 and \$32,419,864 as of June 30, 2014 and 2013, respectively, 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.

8. Bond Premiums, Discounts and Issuance Costs

In the government-wide financial statements, bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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.

9. 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.

10. Fund Balances

In the fund financial statements, fund balances are displayed as follows:

Nonspendable – This consists of State Road Fund balances of \$29,135,029 and \$34,840,942 at June 30, 2014 and 2013, respectively, representing inventories held.

Unassigned - This consists of a deficit fund balance in the Multimodal Federal Fund of \$1,575,780 as of June 30, 2014 and a deficit fund balance in the Motor Carrier Safety Federal Fund of \$234,005 as of June 30, 2013. Under the modified accrual basis of accounting, fund payables are recorded as expenditures when incurred. However, due to the timing of receipts, the corresponding federal revenue was deferred, resulting in a negative fund balance.

Restricted – This consists of fund balances that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. Total restricted fund balances of \$1,103,299,328 and \$1,167,772,744 at June 30, 2014 and 2013, respectively, were restricted by enabling legislation.

11. Net Position

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

Net Investment in Capital Assets – 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 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 position at June 30, 2014 and 2013, \$782,046,219 and \$875,603,879, respectively, were restricted by enabling legislation or by outside parties.

12. 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 position or fund balances during the reporting period. Actual results could differ from those estimates.

13. Reclassifications

Certain reclassifications have been made to the 2013 financial statements to conform to the 2014 financial statement presentation. This had no effect on net position.

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, 2014 and 2013, the Department's portfolio of non-pooled funds had \$133,365,177 and \$176,127,054, respectively, of uninsured, unregistered investments held in the Commission's or State's name. Also at June 30, 2014 and 2013, the Department had book balances of \$67,188,078 and \$46,950,166, respectively, and bank balances of \$67,959,364 and \$47,217,441, respectively, of repurchase agreements. All repurchase agreements were collateralized by securities 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 that the market value of investments will fall due to changes in general interest rates by maintaining an effective duration of less than 2.5 years and holding at least 25.0 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, \$133,149,698 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 the Department 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, 2014 and 2013, no investments in any one organization (other than those issued or sponsored by the U.S. Government and those in pooled investments) represented 5.0 percent of total investments.

At June 30, 2014, the Department's cash and investments consisted of the following:

	State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Nonmajor Funds	Internal Service Funds	Agency Funds
Cash and investments:						
Cash and investments pooled in the State Treasury	\$8,715,400	\$866,458,834	\$36,669,426	\$25,638,948	\$ ---	\$ ---
Cash deposited with banks	---	---	---	---	2,641	---
U.S. agency obligations	---	---	---	---	111,705,665	---
U.S. Treasury obligations	---	---	---	---	15,479	---
Repurchase agreements	---	---	---	---	<u>28,213,952</u>	---
Total	<u>\$8,715,400</u>	<u>\$866,458,834</u>	<u>\$36,669,426</u>	<u>\$25,638,948</u>	<u>\$139,937,737</u>	<u>\$ ---</u>
Restricted assets:						
Cash and investments pooled in the State Treasury	\$ ---	\$ 71,950,000	\$ ---	\$ ---	\$ ---	\$ ---
Cash and investments pooled with the Mo. Dept. of Revenue	---	---	---	---	---	4,696,041
Cash deposited with banks	---	---	---	---	---	155
U.S. agency obligations	---	---	---	---	---	21,444,033
U.S. Treasury obligations	---	---	---	---	200,000	---
Certificate of deposit	---	---	---	---	100,000	---
Repurchase agreements	---	---	---	---	---	<u>38,974,126</u>
Total	<u>\$ ---</u>	<u>\$ 71,950,000</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 300,000</u>	<u>\$65,114,355</u>

At June 30, 2013, the Department's cash and investments consisted of the following:

	State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Nonmajor Funds	Internal Service Funds	Agency Funds
Cash and investments:						
Cash and investments pooled in the State Treasury	\$8,268,052	\$ 960,620,934	\$25,414,796	\$22,621,814	\$ ---	\$ ---
Cash deposited with banks	---	---	---	---	280	---
U.S. agency obligations	---	---	---	---	117,775,014	---
U.S. Treasury obligations	---	---	---	---	15,168	---
Repurchase agreements	---	---	---	---	<u>18,629,194</u>	---
Total	<u>\$8,268,052</u>	<u>\$ 960,620,934</u>	<u>\$25,414,796</u>	<u>\$22,621,814</u>	<u>\$136,419,656</u>	<u>\$ ---</u>
Restricted assets:						
Cash and investments pooled in the State Treasury	\$ ---	\$ 71,691,700	\$ ---	\$ ---	\$ ---	\$ ---
Cash and investments pooled with the Mo. Dept. of Revenue	---	---	---	---	---	5,240,750
Cash deposited with banks	---	---	---	---	---	419
U.S. agency obligations	---	---	---	---	---	58,136,872
U.S. Treasury obligations	---	---	---	---	200,000	---
Certificate of deposit	---	---	---	---	100,000	---
Repurchase agreements	---	---	---	---	---	<u>28,320,972</u>
Total	<u>\$ ---</u>	<u>\$ 71,691,700</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 300,000</u>	<u>\$91,699,013</u>

The maturities of mortgage-backed investments have been estimated based on the weighted average life of the investment type. Estimated maturities will differ from actual maturities because issuers may have the right to call or prepay obligations.

At June 30, 2014, 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	\$ 67,188,078	\$67,188,078	\$ ---	\$ ---
Certificate of deposit	100,000	100,000	---	---
U.S. Treasury obligations	215,479	215,479	---	---
U.S. agency obligations	<u>133,149,698</u>	<u>8,554,851</u>	<u>111,259,332</u>	<u>13,335,515</u>
	<u>\$200,653,255</u>	<u>\$76,058,408</u>	<u>\$111,259,332</u>	<u>\$13,335,515</u>

At June 30, 2013, 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	\$ 46,950,166	\$ 46,950,166	\$ ---	\$ ---
Certificate of deposit	100,000	100,000	---	---
U.S. Treasury obligations	215,168	---	215,168	---
U.S. agency obligations	<u>175,911,886</u>	<u>31,087,555</u>	<u>136,390,036</u>	<u>8,434,295</u>
	<u>\$223,177,220</u>	<u>\$ 78,137,721</u>	<u>\$136,605,204</u>	<u>\$8,434,295</u>

At June 30, 2014, the Department's non-pooled investments were rated as shown below:

<u>Investment Type</u>	<u>Moody's</u>	<u>Standard and Poor's</u>	<u>Fair Value</u>
U.S. agency obligations	Aaa	AA+	\$ 133,149,698
U.S. Treasury obligations	Aaa	AA+	<u>215,479</u>
			<u>\$133,365,177</u>

At June 30, 2013, the Department's non-pooled investments were rated as shown below:

<u>Investment Type</u>	<u>Moody's</u>	<u>Standard and Poor's</u>	<u>Fair Value</u>
U.S. agency obligations	Aaa	AA+	\$ 175,911,886
U.S. Treasury obligations	Aaa	AA+	<u>215,168</u>
			<u>\$176,127,054</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 \$3,573,114 and \$4,359,167 at June 30, 2014 and 2013, 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 receivable represents loans to cities and counties for nonhighway-related projects, such as airport improvements.

Receivables at June 30, 2014 for the government's individual major funds, nonmajor funds and internal service funds were as follows:

	State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Nonmajor Funds
State taxes and fees	\$103,857,406	\$ 19,602,586	\$13,330,509	\$ 463,681
Federal government	---	62,053,996	---	15,725,239
Miscellaneous:				
Reimbursements	3,336,523	42,380,363	---	3,301,886
Interest	58,698	1,092,594	63,917	33,728
Contributions	---	---	---	---
Total miscellaneous	<u>3,395,221</u>	<u>43,472,957</u>	<u>63,917</u>	<u>3,335,614</u>
Loans	---	---	---	<u>1,700,879</u>
Total receivables	<u>\$107,252,627</u>	<u>\$125,129,539</u>	<u>\$13,394,426</u>	<u>\$21,225,413</u>

Receivables at June 30, 2013 for the government's individual major funds, nonmajor funds and internal service funds were as follows:

	State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Nonmajor Funds
State taxes and fees	\$106,803,058	\$ 18,640,528	\$11,511,475	\$ 436,359
Federal government	---	48,028,506	---	14,931,335
Miscellaneous:				
Reimbursements	3,320,936	42,402,875	---	2,373,955
Interest	46,692	1,230,480	40,574	40,028
Contributions	---	---	---	---
Total miscellaneous	<u>3,367,628</u>	<u>43,633,355</u>	<u>40,574</u>	<u>2,413,983</u>
Loans	---	---	---	<u>2,096,573</u>
Total receivables	<u>\$110,170,686</u>	<u>\$110,302,389</u>	<u>\$11,552,049</u>	<u>\$19,878,250</u>

<u>Internal Service Funds</u>	<u>Total</u>	<u>Due Within One Year</u>
\$ ---	\$ 137,254,182	\$ 137,254,182
---	77,779,235	77,779,235
507,740	49,526,512	36,978,642
263,606	1,512,543	1,512,543
<u>1,485,736</u>	<u>1,485,736</u>	<u>1,485,736</u>
<u>2,257,082</u>	<u>52,524,791</u>	<u>39,976,921</u>
---	1,700,879	341,764
<u>\$2,257,082</u>	<u>\$269,259,087</u>	<u>\$255,352,102</u>

<u>Internal Service Funds</u>	<u>Total</u>	<u>Due Within One Year</u>
\$ ---	\$ 137,391,420	\$ 137,391,420
---	62,959,841	62,959,841
123,652	48,221,418	35,926,830
228,313	1,586,087	1,586,087
<u>1,686,649</u>	<u>1,686,649</u>	<u>1,686,649</u>
<u>2,038,614</u>	<u>51,494,154</u>	<u>39,199,566</u>
---	2,096,573	395,694
<u>\$2,038,614</u>	<u>\$253,941,988</u>	<u>\$239,946,521</u>

Note 4: Capital Assets

Changes in capital assets for the year ended June 30, 2014 are summarized below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
Nondepreciable capital assets					
Land and permanent easements	\$ 2,489,518,763	\$ 279,789	\$ 11,798,394	\$ 8,248,549	\$ 2,486,248,707
Software in progress	1,459,303	2,091,416	---	(126,540)	3,424,179
Construction in progress	167,383,106	21,262,137	---	(29,991,629)	158,653,614
Infrastructure in progress	<u>2,734,582,631</u>	<u>791,584,820</u>	<u>---</u>	<u>(1,356,085,554)</u>	<u>2,170,081,897</u>
Total nondepreciable capital assets	<u>5,392,943,803</u>	<u>815,218,162</u>	<u>11,798,394</u>	<u>(1,377,955,174)</u>	<u>4,818,408,397</u>
Depreciable/amortizable capital assets					
Land improvements	28,986,465	87,301	487,026	378,481	28,965,221
Buildings	259,982,735	---	12,851,025	21,364,599	268,496,309
Software	19,363,437	1,538,582	---	126,540	21,028,559
Equipment and vehicles	491,064,238	32,534,449	23,572,730	---	500,025,957
Temporary easements	1,936,847	518,822	295,461	---	2,160,208
Infrastructure	<u>46,420,050,152</u>	<u>---</u>	<u>47,765,791</u>	<u>1,356,085,554</u>	<u>47,728,369,915</u>
Total depreciable/amortizable capital assets	<u>47,221,383,874</u>	<u>34,679,154</u>	<u>84,972,033</u>	<u>1,377,955,174</u>	<u>48,549,046,169</u>
Accumulated depreciation/amortization					
Land improvements	10,889,170	1,193,035	107,598	---	11,974,607
Buildings	103,815,259	8,325,584	5,983,721	---	106,157,122
Software	13,626,796	2,275,133	---	---	15,901,929
Equipment and vehicles	319,842,269	28,862,445	22,221,085	---	326,483,629
Temporary easements	478,604	645,533	295,461	---	828,676
Infrastructure	<u>23,072,330,931</u>	<u>401,432,254</u>	<u>44,267,153</u>	<u>---</u>	<u>23,429,496,032</u>
Total accumulated depreciation/amortization	<u>23,520,983,029</u>	<u>442,733,984</u>	<u>72,875,018</u>	<u>---</u>	<u>23,890,841,995</u>
Total depreciable/amortizable capital assets, net	<u>23,700,400,845</u>	<u>(408,054,830)</u>	<u>12,097,015</u>	<u>1,377,955,174</u>	<u>24,658,204,174</u>
Total net capital assets	<u>\$ 29,093,344,648</u>	<u>\$ 407,163,332</u>	<u>\$ 23,895,409</u>	<u>\$ ---</u>	<u>\$ 29,476,612,571</u>

Changes in capital assets for the year ended June 30, 2013 are summarized below:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
\$ 2,477,421,792	\$ 321,854	\$ 9,657,267	\$ 21,432,384	\$ 2,489,518,763
858,122	1,381,126	---	(779,945)	1,459,303
151,682,407	44,415,101	---	(28,714,402)	167,383,106
<u>2,968,801,297</u>	<u>875,716,033</u>	<u>---</u>	<u>(1,109,934,699)</u>	<u>2,734,582,631</u>
<u>5,598,763,618</u>	<u>921,834,114</u>	<u>9,657,267</u>	<u>(1,117,996,662)</u>	<u>5,392,943,803</u>
25,803,764	---	355,407	3,538,108	28,986,465
265,436,447	195,407	9,393,029	3,743,910	259,982,735
17,504,608	1,727,213	648,329	779,945	19,363,437
503,088,381	31,935,885	43,960,028	---	491,064,238
3,004,168	796,244	1,863,565	---	1,936,847
<u>45,368,007,630</u>	<u>---</u>	<u>57,892,177</u>	<u>1,109,934,699</u>	<u>46,420,050,152</u>
<u>46,182,844,998</u>	<u>34,654,749</u>	<u>114,112,535</u>	<u>1,117,996,662</u>	<u>47,221,383,874</u>
10,009,635	1,049,307	169,772	---	10,889,170
101,418,551	8,514,773	6,118,065	---	103,815,259
12,054,583	2,159,829	587,616	---	13,626,796
330,439,895	30,647,054	41,244,680	---	319,842,269
1,340,863	1,001,306	1,863,565	---	478,604
<u>22,758,246,473</u>	<u>370,009,383</u>	<u>55,924,925</u>	<u>---</u>	<u>23,072,330,931</u>
<u>23,213,510,000</u>	<u>413,381,652</u>	<u>105,908,623</u>	<u>---</u>	<u>23,520,983,029</u>
<u>22,969,334,998</u>	<u>(378,726,903)</u>	<u>8,203,912</u>	<u>1,117,996,662</u>	<u>23,700,400,845</u>
<u>\$ 28,568,098,616</u>	<u>\$ 543,107,211</u>	<u>\$ 17,861,179</u>	<u>\$ -----</u>	<u>\$ 29,093,344,648</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 \$2,687,594 and \$2,657,587 for all claims arising out of a single accident or occurrence, and \$403,139 and \$398,638 for any one person in a single accident or occurrence, at June 30, 2014 and 2013, 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 2.0 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:

	<u>Beginning Balance</u>	<u>Current Claims and Estimate Changes</u>	<u>Claim Payments</u>	<u>Ending Balance</u>
2014	\$85,261,962	\$18,839,985	\$20,952,486	\$83,149,461
2013	\$87,825,049	\$14,797,469	\$17,360,556	\$85,261,962

(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 \$2,892,945 and \$4,420,473 in claims and judgments payable at June 30, 2014 and 2013, 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 \$15,515,445 and \$9,981,473 as of June 30, 2014 and 2013, respectively. These estimates are within a range of \$5,728,966 to \$62,671,445 and \$3,356,747 to \$62,508,567 as of June 30, 2014 and 2013, 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 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 MSHP and the MoDOT and Patrol Employees' Retirement System (MPERS). Changes to plan benefits and funding are required to be approved by the Commission. Incurred but not reported claims of \$10,000,000 and \$10,100,000 were reported in the Medical and Life Insurance Plan as of June 30, 2014 and 2013, 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:

	<u>Beginning Balance</u>	<u>Current Claims and Estimate Changes</u>	<u>Claim Payments</u>	<u>Ending Balance</u>
2014	\$10,100,000	\$ 104,908,887	\$105,008,887	\$10,000,000
2013	\$11,500,000	\$ 102,914,339	\$104,314,339	\$10,100,000

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 GASB Statement 45, the Insurance Plan is disclosed within the state of Missouri reporting entity as a single employer plan. However, it is disclosed for the Department’s reporting purposes as an agent, multiple-employer plan, as it includes employees of MoDOT, MSHP and MPERS, and is not a separate legal entity. These other post-employment benefit costs are included in the Medical and Life Insurance Plan Internal Service Fund.

Eligible members are employees who retire from the Department participating in the Medical and Life Insurance Plan with a minimum of five years of creditable service if hired before January 1, 2011 or ten years of creditable service if hired on or after January 1, 2011. 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 31.1 percent and 68.9 percent, respectively, of total premiums. Plan member contributions range from \$64 to \$780 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. After January 1, 2015, retiree medical premiums will be based on the total years of service, with the Commission contributing 2 percent per year of service, not to exceed 50 percent of the total premium. The Insurance Plan is financed on a pay-as-you-go basis.

	<u>Plan Total</u>			<u>Department Portion</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Annual OPEB Cost	\$ 73,230,318	\$104,781,853	\$ 105,844,626	\$ 50,586,458	\$ 75,151,587	\$ 75,896,217
Net OPEB obligations at year end	499,473,379	453,735,008	377,530,018	351,544,236	321,937,451	268,544,583
Percentage of annual OPEB cost contributed	n/a	n/a	n/a	42 %	29 %	29 %

The Department contributed \$21.0 and \$21.8 million, including implicit rate subsidies, during fiscal years 2014 and 2013, respectively. Payments for OPEB liabilities are made from the Road Fund. Although funding is not related to payroll amounts, an equivalent Annual Required Contribution (ARC) rate would be 23.7 percent and 35.7 percent of annual covered payroll of \$213,845,536 and \$210,507,429 for fiscal years 2014 and 2013, respectively. MoDOT’s share of the changes in the Plan’s net OPEB obligation at June 30, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Normal cost	\$ 17,238,832	\$ 29,392,615
Amortization payment	35,406,639	46,057,394
Interest on net OPEB obligation	16,856,231	15,479,756
Adjustment to ARC	<u>(18,915,244)</u>	<u>(15,778,178)</u>
Annual OPEB cost	50,586,458	75,151,587
Contributions	<u>(20,979,673)</u>	<u>(21,758,719)</u>
Increase in net OPEB obligation	29,606,785	53,392,868
Net OPEB Obligation – beginning of year	<u>321,937,451</u>	<u>268,544,583</u>
Net OPEB Obligation – end of year	<u>\$ 351,544,236</u>	<u>\$ 321,937,451</u>

Based on an actuarial valuation report as of July 1, 2013, the Plan's total actuarial accrued liability is \$842.8 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)	\$602,620,999
Actuarial value of assets	---
Unfunded actuarial accrued liability (UAAL)	<u>\$602,620,999</u>
Funded ratio (actuarial value of plan assets/AAL)	0 %
Covered payroll (fiscal year 2013)	\$213,845,536
UAAL as a percentage of covered payroll	282 %

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 2017

Note 8: Financing and Other Obligations

Changes in long-term obligations for the year ended June 30, 2014 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	\$2,918,000,000	\$900,990,000	\$1,139,820,000	\$2,679,170,000	\$ 169,550,000
Notes issued	26,404,304	13,240,156	16,721,261	22,923,199	15,693,366
Capital leases	2,268,795	(2,043,820)*	132,292	92,683	48,257
Claims and judgments	4,420,473	2,176,595	3,704,123	2,892,945	2,809,746
Compensated absences	32,419,864	23,902,979	22,890,005	33,432,838	22,890,005
Pollution remediation	30,000	---	30,000	---	---
	<u>\$2,983,543,436</u>	<u>\$938,265,910</u>	<u>\$1,183,297,681</u>	<u>\$2,738,511,665</u>	<u>\$ 210,991,374</u>
Amortization of financing activity:					
Discount				\$ (24,404)	
Premium				<u>229,613,740</u>	
				<u>\$2,968,101,001</u>	

*The negative addition is the termination of a building lease that was previously a capital lease.

Changes in long-term obligations for the year ended June 30, 2013 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	\$3,071,525,000	\$ ---	\$ 153,525,000	\$2,918,000,000	\$ 162,050,000
Notes issued	28,404,585	9,493,172	11,493,453	26,404,304	11,437,883
Capital leases	2,466,189	116,309	313,703	2,268,795	343,149
Claims and judgments	2,424,143	3,946,817	1,950,487	4,420,473	2,918,753
Compensated absences	33,147,572	20,314,569	21,042,277	32,419,864	21,102,277
Pollution remediation	50,963	78,600	99,563	30,000	30,000
	<u>\$3,138,018,452</u>	<u>\$33,949,467</u>	<u>\$ 188,424,483</u>	<u>\$2,983,543,436</u>	<u>\$ 197,882,062</u>
Amortization of financing activity:					
Discount				\$ (88,865)	
Premium				<u>83,607,554</u>	
				<u>\$3,067,062,125</u>	

Information related to claims and judgments and compensated absences can be found in the Summary of Significant Accounting Policies Note and the Risk Management Note.

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

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.

(A) State Road Bonds

1. Bonded Debt Detail:

	<u>2014</u>	<u>2013</u>
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.	\$ 33,940,000	\$ 66,270,000
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.	15,660,000	30,685,000
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.	42,520,000	211,670,000
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
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.	340,235,000	381,760,000
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.	156,730,000	494,075,000
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.	112,860,000	120,665,000
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.	134,190,000	150,450,000
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	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	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.	\$ 88,580,000	\$ 99,340,000
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.	56,135,000	56,135,000
Series C 2010 Refunding State Road bonds, originally issued for \$130,390,000, to advance refund certain portions of Series A 2001 through 2003 State Road bonds; due in annual installments of \$1,205,000 to \$31,145,000 beginning February 1, 2013 through 2023; interest varying from 3.00 percent to 5.00 percent; secured by revenues collected under Article IV, Section 30(b) of the Missouri Constitution.	92,955,000	99,245,000
Series A 2014 First Lien Refunding State Road bonds, originally issued for \$589,015,000, to advance refund certain portions of Series A & B 2006 First Lien State Road bonds; due in annual installments of \$18,810,000 to \$104,510,000 beginning May 1, 2017 through 2026; interest varying from 2.00 percent to 5.00 percent; secured by revenues collected under Article IV, Section 30(b) of the Missouri Constitution.	589,015,000	---
Series B 2014 Second Lien Refunding State Road bonds, originally issued for \$311,975,000, to advance refund certain portions of Series 2007 Second Lien State Road bonds; due in annual installments of \$3,130,000 to \$68,350,000 beginning May 1, 2018 through 2025; interest varying from 3.00 percent to 5.00 percent; secured by revenues collected under Article IV, Section 30(b) of the Missouri Constitution.	<u>311,975,000</u>	<u>---</u>
	<u>\$2,679,170,000</u>	<u>\$2,918,000,000</u>

2. Tax Status of Bonds

Tax-Exempt issuances: The Series Refunding Series 2006 and 2010 bonds are Senior Bonds and would take priority in payment over other bonds. The Series A 2005, Series A and B 2006, and Refunding Series A 2014 bonds are First Lien bonds. The Series A 2007 bonds and Refunding Series B 2014 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.

3. 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 0.02 percent to 0.112 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 original letter of credit expired July 21, 2012. The letter of credit was extended to match the final maturity of the bonds, May 1, 2015.

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 \$15,660,000 was not resold, the Commission would be required to pay two installments of approximately \$7,922,000, assuming a 1.75 percent interest rate. The Department paid quarterly fees of 17 basis points to the bank on the original letter of credit. Under the extended letter of credit, the quarterly fees are 60 basis points.

4. Bond Debt Maturity

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 0.18 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.

<u>Fiscal Year</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Due</u>
2015	\$ 169,550,000	\$ 127,693,303	\$ 297,243,303
2016	168,470,000	124,630,321	293,100,321
2017	190,770,000	116,788,687	307,558,687
2018	200,185,000	107,954,523	308,139,523
2019	209,355,000	98,351,723	307,706,723
2020-2024	1,015,195,000	337,158,565	1,352,353,565
2025-2029	561,345,000	116,310,017	677,655,017
2030-2034	164,300,000	22,755,471	187,055,471
	<u>\$ 2,679,170,000</u>	<u>\$ 1,051,642,610</u>	<u>\$ 3,730,812,610</u>

5. Defeased Debt – Fiscal Year 2014

In June 2014, the Commission issued \$901.0 million in State Road Bonds with interest rates ranging from 2.00 percent to 5.00 percent to advance refund \$977.8 million of outstanding State Road Bonds. The net proceeds of \$1,082.2 million were deposited into an irrevocable trust with an escrow agent to purchase State and Local Government Securities (SLGS) and U.S. Treasury Notes to provide for future debt service payments of portions of the Series A 2006, B 2006, and 2007 bonds. As a result, those portions of the bonds are considered defeased, and the liability for those bonds has been removed from the Department's government-wide statements of net position. The reacquisition price (\$1,086.7 million) exceeded the net carrying amount of the old debt (\$1,001.1 million) by \$85.6 million. This advanced refunding was undertaken to reduce total debt service payments by \$122.7 million and resulted in an economic gain (present value savings) of \$105.6 million. The amounts of outstanding bonds considered defeased at June 30, 2014 are as follows:

<u>Bond Series</u>	<u>Principal Defeased</u>
2006 A	\$149,150,000
2006 B	503,330,000
2007	325,290,000
Total	<u>\$977,770,000</u>

(B) Notes Issued**1. Notes Issued Detail:**

	<u>2014</u>	<u>2013</u>
City of Kansas City; to make improvements at Route 150 and Botts Road; principal due August 1, 2012 and August 1, 2013; no interest will accrue.	\$ 2,684,000	\$ 6,877,513
Kansas City Tax Increment Financing Commission; to construct interchange improvements at I-29 and Tiffany Springs Parkway; principal due August 15, 2014; no interest will accrue.	4,088,705	1,751,477
City of Liberty; to make improvements to the I-35 and Route 291 interchange; principal due August 1, 2013; no interest will accrue.	---	2,212,228
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.	6,585,335	6,585,335
City of Poplar Bluff; to improve intersections at Route 67, Business Route 67, and Oak Grove Road; principal due August 1, 2014; no interest will accrue.	3,647,331	3,045,626
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. Charles; to make improvements to Route 364; principal due August 1, 2012 and August 1, 2013; no interest will accrue.	---	3,182,203
County of St. Charles; to make improvements to I-70 at Mid Rivers Mall Drive interchange and Route 370; principal due August 1, 2014; no interest will accrue.	3,334,405	1,061,972
Neosho Transportation Development District; to make improvements to Route 60 and construct frontage roads; principal due August 1, 2013; no interest will accrue	---	1,043,452
Highway 71/291 Transportation Development District; to make improvements to the Route 291 and Route 71 interchange in the City of Harrisonville; principal due August 15, 2014; no interest will accrue.	<u>1,938,925</u>	<u>---</u>
	<u>\$22,923,199</u>	<u>\$26,404,304</u>

2. Notes Issued Debt Maturity

Annual debt service requirements to maturity for all notes issued are indicated in the following schedule. In addition to the notes described in Notes Issued Detailed, 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 percent. 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>
2015	\$15,693,366	\$ 749,575	\$16,442,941
2016	6,585,335	627,680	7,213,015
2017	---	506,783	506,783
2018	---	382,894	382,894
2019	---	259,403	259,403
2020-2024	<u>644,498</u>	<u>155,065</u>	<u>799,563</u>
	<u>\$22,923,199</u>	<u>\$2,681,400</u>	<u>\$25,604,599</u>

(C) 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>2014</u>	<u>2013</u>
Building	\$ ---*	\$4,106,522
Equipment	<u>158,069</u>	<u>391,439</u>
Total capital leased assets	158,069	4,497,961
Less: accumulated depreciation	<u>64,125</u>	<u>1,252,457</u>
Capital leased assets, net	<u>\$ 93,944</u>	<u>\$3,245,504</u>

*The Department negotiated the termination of a building lease, previously a capital lease, as part of a department initiative to reduce owned and leased facilities.

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, 2014:

2015	\$49,927
2016	36,659
2017	5,257
2018	<u>3,172</u>
Total minimum lease payments	95,015
Less: amount representing interest	<u>2,332</u>
Present value of minimum lease payments	<u>\$92,683</u>

(D) Pollution Remediation Obligations

MoDOT is involved in remediation activities in two instances related to buildings and grounds caused by contamination and a fuel leak. The potential for additional pollution remediation exists; however, any future remediation obligations are not yet estimable.

Note 9: Tax Revenues

Tax revenues for the fiscal years 2014 and 2013 were as follows:

	State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Nonmajor Funds	Total 2014
Fuel taxes	\$ 489,629,923	\$ 128,032	\$ ---	\$ 225,963	\$489,983,918
Sales and use taxes	<u>2,320,388</u>	<u>147,776,270</u>	<u>151,612,341</u>	<u>10,052,031</u>	<u>311,761,030</u>
Total tax revenue	<u>\$491,950,311</u>	<u>\$147,904,302</u>	<u>\$151,612,341</u>	<u>\$10,277,994</u>	<u>\$801,744,948</u>

	State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Nonmajor Funds	Total 2013
Fuel taxes	\$ 486,135,509	\$ 138,610	\$ ---	\$ 254,711	\$486,528,830
Sales and use taxes	<u>56,791,147</u>	<u>125,161,522</u>	<u>114,329,854</u>	<u>7,880,396</u>	<u>304,162,919</u>
Total tax revenue	<u>\$542,926,656</u>	<u>\$125,300,132</u>	<u>\$114,329,854</u>	<u>\$8,135,107</u>	<u>\$790,691,749</u>

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 State receives 75.0 percent of the first \$0.11 and 70.0 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 3.0 percent and Proposition C tax (Section 144.701 RSMo.) is 1.0 percent, for a total of 4.0 percent. The Department receives 75.0 percent of the motor vehicle sales voter-approved Constitutional Amendment 3 tax. The remainder is distributed to cities, counties and school districts. In fiscal year 2013, the State received 100 percent of the 3.0 percent general use tax and 75.0 percent of the Proposition C use tax. The other 25.0 percent of the Proposition C use tax is distributed to cities and counties. During the 2013 legislative session, the legislature passed changes to Sections 144.020 and 144.440 RSMo., that changed all state use tax to a state sales tax. The State no longer collects use tax on motor vehicle transactions, but motor vehicle transactions are subject to sales tax. In addition, the Department receives sales and use tax on jet fuel, limited to a maximum of \$10.0 million annually.

Note 10: Interfund Transactions

State statute (226.200 RSMo.) 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, 2014 and 2013 were as follows:

	2014		2013	
	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Transfers Out</u>
State Highways and Transportation Department Fund	\$ ---	\$454,584,060	\$ ---	\$509,143,956
State Road Fund	476,745,383	---	511,732,245	---
Nonmajor Funds	---	22,161,323	---	2,588,289
Total transfers	<u>\$476,745,383</u>	<u>\$476,745,383</u>	<u>\$511,732,245</u>	<u>\$511,732,245</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, 2014 and 2013 were as follows:

	2014		2013	
	<u>Receivable</u>	<u>Payable</u>	<u>Receivable</u>	<u>Payable</u>
State Road Fund	\$7,844,525	\$ ---	\$2,626,005	\$ ---
Nonmajor Funds	---	7,844,525	---	2,626,005
Total due to/from	<u>\$7,844,525</u>	<u>\$7,844,525</u>	<u>\$2,626,005</u>	<u>\$2,626,005</u>

Note 11: Pension Plan

The MoDOT and Patrol Employees' Retirement System (MPERS) provides retirement, death, and disability benefits. MPERS was established in accordance with Section 104.020 RSMo., and is administered by an 11-member Board of Trustees. Employees eligible to be members of MPERS are those working in a position that normally requires the performance of duties for at least 1,040 hours annually. Employees accrue benefits (become vested in the system) after five years of creditable service for those hired before January 1, 2011, and ten years for those hired on or after January 1, 2011. Employees hired prior to January 1, 2011 do not contribute to MPERS. New employees hired for the first time on or after January 1, 2011 contribute 4.0 percent of pay.

Employer contributions paid to the system are determined by an actuary and are set by the Board. Annual contribution amounts are designed to fund in advance the benefits designated by state statute. Any amendments to the plan require changes in state statute. The Department's contributions to MPERS for fiscal years 2014 and 2013 were 54.25 percent and 50.92 percent, respectively, of eligible (covered) payroll. The Department made 100 percent of its required contributions of \$116,000,251 in 2014, \$107,190,383 in 2013 and \$102,014,954 in 2012. The MPERS' funded status ratio was 49.2 percent and 46.2 percent as of June 30, 2014 and 2013, respectively.

For reporting purposes, MoDOT discloses the MPERS as a multiple-employer cost-sharing plan because it includes employees of MoDOT, MSHP and MPERS. However, the state of Missouri discloses MPERS as a single employer plan, since all employers are agencies within the state. As a separate legal entity, 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 can be found online at www.mpers.org.

The following are disclosures related to actuary-specific criteria involved in determining the contribution rate:

The Plan's funding policy provides for actuarially-determined and board-approved employer contributions using the entry-age normal cost method on a closed group basis. The fiscal year 2014 contribution rate was based on a 12-year closed amortization period for unfunded retiree liabilities and a 27-year closed amortization period for other unfunded liabilities.

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, 2014 and 2013. Consequently, this potential obligation is not included in the accompanying basic financial statements. Total reimbursements made by the Department were \$391,025 and \$270,371 for fiscal years 2014 and 2013, respectively.

(B) Construction Commitments

Construction awards outstanding for both state and federal participating projects at June 30, 2014 and 2013 amounted to approximately \$635,008,222 and \$817,033,207, respectively. The federal portion of this total was \$473,023,196 and \$511,546,268, or approximately 74.49 percent and 77.25 percent, for 2014 and 2013, 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, 2014 and 2013 amounted to \$2,251,075 and \$2,065,992, respectively. Future minimum lease payments for these leases are as follows:

	<u>2014</u>	<u>2013</u>
Year ending:		
2014	\$ ---	\$451,359
2015	355,904	228,984
2016	8,619	157,219
2017	2,155	98,021
2018	744	---
2019	744	---
	<u>\$368,166</u>	<u>\$935,583</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: Fund Balance Deficits

This consists of a deficit fund balance in the Multimodal Federal Fund of \$1,575,780 as of June 30, 2014 and a deficit fund balance in the Motor Carrier Safety Federal Fund of \$234,005 as of June 30, 2013. Under the modified accrual basis of accounting, fund payables are recorded as expenditures when incurred. However, due to the timing of receipts, the corresponding federal revenue was deferred, resulting in a negative fund balance.

Note 14: Accounting Pronouncements**(A) Deferred Inflow and Outflow of Resources**

MoDOT implemented GASB Statement 65, *Items Previously Reported as Assets and Liabilities*, in fiscal year 2014. Statement 65 required certain deferred outflow and inflow be reclassified from assets and liabilities.

(B) Pension Plan Benefits Obligation

MoDOT will implement GASB Statement 68, *Accounting and Financial Reporting for Pensions*, in fiscal year 2015. Statement 68 will require the inclusion of long-term obligations for pension benefits as a liability and will expand required disclosures. The amount to be recorded as a liability will be based on an actuarial valuation.

Note 15: Restatements

During fiscal year 2014, the GASB 65 implementation, as well as corrections of errors related to capital assets, required the restatement of net position. The following table presents a summary of these restatements, with additional information below.

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Governmental activities:		
Net assets, as previously reported	\$27,118,297,255	\$26,574,235,240
GASB 65 implementation	(17,108,929)	(19,562,291)
Capital assets correction	<u>(148,170,105)</u>	<u>(144,192,767)</u>
Net assets, as restated	<u>\$26,953,018,221</u>	<u>\$26,410,480,182</u>
Program expenses as previously reported	\$ 1,710,567,789	
GASB 65 implementation	(2,453,362)	
Capital asset corrections	<u>3,977,338</u>	
Program expenses, as restated	<u>\$ 1,712,091,765</u>	

(A) Deferred Inflow and Outflow of Resources

The effect of implementing GASB Statement 65 in fiscal year 2014 is as follows:

	<u>June 30, 2013</u>
Fund financial statements:	
Deferred revenues, previously reported as a liability, will now be reported as a deferred inflow of resources, with no impact on fund balance.	\$29,508,310
Government-wide financial statements:	
Bond issuance cost, previously reported as an asset and amortized over the life of the bond, will now be expensed in the year of the bond sale, with a decrease to net position.	17,108,929
Deferred bond refunding amounts, previously reported as a reduction to financing and other obligations and amortized over the life of the bonds, will now be reported as a deferred outflow of resources and amortized over the life of the bonds, with no impact to net position.	13,961,482

(B) Capital Assets

Capital assets and net position have been restated to correct errors related to infrastructure in progress, infrastructure and infrastructure depreciation. The effect is as follows:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Government-wide financial statements:		
Capital assets not being depreciated and net position are decreased	\$ 41,181,986	\$ 36,957,839
Capital assets being depreciated and net position are decreased	106,988,119	107,234,928

Required Supplementary Information

Required Supplementary Information
Budgetary Comparison Schedules – State Highways
and Transportation Department Fund
 Year Ended June 30, 2014
 With Summarized Financial Information for 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances Between Final Budget and Actual</u>	
	<u>Original</u>	<u>Final</u>		<u>2014</u>	<u>2013</u>
Budgetary fund balance, beginning of year	\$ 8,312,844	\$ 8,312,844	\$ 8,312,844	\$ ---	\$ ---
Resources (inflow)					
Fuel taxes	521,206,000	521,206,000	488,672,399	(32,533,601)	(47,916,321)
License, fees and permits	186,079,000	186,079,000	186,328,114	249,114	(4,494,607)
Vehicle sales and use taxes	55,646,000	55,646,000	7,316,682	(48,329,318)	7,243,351
Interest	753,000	753,000	214,201	(538,799)	(285,196)
Intergovernmental/cost reimbursements/miscellaneous	<u>4,139,000</u>	<u>4,139,000</u>	<u>5,774,376</u>	<u>1,635,376</u>	<u>1,495,409</u>
Amount available for appropriation	<u>776,135,844</u>	<u>776,135,844</u>	<u>696,618,616</u>	<u>(79,517,228)</u>	<u>(43,957,364)</u>
Charges to appropriations (outflow)					
Appropriations spent by other state agencies	<u>261,280,329</u>	<u>238,164,044</u>	<u>233,306,889</u>	<u>4,857,155</u>	<u>21,299,446</u>
Total charges to appropriations	<u>261,280,329</u>	<u>238,164,044</u>	<u>233,306,889</u>	<u>4,857,155</u>	<u>21,299,446</u>
Transfers to State Road Fund	<u>(528,000,000)</u>	<u>(528,000,000)</u>	<u>(454,584,060)</u>	<u>73,415,940</u>	<u>15,856,044</u>
Budgetary fund balance, end of year	\$ <u>(13,144,485)</u>	\$ <u>9,971,800</u>	\$ <u>8,727,667</u>	\$ <u>(1,244,133)</u>	\$ <u>(6,801,874)</u>

Required Supplementary Information
Budgetary Comparison Schedules – State Road Fund
 Year Ended June 30, 2014
 With Summarized Financial Information for 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances Between Final Budget and Actual</u>	
	<u>Original</u>	<u>Final</u>		<u>2014</u>	<u>2013</u>
Budgetary fund balance, beginning of year	\$1,038,578,953	\$1,038,578,953	\$1,038,578,953	\$ ---	\$ 8
Resources (inflow)					
Fuel taxes	156,000	156,000	128,033	(27,967)	31,610
License, fees and permits	86,459,000	86,459,000	99,675,989	13,216,989	10,166,114
Vehicle sales and use taxes	122,212,000	122,212,000	147,254,808	25,042,808	11,116,750
Interest	17,748,000	17,748,000	5,103,216	(12,644,784)	(10,415,029)
Intergovernmental/cost reimbursements/miscellaneous	110,206,000	110,206,000	97,097,389	(13,108,611)	28,747,917
Federal government	919,346,000	919,746,000	825,837,473	(93,908,527)	(111,440,056)
American Recovery and Reinvestment Act	5,662,536	5,662,536	5,228,755	(433,781)	17,861,593
Amount available for appropriation	<u>2,300,368,489</u>	<u>2,300,768,489</u>	<u>2,218,904,616</u>	<u>(81,863,873)</u>	<u>(53,931,093)</u>
Charges to appropriations (outflow)					
Administration					
Personal service	17,374,776	17,200,704	16,811,848	388,856	1,444,462
Fringe benefits	26,972,942	26,372,489	25,745,354	627,135	1,658,739
Expense and equipment	5,499,562	6,579,562	5,848,214	731,348	(1,481,808)
Maintenance					
Personal service	133,391,863	133,535,895	132,245,713	1,290,182	330,768
Fringe benefits	114,411,365	114,411,365	109,429,204	4,982,161	4,742,041
Expense and equipment	187,769,840	204,079,153	202,264,484	1,814,669	(121,599)
Construction					
Personal service	61,648,946	63,513,750	61,272,626	2,241,124	7,178,028
Fringe benefits	47,289,449	48,877,434	46,048,815	2,828,619	6,654,307
Expense and equipment	12,028,025	19,576,496	18,637,900	938,596	(724,835)
Contracts	914,713,485	944,034,011	892,020,524	52,013,487	152,828,893
Right of way purchase	20,000,000	20,000,000	15,248,873	4,751,127	4,072,366
Fleet, facilities and information systems					
Personal service	10,687,358	10,687,358	10,458,972	228,386	1,668,380
Fringe benefits	8,458,460	8,458,460	8,087,745	370,715	1,507,748
Expense and equipment	58,090,651	61,418,250	51,547,930	9,870,320	9,274,069
Multimodal operations					
Personal service	426,618	426,618	447,199	(20,581)	(22,946)
Fringe benefits	322,443	322,460	299,409	23,051	(96,669)
Expense and equipment	24,852	24,852	120,370	(95,518)	(365,110)
Program	176,000	176,000	176,000	---	---
Bond principal and interest payments	<u>182,163,750</u>	<u>154,001,750</u>	<u>154,000,961</u>	<u>789</u>	<u>---</u>
Total charges to appropriations	<u>1,801,450,385</u>	<u>1,833,696,607</u>	<u>1,750,712,141</u>	<u>82,984,466</u>	<u>188,546,834</u>
Transfers from Highway Fund	528,000,000	528,000,000	454,584,060	(73,415,940)	(15,856,044)
Transfers from Highway Safety Fund	<u>30,000,000</u>	<u>30,000,000</u>	<u>16,944,664</u>	<u>(13,055,336)</u>	<u>---</u>
Budgetary fund balance, end of year	<u>\$1,026,918,104</u>	<u>\$ 995,071,882</u>	<u>\$ 939,721,199</u>	<u>\$ (55,350,683)</u>	<u>\$ 118,759,697</u>

Required Supplementary Information

Budget Basis to GAAP Reconciliations and Disclosure

Years Ended June 30, 2014 and 2013

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 2014:

	State Highways and Transportation Department Fund	State Road Fund
Fund balance, budgetary basis	\$ 8,727,667	\$ 939,721,199
Receivables	107,252,627	125,129,539
Due from other funds	---	7,844,525
Inventories	---	29,135,029
Payables	(8,469,943)	(114,844,455)
Deposits	---	(758,573)
Unearned revenue	---	(10,624,707)
Deferred revenues	(2,074,523)	(22,212,790)
Change in fair value of investments	<u>(12,267)</u>	<u>(1,312,365)</u>
Fund balance, GAAP basis	<u>\$ 105,423,561</u>	<u>\$ 952,077,402</u>

The following are reconciliations of the differences between the State's budgetary basis and accounting principles GAAP basis for 2013:

	State Highways and Transportation Department Fund	State Road Fund
Fund balance, budgetary basis	\$ 8,312,844	\$ 1,038,578,953
Receivables	110,170,686	110,302,389
Due from other funds	---	2,626,005
Inventories	---	34,840,942
Payables	(8,511,587)	(108,303,845)
Deposits	---	(741,783)
Unearned revenue	---	(9,924,567)
Deferred revenues	(2,120,929)	(26,820,534)
Change in fair value of investments	<u>(44,792)</u>	<u>(6,266,319)</u>
Fund balance, GAAP basis	<u>\$ 107,806,222</u>	<u>\$ 1,034,291,241</u>

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 cash 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 rests with the State Legislature. 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 between January and May. The Governor has veto authority and generally acts on those matters in June. Upon Commission approval in June, 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
7/1/2011	---	783,896,843	783,896,843	0	224,455,344	349
7/1/2013	---	602,620,999	602,620,999	0	213,845,536	282

Actuarial valuations are performed biennially. The Department is the majority employer participating in the MoDOT and MSHP Medical and Life Insurance Plan. The Insurance Plan's total actuarial accrued liability is \$842.8 million.

Because the Insurance Plan is an internal service fund of the Department, the net 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's funding is not based on 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.



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Combining Financial Statements Nonmajor Governmental Funds

Combining Balance Sheets
Nonmajor Governmental Funds – Special Revenue
 June 30, 2014
 With Summarized Financial Information for 2013

	Multimodal Federal Fund	State Transportation Fund	Aviation Trust Fund	State Transportation Assistance Revolving Fund	MCS Federal Fund
Assets					
Cash and cash equivalents	\$ 1,651,161	\$2,110,874	\$13,141,129	\$2,226,707	\$ 120,396
State taxes and fees receivable	---	355,422	6,702	---	---
Federal government receivable	6,618,025	---	---	---	285,934
Miscellaneous receivables, net	3,244,855	---	15,518	18,210	---
Loans receivable	---	---	---	1,700,879	---
Total assets	<u>\$11,514,041</u>	<u>\$2,466,296</u>	<u>\$13,163,349</u>	<u>\$3,945,796</u>	<u>\$ 406,330</u>
Liabilities, Deferred Inflow of Resources and Fund Balances					
Liabilities					
Accounts payable	\$10,510,002	\$ 158	\$ 964,168	\$ ---	\$ 285,934
Accrued payroll	14,404	8,673	32,170	---	---
Unearned revenue	583,769	---	---	---	---
Due to other funds	7,620	3,845	17,816	---	---
Total liabilities	<u>11,115,795</u>	<u>12,676</u>	<u>1,014,154</u>	<u>---</u>	<u>285,934</u>
Deferred Inflow of Resources					
Deferred revenues	1,974,026	---	---	---	---
Total deferred inflow of resources	<u>1,974,026</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Fund Balances					
Unassigned	(1,575,780)	---	---	---	---
Restricted – highways and transportation	---	2,453,620	12,149,195	3,945,796	120,396
Total fund balances	<u>(1,575,780)</u>	<u>2,453,620</u>	<u>12,149,195</u>	<u>3,945,796</u>	<u>120,396</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$11,514,041</u>	<u>\$2,466,296</u>	<u>\$13,163,349</u>	<u>\$3,945,796</u>	<u>\$ 406,330</u>

Grade Crossing Safety Fund	Railroad Expense Fund	Highway Safety Fund	Motorcycle Safety Fund	Total	
				2014	2013
\$5,310,422	\$706,049	\$ 264,495	\$ 107,715	\$25,638,948	\$22,621,814
101,557	---	---	---	463,681	436,359
---	---	8,821,280	---	15,725,239	14,931,335
57,031	---	---	---	3,335,614	2,413,983
---	---	---	---	<u>1,700,879</u>	<u>2,096,573</u>
<u>\$5,469,010</u>	<u>\$706,049</u>	<u>\$ 9,085,775</u>	<u>\$107,715</u>	<u>\$46,864,361</u>	<u>\$42,500,064</u>
\$ 278,993	\$ 5,676	\$ 972,845	\$ ---	\$13,017,776	\$15,685,256
---	18,551	19,674	---	93,472	91,122
---	---	---	---	583,769	211,615
---	<u>10,296</u>	<u>7,804,948</u>	---	<u>7,844,525</u>	<u>2,626,005</u>
<u>278,993</u>	<u>34,523</u>	<u>8,797,467</u>	---	<u>21,539,542</u>	<u>18,613,998</u>
<u>57,031</u>	---	---	---	<u>2,031,057</u>	<u>566,847</u>
<u>57,031</u>	---	---	---	<u>2,031,057</u>	<u>566,847</u>
---	---	---	---	(1,575,780)	(234,005)
<u>5,132,986</u>	<u>671,526</u>	<u>288,308</u>	<u>107,715</u>	<u>24,869,542</u>	<u>23,553,224</u>
<u>5,132,986</u>	<u>671,526</u>	<u>288,308</u>	<u>107,715</u>	<u>23,293,762</u>	<u>23,319,219</u>
<u>\$5,469,010</u>	<u>\$706,049</u>	<u>\$ 9,085,775</u>	<u>\$107,715</u>	<u>\$46,864,361</u>	<u>\$42,500,064</u>

Combining Statements of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds – Special Revenue

Year Ended June 30, 2014

With Summarized Financial Information for 2013

	<u>Multimodal Federal Fund</u>	<u>State Transportation Fund</u>	<u>Aviation Trust Fund</u>	<u>State Transportation Assistance Revolving Fund</u>	<u>MCS Federal Fund</u>
Revenues					
Fuel taxes	\$ ---	\$ ---	\$ 225,963	\$ ---	\$ ---
Sales and use taxes	---	4,042,317	6,009,714	---	---
Licenses, fees and permits	---	---	---	---	---
Intergovernmental/cost reimbursements/miscellaneous	671,845	---	---	---	97
Investment earnings	---	---	119,152	96,479	---
American Recovery and Reinvestment Act	10,734,899	---	---	---	---
State government	14,346,615	---	---	---	---
Federal government	<u>49,659,157</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>1,688,957</u>
Total revenues	<u>75,412,516</u>	<u>4,042,317</u>	<u>6,354,829</u>	<u>96,479</u>	<u>1,689,054</u>
Expenditures					
Current					
Maintenance	---	---	---	---	1,339,153
Multimodal operations	77,691,359	3,247,108	5,586,754	391	---
Capital outlay	<u>84,830</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total expenditures	<u>77,776,189</u>	<u>3,247,108</u>	<u>5,586,754</u>	<u>391</u>	<u>1,339,153</u>
Excess of revenues over (under) expenditures	<u>(2,363,673)</u>	<u>795,209</u>	<u>768,075</u>	<u>96,088</u>	<u>349,901</u>
Other Financing Sources (Uses)					
Capital asset sales	35,982	---	3,998	---	4,500
Transfers out	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total other financing sources (uses)	<u>35,982</u>	<u>---</u>	<u>3,998</u>	<u>---</u>	<u>4,500</u>
Net Changes in Fund Balances	(2,327,691)	795,209	772,073	96,088	354,401
Fund Balances, beginning of year	<u>751,911</u>	<u>1,658,411</u>	<u>11,377,122</u>	<u>3,849,708</u>	<u>(234,005)</u>
Fund Balances, end of year	<u>\$ (1,575,780)</u>	<u>\$ 2,453,620</u>	<u>\$ 12,149,195</u>	<u>\$ 3,945,796</u>	<u>\$ 120,396</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>2014</u>	<u>2013</u>
\$ ---	\$ ---	\$ ---	\$ ---	\$ 225,963	\$ 254,711
---	---	---	---	10,052,031	7,880,396
1,312,967	756,623	---	359,108	2,428,698	2,457,157
42,800	---	8,090	---	722,832	2,199,138
---	---	---	---	215,631	39,529
---	---	---	---	10,734,899	16,547,733
---	---	---	---	14,346,615	11,630,299
---	---	<u>34,843,267</u>	---	<u>86,191,381</u>	<u>90,406,070</u>
<u>1,355,767</u>	<u>756,623</u>	<u>34,851,357</u>	<u>359,108</u>	<u>124,918,050</u>	<u>131,415,033</u>
---	---	12,511,312	321,999	14,172,464	36,871,484
1,309,355	734,403	---	---	88,569,370	88,579,674
---	---	---	---	84,830	1,484,100
<u>1,309,355</u>	<u>734,403</u>	<u>12,511,312</u>	<u>321,999</u>	<u>102,826,664</u>	<u>126,935,258</u>
<u>46,412</u>	<u>22,220</u>	<u>22,340,045</u>	<u>37,109</u>	<u>22,091,386</u>	<u>4,479,775</u>
---	---	---	---	44,480	12,213
---	---	<u>(22,161,323)</u>	---	<u>(22,161,323)</u>	<u>(2,588,289)</u>
---	---	<u>(22,161,323)</u>	---	<u>(22,116,843)</u>	<u>(2,576,076)</u>
46,412	22,220	178,722	37,109	(25,457)	1,903,699
<u>5,086,574</u>	<u>649,306</u>	<u>109,586</u>	<u>70,606</u>	<u>23,319,219</u>	<u>21,415,520</u>
<u>\$5,132,986</u>	<u>\$671,526</u>	<u>\$ 288,308</u>	<u>\$107,715</u>	<u>\$ 23,293,762</u>	<u>\$ 23,319,219</u>



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Combining Financial Statements Proprietary Funds

Combining Statements of Net Position

Proprietary Funds – Internal Service

June 30, 2014

With Summarized Financial Information for 2013

	MoDOT & MSHP Medical and Life Insurance Plan	MHTC Self Insurance Plan	Total	
			2014	2013
Assets				
Current assets				
Cash and cash equivalents	\$15,348,151	\$12,868,442	\$ 28,216,593	\$ 18,629,474
Investments	1,015,794	2,287,489	3,303,283	2,377,978
Restricted investments	100,000	200,000	300,000	300,000
Miscellaneous receivables	<u>2,076,248</u>	<u>180,834</u>	<u>2,257,082</u>	<u>2,038,614</u>
Total current assets	<u>18,540,193</u>	<u>15,536,765</u>	<u>34,076,958</u>	<u>23,346,066</u>
Noncurrent assets				
Investments	<u>34,571,939</u>	<u>73,845,922</u>	<u>108,417,861</u>	<u>115,412,204</u>
Total noncurrent assets	<u>34,571,939</u>	<u>73,845,922</u>	<u>108,417,861</u>	<u>115,412,204</u>
Total assets	<u>53,112,132</u>	<u>89,382,687</u>	<u>142,494,819</u>	<u>138,758,270</u>
Liabilities				
Current liabilities				
Accounts payable	5,350,263	9,167	5,359,430	3,036,388
Unearned revenue	7,476,903	---	7,476,903	7,408,144
Pending self-insurance claims	---	17,541,000	17,541,000	17,715,000
Incurred but not reported claims	<u>10,000,000</u>	<u>4,982,000</u>	<u>14,982,000</u>	<u>14,841,000</u>
Total current liabilities	<u>22,827,166</u>	<u>22,532,167</u>	<u>45,359,333</u>	<u>43,000,532</u>
Noncurrent liabilities				
Pending self-insurance claims	---	47,216,461	47,216,461	49,547,962
Incurred but not reported claims	---	<u>13,410,000</u>	<u>13,410,000</u>	<u>13,258,000</u>
Total noncurrent liabilities	---	<u>60,626,461</u>	<u>60,626,461</u>	<u>62,805,962</u>
Total liabilities	<u>22,827,166</u>	<u>83,158,628</u>	<u>105,985,794</u>	<u>105,806,494</u>
Net Position				
Restricted net position	100,000	200,000	300,000	300,000
Unrestricted net position	<u>30,184,966</u>	<u>6,024,059</u>	<u>36,209,025</u>	<u>32,651,776</u>
Total net position	<u>\$30,284,966</u>	<u>\$ 6,224,059</u>	<u>\$ 36,509,025</u>	<u>\$ 32,951,776</u>

Combining Statements of Revenues, Expenses and Changes in Net Position

Proprietary Funds – Internal Service

Year Ended June 30, 2014

With Summarized Financial Information for 2013

	MoDOT & MSHP Medical and Life Insurance Plan	MHTC Self Insurance Plan	Total	
			2014	2013
Operating Revenues				
Self-insurance premiums				
Highway workers' compensation	\$ ---	\$ 6,900,000	\$ 6,900,000	\$ 6,900,000
Highway patrol workers' compensation	---	3,000,000	3,000,000	3,000,000
Highway fleet vehicle liability	---	1,400,000	1,400,000	1,400,000
Highway general liability	---	11,410,000	11,410,000	11,410,000
Medical insurance premiums				
State	73,050,798	---	73,050,798	72,855,375
Member	38,169,311	---	38,169,311	37,327,828
Other	<u>5,211,074</u>	<u>135,755</u>	<u>5,346,829</u>	<u>8,098,024</u>
Total operating revenues	<u>116,431,183</u>	<u>22,845,755</u>	<u>139,276,938</u>	<u>140,991,227</u>
Operating Expenses				
Self-insurance programs				
Highway workers' compensation	---	4,871,116	4,871,116	2,014,792
Highway patrol workers' compensation	---	1,723,458	1,723,458	2,160,053
Highway fleet vehicle liability	---	2,458,877	2,458,877	2,705,069
Highway general liability	---	9,786,534	9,786,534	7,917,555
Other	---	567,422	567,422	538,880
Medical and life insurance program				
Insurance premiums	6,609,549	---	6,609,549	6,334,536
Medical benefits	83,413,544	---	83,413,544	83,567,235
Prescription drug benefits	21,495,343	---	21,495,343	19,347,104
Professional fees	1,062,677	---	1,062,677	898,425
Administrative services	<u>5,881,532</u>	<u>---</u>	<u>5,881,532</u>	<u>6,306,284</u>
Total operating expenses	<u>118,462,645</u>	<u>19,407,407</u>	<u>137,870,052</u>	<u>131,789,933</u>
Operating income (loss)	<u>(2,031,462)</u>	<u>3,438,348</u>	<u>1,406,886</u>	<u>9,201,294</u>
Nonoperating Revenues				
Net appreciation and investment income	<u>694,782</u>	<u>1,455,581</u>	<u>2,150,363</u>	<u>67,893</u>
Total nonoperating revenues	<u>694,782</u>	<u>1,455,581</u>	<u>2,150,363</u>	<u>67,893</u>
Changes in Net Position	(1,336,680)	4,893,929	3,557,249	9,269,187
Net Position, beginning of year	<u>31,621,646</u>	<u>1,330,130</u>	<u>32,951,776</u>	<u>23,682,589</u>
Net Position, end of year	\$ <u>30,284,966</u>	\$ <u>6,224,059</u>	\$ <u>36,509,025</u>	\$ <u>32,951,776</u>

Combining Statements of Cash Flows

Proprietary Funds – Internal Service

Year Ended June 30, 2014

With Summarized Financial Information for 2013

	MoDOT & MSHP Medical and Life Insurance Plan	MHTC Self Insurance Plan	Total	
			2014	2013
Cash Flows From Operating Activities				
Receipts from interfund services provided	\$ 115,998,009	\$ 23,095,755	\$139,093,764	\$140,777,800
Payments for interfund services used	(111,549,678)	(20,952,486)	(132,502,164)	(128,395,643)
Payments to suppliers	<u>(4,621,167)</u>	<u>(567,422)</u>	<u>(5,188,589)</u>	<u>(7,031,955)</u>
Net cash provided by (used in) operating activities	<u>(172,836)</u>	<u>1,575,847</u>	<u>1,403,011</u>	<u>5,350,202</u>
Cash Flows From Investing Activities				
Proceeds from sale and maturities of investments	21,283,697	26,117,192	47,400,889	49,939,568
Purchases of investments	(16,581,197)	(24,945,197)	(41,526,394)	(58,715,851)
Interest received	808,435	1,634,399	2,442,834	2,574,037
Investment fees	<u>(45,126)</u>	<u>(88,095)</u>	<u>(133,221)</u>	<u>(131,932)</u>
Net cash provided by (used in) investing activities	<u>5,465,809</u>	<u>2,718,299</u>	<u>8,184,108</u>	<u>(6,334,178)</u>
Net increase (decrease) in cash and cash equivalents	5,292,973	4,294,146	9,587,119	(983,976)
Cash and Cash Equivalents, beginning of year	<u>10,055,178</u>	<u>8,574,296</u>	<u>18,629,474</u>	<u>19,613,450</u>
Cash and Cash Equivalents, end of year	<u>\$ 15,348,151</u>	<u>\$ 12,868,442</u>	<u>\$ 28,216,593</u>	<u>\$ 18,629,474</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating income (loss)	\$ (2,031,462)	\$ 3,438,348	\$ 1,406,886	\$ 9,201,294
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Receivables	(433,175)	250,000	(183,175)	(213,426)
Accounts and claims payable	2,223,042	(2,112,501)	110,541	(3,251,454)
Unearned revenue	<u>68,759</u>	<u>---</u>	<u>68,759</u>	<u>(386,212)</u>
Net cash provided by (used in) operating activities	<u>\$ (172,836)</u>	<u>\$ 1,575,847</u>	<u>\$ 1,403,011</u>	<u>\$ 5,350,202</u>
Noncash Items Impacting Recorded Assets				
Increase (decrease) in fair value of investments	<u>\$ (75,742)</u>	<u>\$ (118,802)</u>	<u>\$ (194,544)</u>	<u>\$ (2,370,317)</u>

Combining Financial Statements Fiduciary Funds



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Combining Statements of Assets and Liabilities

Fiduciary Funds – Agency

June 30, 2014

With Summarized Financial Information for 2013

	<u>Local Fund</u>	<u>MCS Agency Fund</u>	<u>Total</u>	
			<u>2014</u>	<u>2013</u>
Assets				
Restricted cash and cash equivalents	\$38,974,281	\$4,696,041	\$43,670,322	\$33,562,141
Restricted investments	21,444,033	---	21,444,033	58,136,872
Other	<u>48,746</u>	<u>1,600</u>	<u>50,346</u>	<u>178,116</u>
Total assets	<u>\$60,467,060</u>	<u>\$4,697,641</u>	<u>\$65,164,701</u>	<u>\$91,877,129</u>
Liabilities				
Due to other governments	\$ ---	\$4,697,641	\$ 4,697,641	\$ 5,241,099
Advances from other governments	<u>60,467,060</u>	<u>---</u>	<u>60,467,060</u>	<u>86,636,030</u>
Total liabilities	<u>\$60,467,060</u>	<u>\$4,697,641</u>	<u>\$65,164,701</u>	<u>\$91,877,129</u>

Combining Statements of Changes in Assets and Liabilities

Fiduciary Funds – Agency

Years ended June 30, 2014 and 2013

	2014			Ending Balance
	Beginning Balance	Additions	Deductions	
Local Fund				
Assets				
Restricted cash and cash equivalents	\$28,321,391	\$ 89,895,968	\$ 79,243,078	\$38,974,281
Restricted investments	58,136,872	27,765,332	64,458,171	21,444,033
Other	<u>177,767</u>	<u>542,036</u>	<u>671,057</u>	<u>48,746</u>
Total assets	<u>\$86,636,030</u>	<u>\$118,203,336</u>	<u>\$144,372,306</u>	<u>\$60,467,060</u>
Liabilities				
Advances from other governments	<u>\$86,636,030</u>	<u>\$ 24,766,738</u>	<u>\$ 50,935,707</u>	<u>\$60,467,060</u>
Total liabilities	<u>\$86,636,030</u>	<u>\$ 24,766,738</u>	<u>\$ 50,935,707</u>	<u>\$60,467,060</u>
 MCS Agency Fund				
Assets				
Restricted cash and cash equivalents	\$ 5,240,750	\$203,754,358	\$204,299,067	\$ 4,696,041
Other	<u>349</u>	<u>6,480</u>	<u>5,229</u>	<u>1,600</u>
Total assets	<u>\$ 5,241,099</u>	<u>\$203,760,838</u>	<u>\$204,304,296</u>	<u>\$ 4,697,641</u>
Liabilities				
Due to other governments	<u>\$ 5,241,099</u>	<u>\$203,760,838</u>	<u>\$204,304,296</u>	<u>\$ 4,697,641</u>
Total liabilities	<u>\$ 5,241,099</u>	<u>\$203,760,838</u>	<u>\$204,304,296</u>	<u>\$ 4,697,641</u>
 Totals				
Assets				
Restricted cash and cash equivalents	\$33,562,142	\$293,650,325	\$283,542,144	\$43,670,323
Restricted investments	58,136,871	27,765,333	64,458,171	21,444,033
Other	<u>178,115</u>	<u>548,517</u>	<u>676,287</u>	<u>50,345</u>
Total assets	<u>\$91,877,128</u>	<u>\$321,964,175</u>	<u>\$348,676,602</u>	<u>\$65,164,701</u>
Liabilities				
Due to other governments	\$ 5,241,099	\$203,760,838	\$204,304,296	\$ 4,697,641
Advances from other governments	<u>86,636,029</u>	<u>24,766,738</u>	<u>50,935,707</u>	<u>60,467,060</u>
Total liabilities	<u>\$91,877,128</u>	<u>\$228,527,576</u>	<u>\$255,240,003</u>	<u>\$65,164,701</u>

2013

<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
\$ 7,948,266	\$177,878,171	\$157,505,046	\$28,321,391
75,134,753	109,753,026	126,750,907	58,136,872
<u>260,833</u>	<u>1,063,412</u>	<u>1,146,478</u>	<u>177,767</u>
<u>\$83,343,852</u>	<u>\$288,694,609</u>	<u>\$285,402,431</u>	<u>\$86,636,030</u>
<u>\$83,343,852</u>	<u>\$ 49,843,530</u>	<u>\$ 46,551,352</u>	<u>\$86,636,030</u>
<u>\$83,343,852</u>	<u>\$ 49,843,530</u>	<u>\$ 46,551,352</u>	<u>\$86,636,030</u>
\$ 4,262,200	\$187,724,182	\$186,745,632	\$ 5,240,750
<u>405</u>	<u>12,742</u>	<u>12,798</u>	<u>349</u>
<u>\$ 4,262,605</u>	<u>\$187,736,924</u>	<u>\$186,758,430</u>	<u>\$ 5,241,099</u>
<u>\$ 4,262,605</u>	<u>\$187,736,924</u>	<u>\$186,758,430</u>	<u>\$ 5,241,099</u>
<u>\$ 4,262,605</u>	<u>\$187,736,924</u>	<u>\$186,758,430</u>	<u>\$ 5,241,099</u>
\$12,210,466	\$365,602,353	\$344,250,678	\$33,562,141
75,134,753	109,753,026	126,750,907	58,136,872
<u>261,238</u>	<u>1,076,154</u>	<u>1,159,276</u>	<u>178,116</u>
<u>\$87,606,457</u>	<u>\$476,431,533</u>	<u>\$472,160,861</u>	<u>\$91,877,129</u>
<u>\$ 4,262,605</u>	<u>\$187,736,924</u>	<u>\$186,758,430</u>	<u>\$ 5,241,099</u>
<u>83,343,852</u>	<u>49,843,530</u>	<u>46,551,352</u>	<u>86,636,030</u>
<u>\$87,606,457</u>	<u>\$237,580,454</u>	<u>\$233,309,782</u>	<u>\$91,877,129</u>



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Budgetary Comparison
Schedules and
Reconciliations
Debt Service and Nonmajor
Governmental Funds

Budgetary Comparison Schedule and Reconciliation

Debt Service – State Road Bond Fund

Year Ended June 30, 2014

With Summarized Financial Information for 2013

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual	
			2014	2013
Budgetary fund balance, beginning of year	\$ 25,569,307	\$ 25,569,307	\$ ---	\$ ---
Resources (inflow)				
Vehicle sales and use tax	110,656,000	149,793,308	39,137,308	9,644,554
Interest	<u>811,000</u>	<u>287,436</u>	<u>(523,564)</u>	<u>(127,040)</u>
Amount available for appropriation	<u>137,036,307</u>	<u>175,650,051</u>	<u>38,613,744</u>	<u>9,517,514</u>
Charges to appropriations (outflow)				
Bond principal and interest payments	<u>139,018,000</u>	<u>138,929,018</u>	<u>88,982</u>	<u>1,494,821</u>
Total charges to appropriations	<u>139,018,000</u>	<u>138,929,018</u>	<u>88,982</u>	<u>1,494,821</u>
Budgetary fund balance, end of year	\$ <u>(1,981,693)</u>	\$ <u>36,721,033</u>	\$ <u>38,702,726</u>	\$ <u>11,012,335</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 2014
Budgetary fund balance, end of year	\$36,721,033
Receivables	13,394,426
Change in fair value of investments	<u>(51,607)</u>
GAAP basis fund balance, end of year	\$ <u>50,063,852</u>

Budgetary Comparison Schedule and Reconciliation

Nonmajor Governmental – Multimodal Federal Fund

Year Ended June 30, 2014

With Summarized Financial Information for 2013

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual	
			2014	2013
Budgetary fund balance, beginning of year	\$ 1,167,974	\$ 1,167,974	\$ ---	\$ ---
Resources (inflow)				
State government	13,594,129	13,501,804	(92,325)	(35,824)
Intergovernmental/cost reimbursement/miscellaneous	---	982,189	982,189	1,516,505
American Recovery and Reinvestment Act	30,754,326	13,023,846	(17,730,480)	(17,899,743)
Federal government	<u>61,535,410</u>	<u>52,201,832</u>	<u>(9,333,578)</u>	<u>4,372,487</u>
Amount available for appropriation	<u>107,051,839</u>	<u>80,877,645</u>	<u>(26,174,194)</u>	<u>(12,046,575)</u>
Charges to appropriations (outflow)				
Multimodal operations				
Personal service	237,338	241,935	(4,597)	36,077
Fringe benefits	179,750	180,602	(852)	16,584
Expense and equipment	283,500	62,569	220,931	351,307
Program	<u>105,188,378</u>	<u>78,741,378</u>	<u>26,447,000</u>	<u>10,838,857</u>
Total charges to appropriations	<u>105,888,966</u>	<u>79,226,484</u>	<u>26,662,482</u>	<u>11,242,825</u>
Budgetary fund balance, end of year	\$ <u>1,162,873</u>	\$ <u>1,651,161</u>	\$ <u>488,288</u>	\$ <u>(803,750)</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 2014
Budgetary fund balance, end of year	\$ 1,651,161
Receivables	9,862,880
Payables	(10,524,406)
Unearned revenues	(583,769)
Deferred revenues	(1,974,026)
Due to other funds	<u>(7,620)</u>
GAAP basis fund balance, end of year	\$ <u>(1,575,780)</u>

Budgetary Comparison Schedule and Reconciliation

Nonmajor Governmental - State Transportation Fund

Year Ended June 30, 2014

With Summarized Financial Information for 2013

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual	
			2014	2013
Budgetary fund balance, beginning of year	\$1,360,856	\$1,360,856	\$ ---	\$ ---
Resources (inflow)				
Sales and use taxes	2,877,699	3,993,830	1,116,131	424,541
Amount available for appropriation	<u>4,238,555</u>	<u>5,354,686</u>	<u>1,116,131</u>	<u>424,541</u>
Charges to appropriations (outflow)				
Multimodal operations				
Personal service	119,961	111,189	8,772	(14,597)
Fringe benefits	90,489	82,457	8,032	1,849
Expense and equipment	43,820	32,252	11,568	18,555
Program	3,085,353	3,017,914	67,439	2,667
Total charges to appropriations	<u>3,339,623</u>	<u>3,243,812</u>	<u>95,811</u>	<u>8,474</u>
Budgetary fund balance, end of year	<u>\$ 898,932</u>	<u>\$2,110,874</u>	<u>\$ 1,211,942</u>	<u>\$433,015</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 2014
Budgetary fund balance, end of year	\$ 2,110,874
Receivables	355,422
Payables	(8,831)
Due to other funds	<u>(3,845)</u>
GAAP basis fund balance, end of year	<u>\$ 2,453,620</u>

Budgetary Comparison Schedule and Reconciliation

Nonmajor Governmental - Aviation Trust Fund

Year Ended June 30, 2014

With Summarized Financial Information for 2013

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual	
			2014	2013
Budgetary fund balance, beginning of year	\$11,829,585	\$ 11,829,585	\$ ---	\$ ---
Resources (inflow)				
Fuel taxes	322,480	243,985	(78,495)	16,169
Sales and use taxes	4,922,455	6,009,715	1,087,260	313,139
Interest	70,957	67,475	(3,482)	33,244
Intergovernmental/cost reimbursements/miscellaneous	---	3,998	3,998	---
Amount available for appropriation	<u>17,145,477</u>	<u>18,154,758</u>	<u>1,009,281</u>	<u>362,552</u>
Charges to appropriations (outflow)				
Multimodal operations				
Personal service	454,573	430,559	24,014	23,118
Fringe benefits	342,135	314,768	27,367	40,633
Expense and equipment	140,646	121,087	19,559	11,389
Program	13,500,000	4,122,025	9,377,975	2,677,102
Total charges to appropriations	<u>14,437,354</u>	<u>4,988,439</u>	<u>9,448,915</u>	<u>2,752,242</u>
Budgetary fund balance, end of year	<u>\$ 2,708,123</u>	<u>\$13,166,319</u>	<u>\$10,458,196</u>	<u>\$ 3,114,794</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 2014
Budgetary fund balance, end of year	\$13,166,319
Receivables	22,220
Payables	(996,338)
Due to other funds	(17,816)
Change in fair value of investments	<u>(25,190)</u>
GAAP basis fund balance, end of year	<u>\$12,149,195</u>

Budgetary Comparison Schedule and Reconciliation
Nonmajor Governmental – State Transportation Assistance Revolving Fund
Year Ended June 30, 2014
With Summarized Financial Information for 2013

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual	
			2014	2013
Budgetary fund balance, beginning of year	\$1,761,680	\$1,761,680	\$ ---	\$ ---
Resources (inflow)				
Interest	---	73,993	73,993	40,662
Intergovernmental/cost reimbursements/miscellaneous	<u>449,214</u>	<u>395,694</u>	<u>(53,520)</u>	<u>95,147</u>
Amount available for appropriation	<u>2,210,894</u>	<u>2,231,367</u>	<u>20,473</u>	<u>135,809</u>
Charges to appropriations (outflow)				
Multimodal operations				
Expense and equipment	391	391	---	---
Program	<u>550,000</u>	<u>---</u>	<u>550,000</u>	<u>550,000</u>
Total charges to appropriations	<u>550,391</u>	<u>391</u>	<u>550,000</u>	<u>550,000</u>
Budgetary fund balance, end of year	<u>\$1,660,503</u>	<u>\$2,230,976</u>	<u>\$570,473</u>	<u>\$ 685,809</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 2014
Budgetary fund balance, end of year	\$2,230,976
Receivables	1,719,089
Change in fair value of investments	<u>(4,269)</u>
GAAP basis fund balance, end of year	<u>\$3,945,796</u>

Budgetary Comparison Schedule and Reconciliation

Nonmajor Governmental – MCS Federal Fund

Year Ended June 30, 2014

With Summarized Financial Information for 2013

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual	
			2014	2013
Budgetary fund balance, beginning of year	\$ 115,896	\$ 115,896	\$ ---	\$ ---
Resources (inflow)				
Intergovernmental/cost reimbursements/miscellaneous	---	4,597	4,597	6,591
Federal government	<u>1,999,725</u>	<u>1,477,732</u>	<u>(521,993)</u>	<u>(652,688)</u>
Amount available for appropriation	<u>2,115,621</u>	<u>1,598,225</u>	<u>(517,396)</u>	<u>(646,097)</u>
Charges to appropriations (outflow)				
Maintenance				
Program	<u>1,999,725</u>	<u>1,477,829</u>	<u>521,896</u>	<u>572,296</u>
Total charges to appropriations	<u>1,999,725</u>	<u>1,477,829</u>	<u>521,896</u>	<u>572,296</u>
Budgetary fund balance, end of year	\$ <u>115,896</u>	\$ <u>120,396</u>	\$ <u>4,500</u>	\$ <u>(73,801)</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 2014
Reconciliation to GAAP	
Budgetary fund balance, end of year	\$ 120,396
Receivables	285,934
Payables	<u>(285,934)</u>
GAAP basis fund balance, end of year	\$ <u>120,396</u>

Budgetary Comparison Schedule and Reconciliation

Nonmajor Governmental – Grade Crossing Safety Fund

Year Ended June 30, 2014

With Summarized Financial Information for 2013

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual	
			2014	2013
Budgetary fund balance, beginning of year	\$5,177,183	\$5,177,183	\$ ---	\$ ---
Resources (inflow)				
License, fees and permits	1,292,565	1,310,711	18,146	26,962
Intergovernmental/cost reimbursements/miscellaneous	---	48,199	48,199	(1,790)
Amount available for appropriation	<u>6,469,748</u>	<u>6,536,093</u>	<u>66,345</u>	<u>25,172</u>
Charges to appropriations (outflow)				
Multimodal operations				
Expense and equipment	21,985	12,878	9,107	---
Program	<u>3,000,000</u>	<u>1,212,793</u>	<u>1,787,207</u>	<u>1,146,618</u>
Total charges to appropriations	<u>3,021,985</u>	<u>1,225,671</u>	<u>1,796,314</u>	<u>1,146,618</u>
Transfers to Railroad Expense Fund	---	---	---	100,000
Budgetary fund balance, end of year	<u>\$3,447,763</u>	<u>\$5,310,422</u>	<u>\$ 1,862,659</u>	<u>\$1,071,790</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 2014
Budgetary fund balance, end of year	\$5,310,422
Receivables	158,588
Payables	(278,993)
Deferred revenues	<u>(57,031)</u>
GAAP basis fund balance, end of year	<u>\$5,132,986</u>

Budgetary Comparison Schedule and Reconciliation

Nonmajor Governmental – Railroad Expense Fund

Year Ended June 30, 2014

With Summarized Financial Information for 2013

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual	
			2014	2013
Budgetary fund balance, beginning of year	\$ 700,045	\$ 700,045	\$ ---	\$ ---
Resources (inflow)				
License, fees and permits	793,860	756,623	(37,237)	647
Amount available for appropriation	<u>1,493,905</u>	<u>1,456,668</u>	<u>(37,237)</u>	<u>647</u>
Charges to appropriations (outflow)				
Multimodal operations				
Personal service	346,922	341,753	5,169	55,041
Fringe benefits	284,740	239,566	45,174	89,901
Expense and equipment	200,851	169,300	31,551	24,241
Total charges to appropriations	<u>832,513</u>	<u>750,619</u>	<u>81,894</u>	<u>169,183</u>
Budgetary fund balance, end of year	\$ <u>661,392</u>	\$ <u>706,049</u>	\$ <u>44,657</u>	\$ <u>169,830</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 2014
Budgetary fund balance, end of year	\$706,049
Payables	(24,227)
Due to other funds	(10,296)
GAAP basis fund balance, end of year	<u>\$671,526</u>

Budgetary Comparison Schedule and Reconciliation

Nonmajor Governmental – Highway Safety Fund

Year Ended June 30, 2014

With Summarized Financial Information for 2013

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual	
			2014	2013
Budgetary fund balance, beginning of year	\$ 529,942	\$ 529,942	\$ ---	\$ ---
Resources (inflow)				
Intergovernmental/cost reimbursements/miscellaneous	---	8,090	8,090	4,497
Federal government	<u>15,549,790</u>	<u>30,926,118</u>	<u>15,376,328</u>	<u>106,239</u>
Amount available for appropriation	<u>16,079,732</u>	<u>31,464,150</u>	<u>15,384,418</u>	<u>110,736</u>
Charges to appropriations (outflow)				
Maintenance				
Personal service	287,378	264,211	23,167	95,450
Fringe benefits	230,885	191,670	39,215	242,340
Expense and equipment	54,393	54,393	---	18,236
Program	<u>14,977,120</u>	<u>13,744,716</u>	<u>1,232,404</u>	<u>2,128</u>
Total charges to appropriations	<u>15,549,776</u>	<u>14,254,990</u>	<u>1,294,786</u>	<u>358,154</u>
Transfers to road fund	(30,000,000)	(16,944,664)	13,055,336	---
Budgetary fund balance, end of year	<u>\$(29,470,044)</u>	<u>\$ 264,496</u>	<u>\$(27,144,968)</u>	<u>\$ 468,890</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 2014
Budgetary fund balance, end of year	\$ 264,496
Receivables	8,821,280
Payables	(992,520)
Due to other funds	<u>(7,804,948)</u>
GAAP basis fund balance, end of year	<u>\$ 288,308</u>

Budgetary Comparison Schedule and Reconciliation

Nonmajor Governmental – Motorcycle Safety Fund

Year Ended June 30, 2014

With Summarized Financial Information for 2013

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual	
			2014	2013
Budgetary fund balance, beginning of year	\$ 70,606	\$ 70,606	\$ ---	\$ ---
Resources (inflow)				
License, fees and permits	<u>430,225</u>	<u>359,108</u>	<u>(71,117)</u>	<u>(52,779)</u>
Amount available for appropriation	<u>500,831</u>	<u>429,714</u>	<u>(71,117)</u>	<u>(52,779)</u>
Charges to appropriations (outflow)				
Maintenance				
Expense and equipment	5,225	3,858	1,367	---
Program	<u>425,000</u>	<u>318,141</u>	<u>106,859</u>	<u>37,974</u>
Total charges to appropriations	<u>430,225</u>	<u>321,999</u>	<u>108,226</u>	<u>37,974</u>
Budgetary fund balance, end of year	<u>\$ 70,606</u>	<u>\$ 107,715</u>	<u>\$ 37,109</u>	<u>\$(14,805)</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 2014
Reconciliation to GAAP	
Budgetary fund balance, end of year	<u>\$107,715</u>
GAAP basis fund balance, end of year	<u>\$107,715</u>



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Statistical Section



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Index and Overview Statistical Section

Financial Trends

These schedules are intended to assist in understanding and assessing the Department's financial performance over time.

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Operating Information

These schedules are intended to provide information about the Department's services and infrastructure.

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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. 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 Position – Government-wide

Years Ended June 30
(Amounts in Thousands)

<u>Year</u>	<u>Net Investment in Capital Assets</u>	<u>Restricted</u>	<u>Total</u>
2014	\$26,636,056	\$ 782,346	\$27,418,402
2013	26,077,114	875,904	26,953,018
2012	25,383,369	1,027,111	26,410,480
2011	24,603,720	1,390,363	25,994,083
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

Notes:

Amounts for 2009 include the restatement of beginning balances due to implementation of GASB 51, *Accounting and Financial Reporting for Intangible Assets*.

Amounts for fiscal year 2012, 2013 and 2014 were restated due to the implementation of GASB 65, *Items Previously Reported as Assets and Liabilities*, and to correct errors related to infrastructure in progress, infrastructure and infrastructure depreciation.

Financial Trends

Changes in Net Position – Government-wide

Years Ended June 30

(Amounts in Thousands)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Transportation Program Expenses				
Administration	\$ 32,791	\$ 32,244	\$ 30,040	\$ 33,168
Fleet, facilities and information systems	32,790	34,905	37,268	44,866
Maintenance	420,000	398,274	389,803	412,469
Construction	194,552	222,767	321,048	318,551
Multimodal operations	89,148	89,184	68,282	64,873
Interest	129,873	136,493	140,710	147,720
Other state agencies	208,610	199,660	214,696	198,814
Self-insurance	19,407	15,336	13,894	29,222
Medical and life insurance	97,483	94,695	97,137	94,472
Other post-employment benefits	50,586	75,152	75,896	79,025
Depreciation	<u>442,734</u>	<u>413,382</u>	<u>323,238</u>	<u>747,674</u>
Total transportation program expenses	<u>1,717,974</u>	<u>1,712,092</u>	<u>1,712,012</u>	<u>2,170,854</u>
Transportation Program Revenues				
Charges for services				
Licenses, fees and permits	290,153	283,022	284,677	274,673
Member insurance premiums	38,169	37,328	35,636	32,591
Other	<u>85,389</u>	<u>108,043</u>	<u>131,371</u>	<u>150,871</u>
Total charges for services	413,711	428,393	451,684	458,135
Federal government				
American Recovery and Reinvestment Act	28,765	49,912	99,266	248,894
Operating	87,531	87,689	73,930	57,953
Capital	<u>839,912</u>	<u>892,031</u>	<u>860,754</u>	<u>1,228,181</u>
Total federal government	<u>956,208</u>	<u>1,029,632</u>	<u>1,033,950</u>	<u>1,535,028</u>
Total transportation program revenues	<u>1,369,919</u>	<u>1,458,025</u>	<u>1,485,634</u>	<u>1,993,163</u>
Net expense of transportation program	<u>(348,055)</u>	<u>(254,067)</u>	<u>(226,379)</u>	<u>(177,691)</u>
General Revenues				
Fuel taxes	489,984	486,529	496,608	499,416
Sales and use taxes	311,761	304,163	291,279	269,336
Unrestricted investment earnings	13,755	(1,157)	13,309	13,950
State appropriations	14,347	11,630	11,130	11,132
Donated assets	---	---	---	---
Gain (loss) on sale of capital assets	<u>(16,408)</u>	<u>(4,560)</u>	<u>(3,223)</u>	<u>(4,460)</u>
Total general revenues	<u>813,439</u>	<u>796,605</u>	<u>809,103</u>	<u>789,374</u>
Changes in Net Position	<u>\$ 465,384</u>	<u>\$ 542,538</u>	<u>\$ 582,725</u>	<u>\$ 611,683</u>

Notes:

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.

Amounts for fiscal year 2012, 2013 and 2014 were restated due to the implementation of GASB 65, *Items Previously Reported as Assets and Liabilities*, and to correct errors related to infrastructure in progress, infrastructure and infrastructure depreciation.

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 33,648	\$ 34,834	\$ 33,645	\$ 38,887	\$ 30,838	\$ 29,703
55,543	54,464	56,721	54,400	53,222	55,976
433,729	424,327	406,374	378,902	362,163	375,323
268,009	257,943	240,821	273,086	165,494	210,298
110,151	85,999	74,128	71,268	60,530	52,978
138,106	106,538	102,344	75,228	53,543	43,465
177,646	174,587	178,319	169,906	146,969	178,506
31,967	19,210	32,103	7,854	27,387	21,998
90,644	89,774	87,710	102,642	92,952	82,474
83,132	65,804	69,731	---	---	---
<u>876,501</u>	<u>751,246</u>	<u>746,456</u>	<u>849,957</u>	<u>829,556</u>	<u>689,699</u>
<u>2,299,076</u>	<u>2,064,726</u>	<u>2,028,352</u>	<u>2,022,130</u>	<u>1,822,654</u>	<u>1,740,420</u>
284,337	290,399	291,843	259,086	299,892	282,058
30,868	29,047	26,534	25,369	26,216	26,024
<u>108,214</u>	<u>160,013</u>	<u>86,719</u>	<u>67,816</u>	<u>46,165</u>	<u>41,838</u>
423,419	479,459	405,096	352,271	372,273	349,920
298,421	28,279	---	---	---	---
84,212	76,569	62,179	78,588	61,630	57,497
<u>974,391</u>	<u>833,839</u>	<u>907,956</u>	<u>797,196</u>	<u>768,173</u>	<u>770,568</u>
<u>1,357,024</u>	<u>938,687</u>	<u>970,135</u>	<u>875,784</u>	<u>829,803</u>	<u>828,065</u>
<u>1,780,443</u>	<u>1,418,146</u>	<u>1,375,231</u>	<u>1,228,055</u>	<u>1,202,076</u>	<u>1,177,985</u>
<u>(518,633)</u>	<u>(646,580)</u>	<u>(653,121)</u>	<u>(794,075)</u>	<u>(620,578)</u>	<u>(562,435)</u>
503,488	499,506	514,908	517,648	522,896	518,990
250,432	233,810	272,039	275,259	182,465	181,462
12,123	27,607	51,581	49,301	24,450	5,352
12,111	16,634	13,257	12,283	11,453	11,769
---	---	---	441	4	---
<u>(16,854)</u>	<u>(1,928)</u>	<u>3,115</u>	<u>1,034</u>	<u>1,436</u>	<u>1,567</u>
<u>761,300</u>	<u>775,629</u>	<u>854,900</u>	<u>855,966</u>	<u>742,704</u>	<u>719,140</u>
\$ <u>242,667</u>	\$ <u>129,049</u>	\$ <u>201,779</u>	\$ <u>61,891</u>	\$ <u>122,126</u>	\$ <u>156,705</u>

Financial Trends

Changes in Fund Balances – Governmental Funds

Years Ended June 30

(Amounts in Thousands)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues				
Fuel taxes	\$ 489,984	\$ 486,529	\$ 496,608	\$ 499,416
Sales and use taxes	311,761	304,163	291,279	269,336
Licenses, fees and permits	290,158	283,022	284,614	274,709
Intergovernmental/cost reimbursements/miscellaneous	84,753	138,732	138,629	131,809
Investment earnings	11,679	(1,149)	11,011	11,548
American Recovery and Reinvestment Act	28,635	49,912	99,265	248,834
State government	14,346	11,630	11,131	11,132
Federal government	<u>926,170</u>	<u>985,071</u>	<u>928,718</u>	<u>1,283,838</u>
Total revenues	<u>2,157,486</u>	<u>2,257,910</u>	<u>2,261,255</u>	<u>2,730,622</u>
Expenditures				
Administration	48,547	46,936	46,636	48,833
Fleet, facilities and information systems	35,904	38,058	41,133	49,110
Maintenance	450,577	454,740	440,357	450,103
Construction	216,563	241,931	354,259	338,482
Multimodal operations	89,332	89,404	68,481	65,112
Capital outlay	849,897	956,489	1,112,769	1,249,787
Debt service - principal	178,903	165,332	143,582	166,854
Debt service - interest	148,936	150,721	155,534	162,911
Other state agencies	<u>233,470</u>	<u>226,683</u>	<u>240,086</u>	<u>223,667</u>
Total expenditures	<u>2,252,129</u>	<u>2,370,294</u>	<u>2,602,837</u>	<u>2,754,859</u>
Excess of revenues over (under) expenditures	(94,643)	(112,384)	(341,582)	(24,237)
Other Financing Sources (Uses)				
Notes issued	13,240	9,493	9,097	10,095
Bonds issued	---	---	---	---
Refunding bonds issued	900,990	---	---	130,390
Refunding bonds escrow payment	(1,082,245)	---	---	(150,477)
Bond interest rate swap	---	---	---	---
Premium on bonds	185,693	---	---	20,972
Discount on bonds	---	---	---	---
Capital leases issued	(2,044)	116	12	4,869
Refinancing capital leases issued	---	---	---	---
Capital lease termination payment	---	---	---	---
Capital asset sales	7,488	13,301	10,591	9,358
Transfers in	476,745	511,732	496,854	515,181
Transfers out	<u>(476,745)</u>	<u>(511,732)</u>	<u>(496,854)</u>	<u>(515,181)</u>
Total other financing sources (uses)	<u>23,122</u>	<u>22,910</u>	<u>19,700</u>	<u>25,207</u>
Net Changes in Fund Balances	<u>\$ (71,521)</u>	<u>\$ (89,474)</u>	<u>\$ (321,882)</u>	<u>\$ 970</u>
Debt service as a percentage of noncapital expenditures	23 %	22 %	20 %	22 %
Debt service as a percentage of total revenues	15 %	14 %	13 %	12 %

Notes:

Some amounts have been recategorized for comparability and implementation of GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 503,488	\$ 499,506	\$ 514,908	\$ 517,648	\$ 522,896	\$ 518,990
251,343	234,599	270,339	275,259	182,465	181,462
284,909	290,925	290,709	259,086	299,892	282,058
128,160	139,105	80,668	89,997	53,652	53,254
8,957	23,417	46,890	44,388	22,256	3,230
298,333	28,279	---	---	---	---
12,111	16,634	13,257	12,283	11,453	11,769
<u>1,059,348</u>	<u>909,634</u>	<u>970,135</u>	<u>877,795</u>	<u>827,791</u>	<u>828,065</u>
2,546,649	2,142,099	2,186,906	2,076,456	1,920,405	1,878,828
49,247	49,224	46,822	45,797	42,843	41,088
59,586	56,986	58,933	58,759	68,753	67,791
471,740	466,143	433,653	436,796	411,847	406,185
293,021	273,099	264,693	300,579	190,713	228,985
110,412	86,202	74,303	71,485	60,676	53,092
1,405,741	1,307,318	1,143,496	1,248,304	1,252,825	918,733
102,261	103,123	88,097	105,630	73,919	56,094
146,006	115,468	109,730	89,997	57,776	45,096
<u>201,472</u>	<u>197,248</u>	<u>199,237</u>	<u>189,409</u>	<u>169,726</u>	<u>194,682</u>
2,839,486	2,654,811	2,418,964	2,546,756	2,329,078	2,011,746
(292,837)	(512,712)	(232,058)	(470,300)	(408,673)	(132,918)
10,910	1,856	4,539	406	1,787	17,122
1,085,000	142,735	526,800	800,000	350,660	---
---	---	---	394,870	---	---
---	---	---	(432,408)	---	---
---	---	(11,118)	---	---	---
30,631	2,835	27,808	73,180	21,336	---
---	---	(170)	---	---	---
3,284	581	763	1,355	2,646	44,468
---	---	22,985	---	---	---
---	---	(22,559)	---	---	---
7,252	6,830	8,705	8,679	6,669	5,941
536,864	527,110	574,864	523,744	570,592	136,487
<u>(536,864)</u>	<u>(527,110)</u>	<u>(574,864)</u>	<u>(523,744)</u>	<u>(570,592)</u>	<u>(136,487)</u>
1,137,077	154,837	557,753	846,082	383,098	67,531
<u>\$ 844,240</u>	<u>\$ (357,875)</u>	<u>\$ 325,695</u>	<u>\$ 375,782</u>	<u>\$ (25,575)</u>	<u>\$ (65,387)</u>
17 %	16 %	16 %	15 %	12 %	9 %
10 %	10 %	9 %	9 %	7 %	5 %

Financial Trends

Fund Balances – Governmental Funds

Years Ended June 30

(Amounts in Thousands)

<u>Year</u>	<u>Nonspendable - Inventories</u>	<u>Restricted - Highways and Transportation</u>	<u>Unassigned</u>	<u>Total</u>
2014	\$29,135	\$1,103,299	\$ (1,576)	\$ 1,130,858
2013	34,841	1,167,773	(234)	1,202,380
2012	45,790	1,248,963	(2,899)	1,291,854
2011	46,731	1,567,005	---	1,613,736
2010	43,711	1,569,055	---	1,612,766
2009	47,693	1,210,523	(489,690)	768,526
2008	42,443	1,083,957	---	1,126,400
2007	40,366	760,339	---	800,705
2006	37,673	388,576	(1,326)	424,923
2005	35,119	415,394	(15)	450,498

Notes:

Amounts were reclassified in fiscal year 2011 due to implementation of GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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>
2013	\$ 912,736	\$61,776	\$3,225	\$40,381	\$1,018,118
2012	940,436	44,769	2,838	24,523	1,012,566
2011	1,459,615	43,409	1,576	18,517	1,523,117
2010	1,244,642	69,158	1,701	21,925	1,337,426
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

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:

Expenditures include State Emergency Management Agency amounts.

Fiscal year 2014 data is not yet available.

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>Distribution</u>		
			<u>Cities</u>	<u>Counties</u>	<u>MoDOT</u>
2014	3,925,826	\$667,361	\$100,077	\$78,484	\$488,800
2013	3,919,121	666,106	99,433	77,980	488,693
2012	3,976,007	676,601	100,994	79,206	496,401
2011	4,033,033	685,447	103,065	80,851	501,531
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

Source:

MoDOT Financial Services 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>
2014	17.00	4.55	12.45
2013	17.00	4.55	12.45
2012	17.00	4.55	12.45
2011	17.00	4.55	12.45
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

Source:

MoDOT Financial Services 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>2014</u>	<u>2005</u>
Gallons from top ten suppliers	3,354,786	3,417,808
Net revenue from top ten suppliers	\$ 570,314	\$ 581,027
Net revenue from all suppliers	\$ 667,361	\$ 750,497
Percentage from top ten suppliers	85 %	77 %

Sources:

Net revenue from top ten suppliers: Missouri Department of Revenue

Net revenue from all suppliers: MoDOT Financial Services Division

Remainder of information is 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 117 total suppliers.

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>
2014	\$ n/a	\$ ---	\$ ---	--- %
2013	n/a	---	---	---
2012	n/a	---	---	---
2011	n/a	---	---	---
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

Source:

MoDOT Financial Services 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 between 2001 and 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 Except Per Capita)

<u>Debt Outstanding at June 30</u>				
<u>Year</u>	<u>Road Bonds</u>	<u>Notes Issued</u>	<u>Capital Leases</u>	<u>Total</u>
2014	\$2,679,170	\$ 22,923	\$ 93	\$2,702,186
2013	2,918,000	26,404	2,269	2,946,673
2012	3,071,525	28,405	2,466	3,102,396
2011	3,204,715	23,678	8,476	3,236,869
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

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.

<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>
\$238,095,000	1.13 %	6,044	\$447
223,049,000	1.32	6,022	490
229,986,000	1.35	6,011	516
217,486,000	1.49	6,012	538
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

Debt Capacity Pledged Revenue Coverage Related to Revenue Bonds

Years Ended June 30

(Amounts in Thousands Except Coverage)

Year	Senior Bond Revenues (1)	Operating Expenses (2)	Senior Net Pledged Revenues Available	Senior Lien Bonds		
				Principal	Interest	Coverage
2014	\$ 914,514	\$ 348,537	\$565,977	\$47,815	\$23,877	7.89
2013	937,165	333,327	603,838	44,255	25,467	8.66
2012	935,399	342,240	593,159	31,790	26,868	10.11
2011	929,143	324,416	604,727	56,795	28,443	7.09
2010	916,929	281,320	635,609	41,280	32,386	8.63
2009	906,977	279,971	627,006	39,540	34,339	8.49
2008	965,169	279,823	685,346	38,005	36,118	9.25
2007	959,049	269,210	689,839	36,740	38,899	9.12
2006	946,991	245,217	701,774	35,440	40,537	9.25
2005	904,978	545,048	359,930	32,500	43,788	4.72

Year	Federal Reimbursement Revenues (5)	Expenses	Federal Reimbursement Bonds Net Pledged Revenues	Federal Reimbursement		
				Principal	Interest (6)	Coverage
2014	\$ 708,726	\$ ---	\$ 708,726	\$34,825	\$32,453	10.53
2013	771,710	---	771,710	33,450	33,161	11.59
2012	719,532	---	719,532	32,725	33,889	10.80
2011	1,226,128	---	1,226,128	30,595	36,026	18.40
2010	749,825	---	749,825	---	19,476	38.50
2009	712,574	---	712,574	---	2,596	274.44
2008	---	---	---	---	---	---
2007	---	---	---	---	---	---
2006	---	---	---	---	---	---
2005	---	---	---	---	---	---

Sources:
MoDOT Financial Services 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 refunds and exclude sales tax revenue deposited into the State Road Bond Fund.

(2) Operating Expenses consist of retirement benefit costs, the cost of enforcement of motor vehicle laws and the cost of collection of sales taxes and fees. The cost of collection reflects actual expenditures and does not reflect any Missouri Department of Revenue refunds associated with spending over the three percent cap during previous years. Prior to fiscal year 2006, additional MoDOT operating expenses, principally personnel expenses and administrative costs, were paid from the Highway Fund.

(3) First, Second, Third Lien Revenues consist of sales taxes deposited into the State Road Bond Fund.

(4) First, Second, Third Lien Net Pledged Revenues consist of excess Senior Net Pledged Revenues and sales tax deposited into the State Road Bond Fund.

(5) Federal Reimbursement Revenues exclude American Recovery and Reinvestment Act revenue and amounts passed through to other political entities. For debt service coverage calculation purposes, excess First, Second, Third Lien Net Revenues are not included.

(6) Federal reimbursement interest is reported net of federal subsidies associated with Build America Bonds.

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
\$149,793	\$644,078	\$52,330	\$38,643	7.08	\$12,055	\$25,316	5.02	\$15,025	\$10,352	4.19
113,443	647,559	50,805	41,111	7.05	10,605	25,798	5.05	14,410	9,974	4.24
106,451	640,952	49,385	43,432	6.91	5,465	26,024	5.16	13,825	9,989	4.33
100,945	620,434	48,025	45,721	6.62	1,600	26,088	5.11	---	10,048	4.72
93,744	655,687	41,725	47,609	7.34	5,280	26,299	5.42	---	4,785	5.22
91,013	644,140	35,575	49,140	7.60	9,775	26,690	5.32	---	668	5.29
84,476	695,699	24,510	50,204	9.31	---	16,978	7.59	---	1,654	7.45
65,738	679,938	23,530	40,651	10.60	---	---	---	13,080	2,339	8.55
26,096	651,893	23,835	10,392	19.05	---	---	---	---	2,047	17.98
---	283,642	---	---	---	---	---	---	---	---	---

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>
2013	6,044	\$238,095,000	\$39	7.4 %
2012	6,022	223,049,000	39	7.6
2011	6,011	229,986,000	38	7.7
2010	6,012	217,486,000	36	9.2
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

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)

	2013			2004		
	<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 %	551	1	20 %
Government	442	2	16	439	2	16
Education and health services	428	3	15	364	3	14
Professional and business services	349	4	13	314	4	12
Leisure and hospitality	276	5	10	263	6	10
Manufacturing	251	6	9	312	5	11
Financial activities	171	7	6	163	7	6
Other services	116	8	5	119	9	4
Construction, natural resources and mining	111	9	4	142	8	5
Information	<u>56</u>	10	<u>2</u>	<u>64</u>	10	<u>2</u>
Total	<u>2,735</u>		<u>100 %</u>	<u>2,731</u>		<u>100 %</u>

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>
2013	4,280	(8)	6,022	11
2012	4,288	11	6,011	(1)
2011	4,277	31	6,012	24
2010	4,246	28	5,988	76
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

Sources:

Licensed Drivers: Missouri Department of Revenue for federal reporting

Population: United States Department of Commerce, Census Bureau

Notes:

Fiscal year 2014 licensed drivers data is not yet available.

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 Except Fuel Tax Receipts per Registration)

<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>
2013	6,807	2.2 %	\$667,361	0.2 %	98
2012	6,659	8.7	666,106	(2.8)	100
2011	6,124	(8.5)	685,447	0.2	112
2010	6,691	10.5	684,164	0.5	102
2009	6,057	1.6	680,862	(4.1)	112
2008	5,961	(0.6)	710,246	0.9	119
2007	5,997	(0.7)	704,071	(0.5)	117
2006	6,040	7.7	707,856	(0.4)	117
2005	5,609	(1.9)	710,343	1.4	127
2004	5,715	14.9	700,217	3.1	123

Sources:

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

Fuel Tax Receipts: MoDOT Financial Services Division, cash basis

Note:

Fiscal year 2014 registrations data is not yet available.

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>State Highways</u>	<u>Non-State Highways</u>	<u>Total Public Highways</u>		
2013	131,064	58,871	189,935	6,044	31.4
2012	130,518	56,887	187,405	6,022	31.1
2011	129,512	58,948	188,460	6,011	31.4
2010	130,628	62,879	193,507	6,012	32.2
2009	130,047	59,257	189,304	5,988	31.6
2008	130,703	55,834	186,537	5,912	31.6
2007	134,149	55,303	189,452	5,878	32.2
2006	132,758	55,828	188,586	5,838	32.3
2005	132,604	55,763	188,367	5,788	32.5
2004	132,635	56,390	189,025	5,745	32.9

Sources:

Daily Vehicle Miles Traveled: MoDOT Transportation Planning Division

Population: United States Department of Commerce, Census Bureau



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Operating Information

Demand and Level of Service Indicators

Years Ended June 30

<u>Year</u>	<u>Freight Tonnage By Mode (Amounts In Thousands) (1) (2)</u>				<u>Travel Information by Mode</u>		
	<u>Port</u>	<u>Motor Carrier</u>	<u>Aviation</u>	<u>Rail</u>	<u>Number of Transit Passengers</u>	<u>Number of River Runner Rail Passengers</u>	<u>Number of Airline Passengers (Amounts in Millions) (2)</u>
2014	n/a-cy	n/a-cy	n/a-cy	n/a-cy	n/a-src	189,000	n/a-cy
2013	35,000	464,000	198	420,000	62,500,000	197,000	11.7
2012	30,000	409,000	195	438,000	63,400,000	193,000	11.6
2011	33,000	400,000	197	449,000	58,600,000	191,000	11.7
2010	33,000	398,000	182	441,000	56,300,000	165,000	11.5
2009	24,000	368,000	190	416,000	68,400,000	153,000	11.5
2008	26,000	361,000	240	412,000	68,600,000	138,000	13.0
2007	29,000	470,000	260	410,000	64,800,000	144,312	13.4
2006	35,000	399,000	267	441,000	71,100,000	174,513	13.0
2005	28,000	418,000	278	400,000	66,000,000	171,410	12.4

Source:

MoDOT Tracker – Measures of Departmental Performance

Notes:

- (1) Data is estimated and provides generalized trends and movements.
- (2) Measured on a calendar year basis.
- (3) Negative numbers mean final project cost was less than the amount budgeted for the project.
- (4) Prior years data may be updated for information received in subsequent years.

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

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

<u>Road and Bridge Projects</u>		<u>Safety</u>		
<u>Percent of Programmed Project Cost As Compared To Final Project Cost (3)</u>	<u>Percent of Projects Completed on Time</u>	<u>Number of Fatalities from Traffic Crashes (2) (4)</u>	<u>Number of Serious Injuries from Traffic Crashes (2) (4)</u>	<u>Percent of Stripes on Major Roads In Good Condition (2)</u>
(7.64)%	73%	n/a-cy	n/a-cy	n/a-cy
(12.47)	80	757	4,670	92.1%
(10.43)	75	826	5,506	96.4
(15.37)	74	786	5,643	92.4
(11.48)	79	821	6,096	91.3
0.31	67	878	6,540	91.0
(2.27)	71	960	6,931	96.4
(2.57)	74	992	7,744	95.7
1.61	64	1,096	8,151	95.4
(2.84)	61	1,257	8,624	92.9

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 (4)</u>
2013	33,890	89.7 %	1,966
2012	33,885	88.5	2,081
2011	33,845	88.1	2,208
2010	33,702	85.8	2,486
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

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.

(4) The Safe and Sound Bridge Improvement program, completed in October 2012, rehabilitated 248 and replaced 554 bridges.

Operating Information Capital Asset Indicators

Years Ended December 31

Functional Classification	Total Public Centerline Miles									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Rural										
Interstate	841	867	723	722	722	722	722	800	800	801
Freeway/Expressway	923	878	967	953	2	2	---	---	---	15
Principal Arterial	2,037	2,103	2,157	2,171	3,115	3,116	3,117	3,246	3,171	3,175
Minor Arterial	3,964	3,962	3,959	3,944	3,948	3,927	3,927	4,076	4,135	4,025
Major Collector	16,164	16,191	16,181	16,185	16,182	16,211	16,216	16,444	16,461	16,729
Minor Collector	5,953	5,961	5,954	5,944	5,948	5,961	5,966	5,995	5,949	5,771
Local	934	965	963	935	885	875	869	922	21	25
Urban										
Interstate	538	512	482	459	459	459	459	381	381	380
Freeway/Expressway	446	434	455	470	398	397	399	343	344	330
Principal Arterial	708	719	730	730	803	808	811	701	694	702
Minor Arterial	571	565	549	527	526	516	513	352	340	334
Major Collector	485	446	445	414	410	437	442	235	111	99
Minor Collector	14	2	---	---	---	---	---	---	---	---
Local	312	280	280	248	241	245	244	186	16	17
Total Centerline Miles	<u>33,890</u>	<u>33,885</u>	<u>33,845</u>	<u>33,702</u>	<u>33,639</u>	<u>33,676</u>	<u>33,685</u>	<u>33,681</u>	<u>32,423</u>	<u>32,403</u>
Statewide Composite										
Interstate	1,379	1,379	1,206	1,181	1,181	1,181	1,181	1,181	1,181	1,181
Freeway/Expressway	1,369	1,312	1,421	1,423	400	399	399	343	344	345
Arterial	7,280	7,349	7,394	7,372	8,392	8,367	8,368	8,375	8,340	8,236
Collector	22,616	22,600	22,580	22,542	22,540	22,609	22,624	22,674	22,521	22,599
Local	<u>1,246</u>	<u>1,245</u>	<u>1,244</u>	<u>1,184</u>	<u>1,126</u>	<u>1,120</u>	<u>1,113</u>	<u>1,108</u>	<u>37</u>	<u>42</u>
Total Centerline Miles	<u>33,890</u>	<u>33,885</u>	<u>33,845</u>	<u>33,702</u>	<u>33,639</u>	<u>33,676</u>	<u>33,685</u>	<u>33,681</u>	<u>32,423</u>	<u>32,403</u>

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>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
District Offices	4,653	4,501	4,685	5,183	5,541	5,512	5,577	5,765
Central Office	<u>765</u>	<u>765</u>	<u>886</u>	<u>1,028</u>	<u>1,096</u>	<u>1,124</u>	<u>1,189</u>	<u>1,233</u>
Total	<u>5,418</u>	<u>5,266</u>	<u>5,571</u>	<u>6,211</u>	<u>6,637</u>	<u>6,636</u>	<u>6,766</u>	<u>6,998</u>

Source:

State of Missouri payroll reporting system

Note:

The decreases in 2011-2013 resulted from planned staffing reductions.

Other Information



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**Independent Auditors' Report On Internal
Control Over Financial Reporting And On
Compliance And Other Matters Based On An
Audit Of Financial Statements Performed In
Accordance With *Government Auditing Standards***

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Missouri Department of Transportation (the Department), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated September 26, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose Of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RubinBrown LLP

September 26, 2014