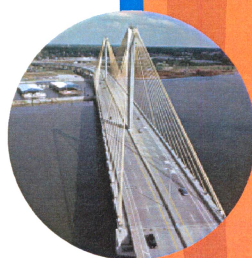
Comprehensive Annual Financial Report

for the fiscal year ended

June 30, 2008



MoDOT

Missouri Department of Transportation

an agency of the State of Missouri

Comprehensive Annual Financial Report

for the fiscal year ended

June 30, 2008

Roberta Broeker, CPA, Chief Financial Officer
Debbie Rickard, CPA, Controller
Missouri Department of Transportation
105 West Capitol Avenue
Jefferson City, MO 65102
(573) 751-2551

Missouri Department of Transportation

an agency of the State of Missouri

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Introductory Section

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Missouri
Department
of Transportation

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Pete K. Rahn, Director

2007 Missouri Quality Award Winner

September 30, 2008

The Honorable Matt Blunt, Governor
Members of the Missouri Legislature
Members of the Missouri Highways and Transportation Commission
Citizens of the State of Missouri

The Revised Statutes of Missouri, Section 21.795, require the Missouri Department of Transportation (MoDOT or the Department), an agency of the State of Missouri, to have an annual financial report audit performed by independent certified public accountants. This report includes all funds used to record the financial activities of the Department. In fulfillment of this requirement, the Department prepared and is pleased to present this Comprehensive Annual Financial Report (CAFR) and contracted with the independent auditing firm of BKD, LLP to audit the financial statements. The auditors concluded there was a reasonable basis for rendering an unqualified opinion and that the financial statements for the fiscal year ended June 30, 2008, 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 a Management's Discussion and Analysis. This transmittal letter 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, which includes all funds used to record the financial activity of the Department, consists of three sections: Introductory, Financial, and Statistical. The Introductory Section includes this letter of transmittal, the Department's organizational chart, and a list of principal officials. The Financial Section includes the independent auditors' report, management's discussion and analysis, basic financial statements, notes to the financial statements, required supplementary information, as well as other supplementary information. The Statistical Section includes additional financial information and transportation data presented on a multi-year trend and comparative basis.

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 structure designed to protect the Department's assets from loss, theft, or misuse. The Department's internal control is designed to provide reasonable but not absolute assurance that the financial statements are free from material misstatements, recognizing that the cost of internal controls should not outweigh the benefits derived from the controls. In addition, the Department's Audits and Investigations Unit is an independent audit unit that performs operational audits of the various districts, divisions, and units of the Department.

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

The Honorable Matt Blunt, Governor
Members of the Missouri Legislature
Members of the Missouri Highways and Transportation Commission
Citizens of the State of Missouri

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

Profile of the Department

MoDOT works to provide a world-class transportation experience that delights our customers and promotes a prosperous Missouri. The Department is responsible for designing, building, operating and maintaining Missouri's transportation system - the seventh largest in the United States with more than 32,000 miles of highway and 10,000 bridges. The Department also works to improve airports, river ports, railroads, public transit systems and pedestrian and bicycle travel.

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

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

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

- The System Delivery Wheel includes Project Delivery, System Management, Multimodal Operations, and MoDOT's ten districts. This wheel is responsible for design and construction of new highways and facilities; the five-year STIP; maintenance and safety of the existing highway system; motor vehicle regulations including registration and other licenses, taxes, and fees; and all other modes of transportation.

- The Organizational Support Wheel is responsible for community relations, governmental relations, legal counsel, audits and investigations, and the overall results of the organization to ensure the Department is accountable to taxpayers.

- The System Facilitation Wheel provides support to the Department's districts, divisions, and units, including personnel, workforce diversity, budget and finance, accounting, general services, risk management and employee benefits, and information systems.

Economic Condition and Outlook

Overall manufacturing employment in the State has continued to decline. Missouri's unemployment rate is moderate by historical standards but has been increasing in 2008. Since May 2004, Missouri's unemployment rate has averaged 0.3 percentage points above the national rate. Although Missouri's personal income growth has trended just below the national average, growth has been solid, as reflected in the Statistical Section.

MoDOT has contributed to the overall economy of Missouri by supporting growth in employment, personal income and gross state product. On average each year the STIP creates 9,285 additional jobs, $332.5 million in new personal income, and $544.7 million in new value added to the economy.

The Honorable Matt Blunt, Governor
Members of the Missouri Legislature
Members of the Missouri Highways and Transportation Commission
Citizens of the State of Missouri

The future state of transportation funding is uncertain. Rising fuel costs are beginning to reduce the number of miles Missourians travel, which results in lower gas tax collections. The Department's state fuel tax receipts have declined in the most recent four months, May through August 2008, as compared with the same months in the previous year.

Missouri Transportation at a Glance

In the last three years, Missouri has completed an unprecedented amount of work. The State has gone from having the nation's third worst pavement on major roads to an estimated ninth best, and 78 percent of the state's major roads are now in good condition. In addition, customer satisfaction with MoDOT has risen to 78 percent. During 2008, the Department awarded 337 new contracts for transportation projects, including highway and bridge projects totaling $915.2 million. This compares to $1.1 billion in both fiscal years 2007 and 2006. The construction programs have been possible due to Missouri voters approving Constitutional Amendment 3 in 2004. This amendment provides additional revenue by directing motor vehicle sales and use taxes that formerly were deposited in the State's General Revenue Fund to transportation. The revenues are used to repay bonds the Department has issued. In fiscal year 2008 the Commission issued $526.8 million in bonds, compared to $800.0 million and $350.6 million in fiscal years 2007 and 2006, to fund new construction.

The Commission approved the Department's legislative budget request for fiscal year 2010 at approximately the same level of spending as fiscal year 2009. However, estimated federal revenue to the states is on the decline. The Department's current projections do not include bond issuances after 2010. Also, fuel and materials costs continue to rise. Using current revenue sources and cost estimates, the Department will average a little more than $600.0 million available each year over the next 20 years to program in the STIP. Recognizing the impact of transportation on Missourians' quality of life, the Department has developed a plan of action – *A Conversation for Moving Missouri Forward*. The initiative identifies transportation options needed to make Missouri roads safer, create jobs and improve the quality of life in Missouri. MoDOT has taken the first step in identifying the State's most critical transportation needs. Officials are meeting with community leaders and citizens throughout the State to address top priorities and having *A Conversation for Moving Missouri Forward*.

Other Information

In November 2007, the Excellence in Missouri Foundation honored MoDOT with the Missouri Quality Award, the official state recognition for excellence in quality leadership, modeled after the Malcolm Baldrige National Quality Award.

Acknowledgements

This CAFR is published to demonstrate our intention to maintain the highest quality standards of public accountability. This report could not have been published without the dedicated efforts of MoDOT employees. The commitment, professionalism, and dedicated efforts of the Controller's Division staff contributed significantly to the timely preparation of the fiscal year 2008 report.

Respectfully submitted,

Pete Rahn
Director

Roberta Broeker, CPA
Chief Financial Officer

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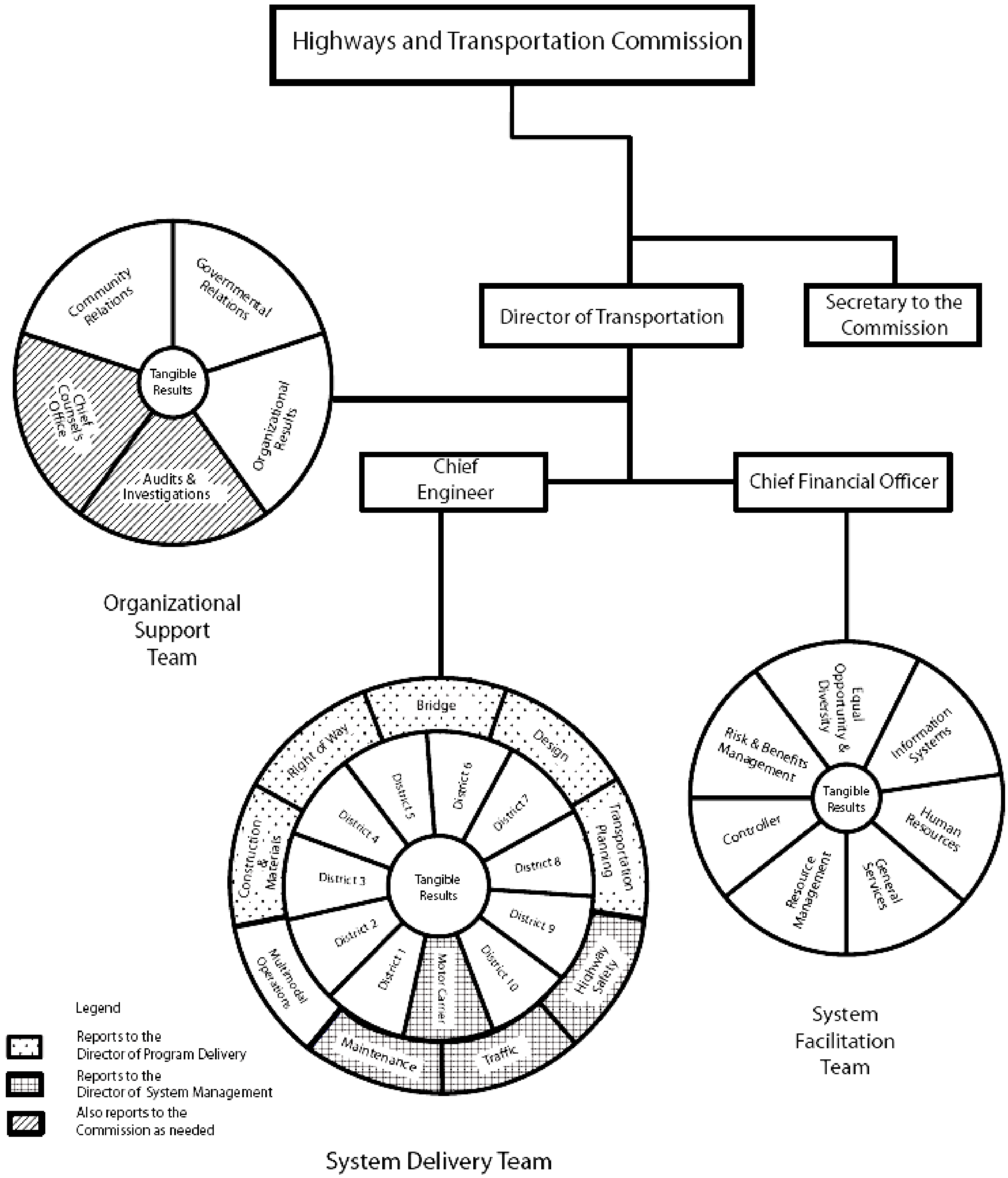
Organizational Chart

June 30, 2008



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Principal Officials

June 30, 2008

Commission	
Duane S. Michie	Chairman
James B. Anderson	Vice Chairman
Mike Kehoe	Member
David A. Gach	Member
Rudolph E. Farber	Member
Grace M. Nichols	Member
Pam Harlan	Secretary

Director's Office	
Pete K. Rahn	Director
Kevin Keith	Chief Engineer
Roberta Broeker	Chief Financial Officer

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

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

System Facilitation Team	
Debbie Rickard	Controller
Brenda Treadwell-Martin	Equal Opportunity and Diversity Director
Beth Ring	General Services Director
Micki Knudsen	Human Resources Director
Mike Miller	Information Systems Director
Brenda Morris	Resource Management Director
Jeff Padgett	Risk and Benefits Management Director

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

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Financial Section

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Independent Accountants' Report on Financial Statements and Supplementary Information

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Missouri Department of Transportation (Department) as of and for the years ended June 30, 2008 and 2007, which collectively comprise the Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As discussed in *Note 1,* the financial statements of the Missouri Department of Transportation are intended to present the financial position, the changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, each major fund and the aggregate remaining fund information of the State of Missouri that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Missouri as of June 30, 2008 and 2007, 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.

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, 2008 and 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in *Note 13*, the Department changed its method of accounting for other post-employment benefit obligations and adopted the provisions of GASB Statement No. 45 in 2008.

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In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2008, on our consideration of the Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

BKD, LLP

September 26, 2008

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.

FINANCIAL HIGHLIGHTS

Government-wide Highlights

- The net assets of the Department at the close of the fiscal year were $25.0 billion, compared to $24.8 billion at 2007. Of this amount, $1.0 billion represents the amount available for highways and transportation uses, compared to $0.7 billion in 2007. This represents a 37.4 percent increase in the amount available for highways and transportation uses from 2007 compared to a 113.8 percent increase in 2007 from 2006.

- The Department's capital assets totaled $26.4 billion and $26.0 billion for fiscal year 2008 and 2007, respectively. This represents a 1.5 percent increase from 2007; the same increase was experienced in 2007 from 2006. Capital assets comprise 99.6 percent of the total noncurrent assets at June 30, 2008 and 2007. The Department's investment in capital assets, net of related debt, is $23.9 billion compared to $24.0 billion in 2007.

- Noncurrent liabilities of the Department total $2.5 billion, compared to $1.9 billion in 2007. This increase of $513.0 million compares to an increase in noncurrent liabilities of $716.0 million in 2007 from 2006.

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 $800.7 million in 2007, a 37.4 percent increase over the prior fiscal year. This increase is primarily due to the bonds issued. The principal amount of bonds sold this fiscal year was more than originally budgeted to take advantage of historically low long-term interest rates.

- Approximately 90.9 percent of the Department's governmental fund balances, or $1.0 billion, are available for spending at the Department's discretion in accordance with the purpose of the funds, compared to 85.5 percent, or $684.3 million, in 2007.

  The remaining fund balances are reserved for specific purposes. The total reserved fund balance is $122.6 million, as compared to $116.4 million in 2007.

- The *proprietary funds* reported combined net assets of $11.2 million at the close of the fiscal year, a decrease of $19.5 million from the previous year's $30.7 million. This decrease is primarily the result of a planned reduction in self-insurance premiums charged to the governmental funds to utilize available balances in the proprietary funds. Restricted investments at the close of both years totaled $0.3 million resulting in unrestricted net assets of $10.9 million and $30.4 million at the close of fiscal years 2008 and 2007, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the Financial Section presenting the Department's basic financial statements, which includes 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)

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

- The *Statements of Net Assets* combine and consolidate all of the Department's assets and liabilities, except fiduciary funds, with the difference between the two reported as "net assets". The assets include current financial resources, capital assets and long-term obligations. Over time, increases or decreases in the net assets indicate whether the Department's financial health is improving or deteriorating, respectively. Fiduciary fund resources are not reported, as they are not available to support Department programs.

- The *Statements of Activities* present information showing how the Department's net assets changed during the fiscal year. The Department reports changes in net assets as soon as the event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus revenues and expenses are reported in the statements for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

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

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

- Capital assets used in governmental activities are not reported on governmental fund statements.

- Other long-term assets that are not available to pay for current period expenditures are not reported on governmental fund statements.

- Internal service fund activities are reported as governmental activities on the government-wide statements, but reported separately as proprietary funds in the fund financial statements.

- Bond issuance costs are capitalized and amortized to expense as governmental activities, but reported as expenditures in the governmental fund statements.

- Unless currently due and payable, long-term liabilities, such as capital lease obligations, compensated absences, and others, only appear as liabilities on the government-wide statements.

- Capital outlay spending results in capital assets on the government-wide statements, but are reported as expenditures on the governmental fund statements.

- Bond, note, and capital lease issuances result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements.

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

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

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

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

A section of *Required Supplementary Information* follows the Notes to the Financial Statements. This section includes budgetary comparisons and a separate reconciliation between the fund balances for budgetary purposes and the fund balances as presented for the major special revenue funds in the governmental fund financial statements. The Budgetary Comparison has been provided for the Department's 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statements of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Department's financial health. The following tables, graphs and analyses discuss the financial position and changes in financial position for the Department as a whole as of and for the fiscal years ended June 30, 2008, 2007 and 2006.

The Department's combined net assets increased $202.0 million over the course of this fiscal year's operations, an increase of 0.8 percent. This compares to an increase of $62.0 million in 2007 from 2006.

The following table, with amounts reported in millions, reflects the condensed financial information derived from the Statements of Net Assets as of June 30, 2008, 2007, and 2006:

	2008	2007	2006	Percent Change 2008-2007
Assets				
Current and other assets	$ 1,413	$ 1,073	$ 703	31.7%
Capital assets, net	26,392	26,001	25,609	1.5
Total assets	27,805	27,074	26,312	2.7
Liabilities				
Current liabilities	342	326	342	4.9
Noncurrent liabilities	2,456	1,943	1,227	26.4
Total liabilities	2,798	2,269	1,569	23.3
Net Assets				
Investment in capital assets net of related debt	23,945	24,016	24,342	(0.3)
Restricted (internal service fund requirements, equipment purchase commitments, debt service)	60	60	60	---
Restricted (highways and transportation uses)	1,002	729	341	37.4
Total net assets	$25,007	$24,805	$24,743	0.8%

The total assets of the Department were $27.8 billion, while total liabilities were $2.8 billion, resulting in a net asset balance of $25.0 billion. By far, the largest portion of the Department's net assets, $23.9 billion, 95.6 percent, was invested in capital assets (i.e., land, buildings, equipment, infrastructure, and other), less any related debt outstanding that was needed to acquire or construct the assets. The Department uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Department's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the liabilities.

Total assets increased $731.0 million to $27.8 billion compared to a $762.0 million increase in 2007 from 2006. Total liabilities increased $529.0 million to $2.8 billion compared to a $700.0 million increase in 2007 from 2006.

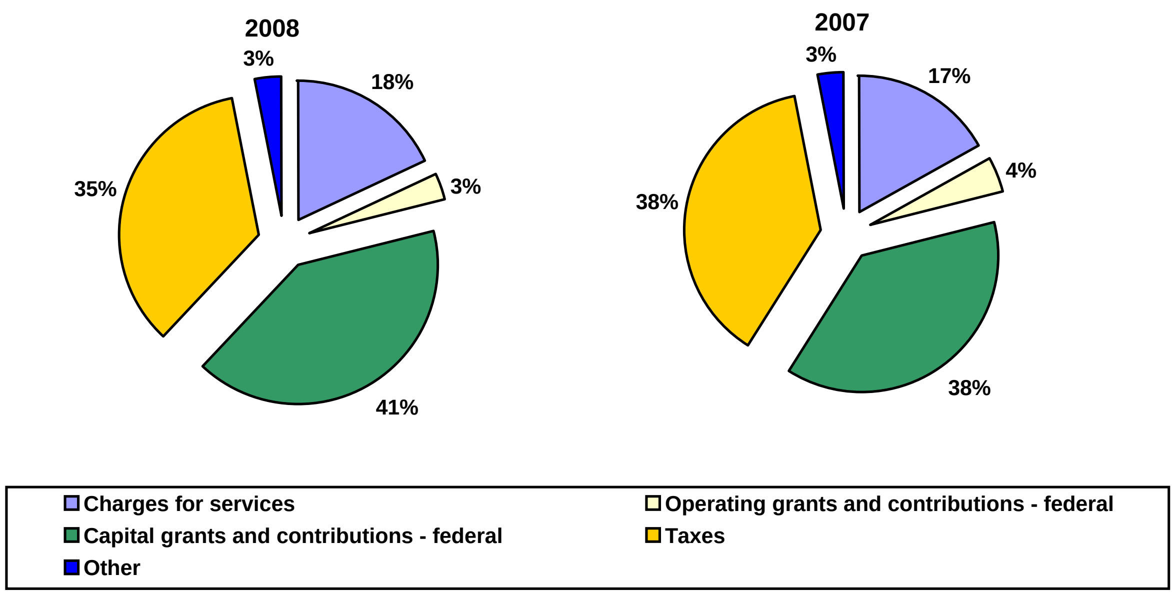
Statements of Activities

The following condensed financial information was derived from the government-wide Statements of Activities and reflects how the Department's net assets changed during the year, compared to the prior year. The information, for the fiscal years ended June 30, 2008, 2007 and 2006, is reported in millions.

	2008	2007	2006	Percent Change 2008-2007
Revenues				
Program revenues				
Charges for services	$ 405	$ 352	$ 372	15.1%
Operating grants and contributions – federal government	62	79	62	(21.5)
Capital grants and contributions – federal government	908	797	768	13.9
General revenues				
Taxes	787	793	705	(0.8)
Investment earnings	52	49	24	6.1
Miscellaneous	16	14	13	14.3
Total revenues	2,230	2,084	1,944	7.0
Expenses				
Program expenses				
Administration	34	39	31	(12.8)
Fleet, facilities and information systems	57	55	53	3.6
Maintenance	406	379	362	7.1
Construction	241	273	165	(11.7)
Multimodal operations	74	71	61	4.2
Interest on debt	102	75	53	36.0
Other state agencies	178	170	147	4.7
Self-insurance (workers' compensation and liability)	32	8	27	300.0
Medical and life insurance	88	102	93	(13.7)
Other post-employment benefits	70	---	---	100.0
Depreciation on assets	746	850	830	(12.2)
Total expenses	2,028	2,022	1,822	0.3
Changes in net assets	202	62	122	225.8
Net assets, beginning of year	24,805	24,743	24,621	0.3
Net assets, end of year	$25,007	$24,805	$24,743	0.8%

Governmental Activities

The following chart depicts revenues of the governmental activities, as a percent, for the fiscal years ended June 30, 2008 and 2007:

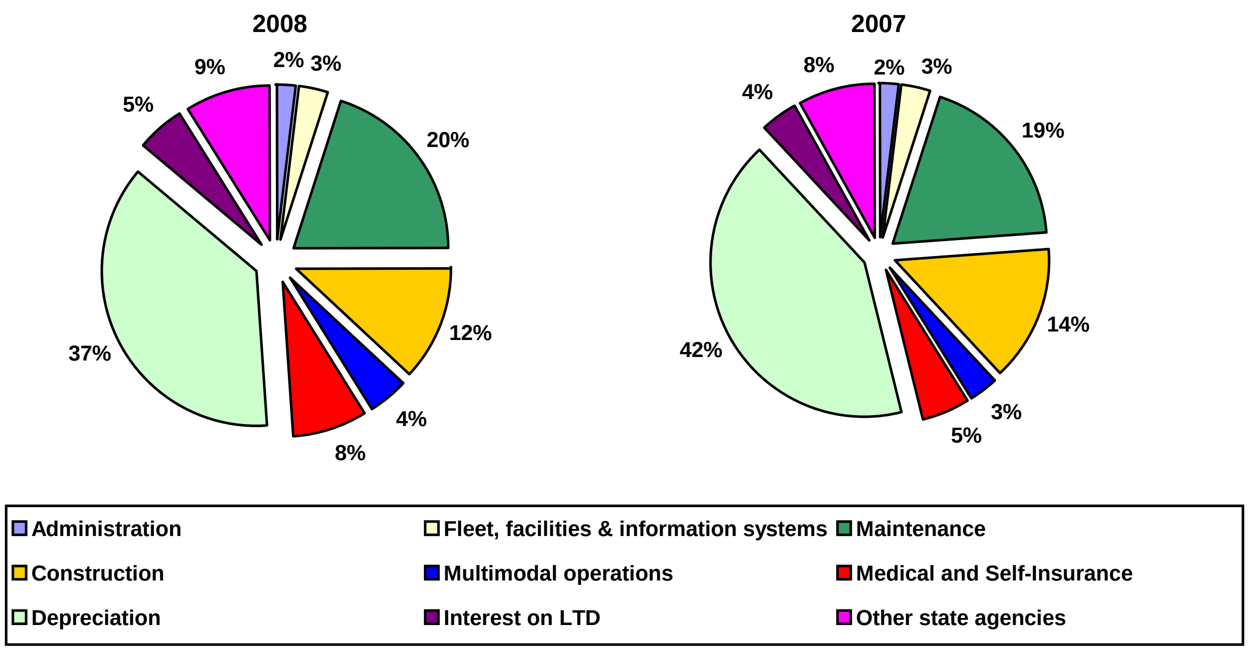


Revenues for the year increased $146.0 million as a result of increases in charges for services stemming from cost reimbursements as well as revenue from federal grants. This is consistent with the increase in revenues in 2007 from 2006, when revenues increased $140.0 million. The following three revenue sources provided $2.0 billion, 89.1 percent, of the Department's revenues:

- Vehicle licenses, fees, permits, and related taxes, $564.0 million
- Fuel taxes, $515.0 million
- Capital grants, $908.0 million

In 2007, these same revenue sources provided $1.8 billion, 85.7 percent, of the Department's revenues.

The following chart depicts expenses of the governmental activities for the fiscal years ended June 30, 2008 and 2007.



Expenses for the year increased less than one percent, 0.3 percent. The construction program experienced a decrease as reduced funds were available and emphasis shifted to maintenance of the system. These reductions were impacted by the increase in liability claims and the Department's implementation of GASB 45 to report other post-employment benefits liabilities. In 2007 expenses increased 11.0 percent, or $200.0 million. This increase reflected the Department's emphasis on improvements, including non-capital improvements, of the state's infrastructure. Other state agencies expenditures also increased in 2007 from 2006. Constitutional Amendment 3, approved by 79 percent of voters in November 2004, limits other state agencies' expenses to a 3 percent cost of collection by the Department of Revenue and enforcement of state motor vehicle laws or traffic regulations expended by the Missouri State Highway Patrol.

The Department's expenses of $647.0 million and $652.0 million in 2008 and 2007, respectively, were for construction and maintenance of the state's highway system. This represents 32.0 percent and 33.0 percent, respectively, of the total expenses for the 2008 and 2007 fiscal years.

FUND FINANCIAL ANALYSIS

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

Governmental Funds

As of the end of the fiscal year, the fund balances of the governmental funds totaled $1.1 billion, an increase of $325.7 million from the previous year. This compares to an increase of $375.8 million in 2007 from 2006. This resulted from increased revenues, including an increase of $92.3 million from the federal government, and reduced expenditures, including maintenance, construction and capital outlay expenditures of $143.8 million. The Department's spending in 2007 related to maintenance and construction, including capital outlay expenditures, was approximately $130.3 million more than fiscal year 2006. The Department received proceeds from long-term bonded debt of $526.8 million this year and $800.0 million in fiscal year 2007.

State Highways and Transportation Department Fund (Highway Fund): This fund is established by statute to receive revenues derived from the use of state highways. The fund pays the costs incurred to collect revenues received. As shown on the Balance Sheets, the fund ended the fiscal year with assets of $115.7 million, liabilities of $12.1 million, and an unreserved fund balance of $103.5 million. Amendment 3 included not only a change in revenue allocation, but also changed the Department's expenditure funding. As a result of Amendment 3, the Department's expenditures, with the exception of limited items, including Motor Carrier Services refunds, are paid from the Road Fund.

As shown on the Statements of Revenues, Expenditures, and Changes in Fund Balances of the governmental funds, the Highway Fund had $758.9 million in revenues, an increase of $40.4 million from 2007. In 2007, revenues were $8.5 million less than 2006. The 2008 increase is predominantly the result of increased licenses, fees and permit collections. In 2007 the Missouri State Highway Patrol sold their Troop C Headquarters building and deposited the proceeds in the Highway Fund, which was then used to purchase land to build a new facility. Patrol assets are not reported as Departmental assets, therefore, this is recognized as miscellaneous revenue and is not recognized as proceeds from the sale of capital assets.

State Road Fund (Road Fund): The Road Fund was constitutionally established to receive monies from the motor vehicle sales tax, the federal government, and other revenues. This is the primary operating fund of the Department and pays to construct, improve and maintain the state highway system and to administer the Commission and the Department. The fund ended the fiscal year with assets of $1.1 billion; an increase of $336.5 million from 2007. This compares to an increase in 2007 of $335.5 million from 2006. Liabilities totaled $149.8 million, an increase of $1.3 million from 2007; and fund balances totaled $969.4 million, an increase of $335.2 million from 2007 compared to an increase of $354.8 million in 2007 from 2006.

State Road Bond Fund: The State Road 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 $24.8 million, compared to $20.0 million in 2007. The increased assets are the result of increased revenues from the phase in of Amendment 3 sales tax distributions. Expenditures of the State Road Bond Fund were $83.0 million in 2008 compared to $59.3 million in 2007, as revenues were used to repay bonds.

Proprietary Funds

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

As shown on the Statements of Net Assets – Proprietary Funds, the total assets decreased $4.1 million, to a balance of $97.4 million at the end of the fiscal year. In 2007 the total assets were $101.5 million, an increase of $16.8 million from 2006. Total current liabilities of the proprietary funds at 2008 were $35.4 million, an increase of $2.3 million from 2007. In 2007, total current liabilities of the proprietary funds decreased $0.7 million from 2006. In 2008, both pending self-insurance claims and incurred but not reported claims increased a total of $15.3 million compared to a $3.1 million decrease in 2007 from 2006.

Total net assets of the internal service funds decreased $19.4 million at the end of the current fiscal year to $11.2 million compared to an increase of $19.1 million in 2007 from 2006. A $15.7 million planned reduction in self-insurance premiums contributed to this reduction in net assets.

The largest operating expenses of the proprietary funds, medical and prescription drug benefits, totaled $94.5 million compared to $91.5 million in 2007. This accounts for 68.0 percent of the total operating expenses. This $3.0 million increase compares to a $7.7 million increase in 2007 from 2006. In 2007, these benefits represented 82.8 percent of the total operating expenses. The largest fluctuations from fiscal year 2007 were in self-insurance fund expenditures. Although the Department's focus on the safety of workers, reflected in declines in both the number of lost workdays per year (504 in calendar year 2007 compared to 937 in 2006) and the rate of OSHA recordable accidents (4.42 in calendar year 2007 compared to 5.18 in 2006), workers' compensation expenses increased $12.5 million from 2007 as the cost associated with claims and injuries continues to increase. Workers' compensation expenses decreased in 2007 from 2006 by $6.9 million. The Department has also experienced sizable fleet vehicle and general liability claims. The cost increased to $16.7 million compared to $4.7 million and $17.4 million in 2007 and 2006, respectively.

Fiduciary Funds

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

SIGNIFICANT EVENTS FOR THE YEAR ENDED JUNE 30, 2008

On August 8, 2007, the Commission authorized the issuance of up to $550.0 million in second lien state road bonds. Proceeds from the issuance of the bonds were used to finance construction and reconstruction costs of the state highway system, pursuant to the Smoother, Safer, Sooner road and bridge program. In August 2007, the Department sold $526.8 million of the authorized bonds. The bonds bear interest payable semiannually, from 4.00 to 5.25 percent and are due in semiannual installments beginning May 1, 2009. The bonds are callable by the Department, subject to certain provisions. The bonds were issued with ratings of Aa2, AAA, and AA from Moody's Investors Services, Standard and Poor's Ratings Services and Fitch Ratings, respectively. In conjunction with the bond sale, the scheduled settlement of the interest rate swap entered into on August 2, 2006, resulted in a termination payment of $11.1 million.

The Department's Smoother, Safer, Sooner construction initiative encompasses three steps. The steps include bringing the State's 2,200 most heavily traveled highway miles up to good condition (called the Smooth Roads Initiative), accelerating existing projects in the five-year Statewide Transportation Improvement Program (STIP), and working with stakeholders to identify new high priority projects. After the Department's successful completion of the Smooth Roads Initiative, a new campaign, called Better Roads, Brighter Future, focuses on the rest of Missouri's 5,500 major highway miles.

In August 2005, the Federal Highway Act entitled Safe Accountable Flexible Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) was passed and signed into law by the President. This act provides federal funding through September 30, 2009.

The Department, like other entities, has been impacted by increased costs of petroleum products, cement and steel. The negative impact has affected daily operations, as well as costs of construction. In November 2004, the Department began utilizing practical design concepts as a tool to reduce construction project costs. Practical Design stresses designing projects to fit specific needs. This concept maximizes the value of a project through innovative design and right-sizing. The Department also utilizes Value Engineering, another innovative concept that encourages contractors to suggest solutions to the Department, with the contractor sharing in the cost savings. As a result of approaching projects using innovative concepts, a total of 543 projects were completed at a cost of $28.6 million less than the $1.3 billion project cost programmed in the STIP. Some other states experienced cost overruns of 20 percent or more.

In 2008, the Department implemented Governmental Accounting Standards Board, Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*. This statement requires systematic, accrual-basis measurement and recognition of the cost of other post-employment benefits over a period that approximates employees' years of service and the actuarially determined liabilities and status of funding these expenses. Additional information is presented in the Notes to the Financial Statements.

BUDGET HIGHLIGHTS

The Commission approves budget adjustments during the year. Cash receipts of the State Highways and Transportation Department and State Road Funds exceeded the final budget by approximately $251.2 million. The most significant increase was from bond proceeds. The principal amount of bonds sold this fiscal year was more than originally budgeted to take advantage of historically low, long-term interest rates. Total actual expenditures were $156.1 million less than the final budget. Contract expenditures account for $95.9 million of the variance. Bond principal and interest payments were less than budgeted as a result of reduced interest payments on senior lien bonds due to refunding as well as lower interest rates on variable rate bonds.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Department's investment in capital assets for its governmental activities as of June 30, 2008, totals $47.1 billion, with accumulated depreciation of $20.7 billion, and a net value of $26.4 billion. The net value represents an increase of $391.0 million from fiscal year 2007, compared to an increase of $392.0 million in 2007 from 2006. Depreciation charges totaled $746.0 million in fiscal year 2008. These assets, with amounts in millions, are summarized in the table below. Additional information about the Department's capital assets is presented in the Notes to the Financial Statements.

	2008	2007	2006	Percent Change 2008-2007
Land	$ 2,359	$ 2,238	$ 2,151	5.4%
Land improvements	7	7	8	---
Buildings	137	142	148	(3.5)
Equipment	123	121	114	1.7
Vehicles	65	72	78	(9.7)
Infrastructure	20,864	20,474	20,098	1.9
Construction in progress	165	213	214	(22.5)
Infrastructure in progress	2,672	2,734	2,798	(2.3)
Total	$26,392	$26,001	$25,609	1.5%

As provided by accounting principles generally accepted in the United States of America (GAAP), the Department records its infrastructure assets at actual or estimated historical cost. Included in infrastructure are approximately 72,000 lane miles and 76.9 million square feet of bridge deck area that the Department is responsible for maintaining.

The Statewide Transportation Improvement Program (STIP), updated annually, 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. Adjustments are made during the life of the STIP based on needs.

Debt Administration

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

	2008	2007	2006	Percent Change 2008-2007
State road bonds	$2,298	$1,834	$1,120	25.3%
Premium on bonds and deferred refunding	87	68	37	27.9
Advances from other entities and State of Missouri component units	33	47	68	(29.8)
Capital lease obligations	28	35	43	(20.0)
Compensated absences	37	35	32	5.7
Other noncurrent liabilities	2	7	12	(71.4)
Total long-term obligations	2,485	2,026	1,312	22.7
Current portion of long-term obligations	131	121	125	8.3
Total noncurrent liabilities	$2,354	$1,905	$1,187	23.6%

The Department's total long-term obligations, excluding pending self-insurance claims, incurred but unreported claims, and other post-employment benefit obligations, totaled $2.5 billion, an increase of $459.0 million from 2007, compared to an increase of $714.0 million in 2007 from 2006. At the end of the current fiscal year, state road bonds total $2.3 billion, or 92.5 percent, of the total long-term obligations. Revenues collected under Article IV, Section 30(a) & (b) of the Missouri Constitution secure the bonds. These revenues are state highway users fees, including fuel taxes, sales and use taxes, and licenses and fees.

The advances from other entities and State of Missouri component units are related to construction projects accelerated to meet the needs of the users. With the exception of an advance from the Missouri Transportation Finance Corporation, all advances are interest free. Principal payments are due on various dates through fiscal year 2021.

The Department has entered into various capital lease obligations. The lease-purchase agreements provide a means of financing office and heavy equipment. In addition to equipment lease-purchase agreements, the Department entered into an agreement for an office facility to accommodate the consolidation of motor carrier services in fiscal year 2005. Capital lease payments mature on various dates through fiscal year 2016.

RECENT EVENTS AND FUTURE BUDGETS

On July 1, 2008, Department employees received a 3 percent, across-the-board, cost of living adjustment (COLA) to wages. The cost of salary increases is $8.4 million.

The Department's fiscal year 2009 budget for all funds was approved by the Legislature in May 2008 and signed into law by the Governor in June 2008. 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 2008.

The total spending plan adopted for the Department was $2.4 billion. Budgets for fiscal year 2009 include $448.7 million maintenance and $1.7 billion construction expenditures, including expenditures of a capital outlay nature, compared to actual spending of $433.3 million and $1.4 billion, respectively, in fiscal year 2008, as reflected in the Budgetary Comparison of the Road Fund. Additionally, budgeted fiscal year 2009 debt service expenditures for bond indebtedness for the Road and Road Bond Funds total $216.0 million, an increase of $18.2 million from fiscal year 2008 total bond indebtedness expenditures of $197.8 million.

The Department proposed, and the Commission approved, two design-build projects. Design-build projects are another innovative concept utilizing contractors for the design and construction of a project. Both projects, the New I-64 and the kcICON, are in various stages of design and construction. The I-64 project, which will reconstruct a 10 mile section of I-64 and a portion of I-170, was awarded in November 2006 with a scheduled construction completion of July 2010. The kcICON project was awarded in November 2007 and will improve four miles of interstate highway north of downtown Kansas City, including a landmark Christopher S. Bond Bridge, with a scheduled construction completion of October 2011.

The Commission also approved the Safe and Sound Bridge Improvement Program, using a design-build-finance-maintain approach. A contractor was selected in December 2007 subject to final negotiations. Due to volatile credit markets, this avenue proved to be too expensive. The Commission announced at a special September 18, 2008 meeting the Department will move ahead with the program, however will not use the design-build-finance-maintain approach previously approved. The program will improve 554 bridges using a design-build approach and 248 bridges with a modified design-bid-build approach.

In September 2007, the United States Department of Transportation (USDOT) announced the "Corridors of the Future" project. The Interstate 70 corridor through Missouri, Illinois, Indiana, and Ohio has been included among six interstates nationwide. The State will look for innovative ways, such as dedicated truck lanes, to reduce congestion, improve freight delivery, and improve traveler safety.

While SAFETEA-LU provides federal funding through September 30, 2009, the availability of funds from the Federal Highway Trust Fund for future projects concerns Missouri and other states. In July 2008, the Commission approved a new five-year transportation construction program that shows spending for Missouri's roads and bridges will plummet in fiscal year 2010. The Statewide Transportation Improvement Program (STIP) identifies transportation projects planned for fiscal years 2009 through 2013. Approximately $1.2 billion of highway construction is planned for 2009, largely due to additional funding from Amendment 3 bonds, however, the program decreases to basically a maintenance program totaling $569.0 million beginning in 2010. The legislative Joint Committee on Transportation Oversight and Missouri Transportation Development Council have had recent discussions regarding the future of transportation funding. Legislation proposing new sources for transportation funding was presented in the 2008 legislative session, without action by the Legislature. The Department, recognizing the impact of transportation on the quality of life of citizens of the State, has developed a plan of action – *A Conversation for Moving Missouri Forward*. At a minimum the Department has determined the need to address the top five priorities: take care of our roads and bridges; provide other ways to get around; rebuild Interstates 70 and 44; tackle needed major projects identified by our planning partners; and meet regional needs.

CONTACTING THE DEPARTMENT'S FINANCIAL MANAGEMENT

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

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Government-wide Financial Statements

Statements of Net Assets

June 30, 2008 and 2007

	Governmental Activities	
	2008	**2007**
Assets		
Current assets		
Cash and cash equivalents	$ 963,048,511	$ 659,932,383
Investments	73,785,655	72,031,691
State taxes and fees receivable	131,495,813	131,406,033
Contractual agreement	4,003,916	---
Loans receivable	460,744	444,777
Miscellaneous receivables, net	32,484,425	22,503,637
Federal government receivable	43,796,302	33,765,983
Prepaid expenses	---	116,999
Inventories	42,442,965	40,365,535
Total current assets	1,291,518,331	960,567,038
Noncurrent assets		
Investments	19,273,884	22,545,709
Restricted cash and investments	74,179,226	74,423,001
State taxes and fees receivable	1,823,529	---
Loans receivable	1,857,493	1,423,137
Miscellaneous receivables, net	4,371,316	6,838,879
Bond issue costs, net	9,351,864	8,038,282
Bond issue costs, swap termination payment	10,510,614	---
Capital assets		
Assets not being depreciated	5,196,460,656	5,184,794,360
Assets being depreciated, net	21,195,548,214	20,815,763,945
Total noncurrent assets	26,513,376,796	26,113,827,313
Total assets	27,804,895,127	27,074,394,351
Liabilities		
Current liabilities		
Accounts payable	116,547,837	115,000,259
Accrued payroll	23,883,897	23,067,587
Accrued interest payable	26,939,816	24,380,651
Unearned revenue	16,812,920	18,093,114
Pending self-insurance claims	10,766,244	10,138,000
Incurred but not reported claims	16,040,665	14,435,000
Financing and other obligations	131,242,256	121,346,461
Total current liabilities	342,233,635	326,461,072
Noncurrent liabilities		
Pending self-insurance claims	37,936,196	28,191,552
Incurred but not reported claims	12,828,335	9,550,000
Other post-employment benefit obligations	50,691,490	---
Financing and other obligations	2,354,344,207	1,905,110,210
Total noncurrent liabilities	2,455,800,228	1,942,851,762
Total liabilities	2,798,033,863	2,269,312,834
Net Assets		
Invested in capital assets, net of related debt	23,945,039,924	24,016,416,907
Restricted for:		
Internal service fund requirements	300,000	300,000
Debt service	59,634,107	59,156,978
Highways and transportation	1,001,887,233	729,207,632
Total net assets	$ 25,006,861,264	$ 24,805,081,517

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

Statements of Activities

Years Ended June 30, 2008 and 2007

	Governmental Activities	
	2008	**2007**
Transportation Program Expenses		
Administration	$ 33,644,727	$ 38,886,575
Fleet, facilities, and information systems	56,720,928	54,400,148
Maintenance	406,373,925	378,902,076
Construction	240,821,393	273,085,673
Multimodal operations	74,128,293	71,267,644
Interest	102,343,625	75,227,992
Other state agencies	178,318,625	169,905,570
Self-insurance	32,103,153	7,853,573
Medical and life insurance	87,709,554	102,641,800
Other post-employment benefits	69,730,981	---
Depreciation	746,456,470	849,956,691
Total transportation program expenses	2,028,351,674	2,022,127,742
Transportation Program Revenues		
Charges for services		
Licenses, fees, and permits	291,842,826	259,085,967
Intergovernmental/cost reimbursements/miscellaneous	86,663,652	67,758,770
Interest	55,170	56,806
Employee insurance premiums	26,534,016	25,368,868
Total charges for services	405,095,664	352,270,411
Federal government – operating	62,179,640	78,587,800
Federal government – capital	907,955,801	797,195,794
Total transportation program revenues	1,375,231,105	1,228,054,005
Net expense of transportation program	(653,120,569)	(794,073,737)
General Revenues		
Fuel taxes	514,907,684	517,647,640
Sales and use taxes and fees	272,039,067	275,259,312
Unrestricted investment earnings	51,580,915	49,299,540
State appropriations	13,257,327	12,282,754
Donated assets	---	441,168
Gain on sale of capital assets	3,115,323	1,033,564
Total general revenues	854,900,316	855,963,978
Changes in Net Assets	201,779,747	61,890,241
Net Assets, beginning of year	24,805,081,517	24,743,191,276
Net Assets, end of year	$25,006,861,264	$24,805,081,517

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

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Fund Financial Statements

Balance Sheets

Governmental Funds

June 30, 2008 and 2007

	2008				
	State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 6,645,976	$ 912,894,240	$14,409,344	$27,002,267	$ 960,951,827
State taxes and fees receivable	107,660,143	14,368,511	10,293,434	997,254	133,319,342
Miscellaneous receivables, net	1,385,781	33,219,119	120,222	147,022	34,872,144
Federal government receivable	---	37,631,133	---	6,165,169	43,796,302
Due from other funds	---	833,068	---	---	833,068
Contractual agreements	---	4,003,916	---	---	4,003,916
Loans receivable	---	---	---	2,318,237	2,318,237
Inventories	---	42,442,965	---	---	42,442,965
Restricted cash and investments	---	73,879,226	---	---	73,879,226
Total assets	$115,691,900	$1,119,272,178	$24,823,000	$36,629,949	$1,296,417,027
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ 2,259,366	$ 106,856,798	$ 17,829	$ 5,992,630	$ 115,126,623
Accrued payroll	5,995,707	17,786,808	---	101,382	23,883,897
Deferred revenue	3,889,907	25,202,468	---	1,080,439	30,172,814
Due to other funds	---	---	---	833,068	833,068
Total liabilities	12,144,980	149,846,074	17,829	8,007,519	170,016,402
Fund balances					
Reserved for:					
Debt service	---	73,879,226	---	---	73,879,226
Loans receivable and contractual agreements	---	4,003,916	---	2,318,237	6,322,153
Inventories	---	42,442,965	---	---	42,442,965
Unreserved, debt service fund	---	---	24,805,171	---	24,805,171
Unreserved, special revenue funds	103,546,920	849,099,997	---	26,304,193	978,951,110
Total fund balances	103,546,920	969,426,104	24,805,171	28,622,430	1,126,400,625
Total liabilities and fund balances	$115,691,900	$1,119,272,178	$24,823,000	$36,629,949	$1,296,417,027

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

2007				
State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
$ 18,109,965	$600,245,874	$11,651,988	$26,018,306	$ 656,026,133
106,239,419	15,818,148	8,309,083	1,039,383	131,406,033
935,383	25,288,346	88,576	413,638	26,725,943
---	26,872,221	---	6,893,762	33,765,983
---	49,568	---	---	49,568
---	---	---	---	---
---	---	---	1,867,914	1,867,914
---	40,365,535	---	---	40,365,535
---	74,123,001	---	---	74,123,001
$125,284,767	$782,762,693	$20,049,647	$36,233,003	$ 964,330,110
$ 836,892	$103,971,218	$ 5,800	$ 8,120,810	$ 112,934,720
5,767,524	17,200,425	---	99,638	23,067,587
---	27,376,622	---	196,494	27,573,116
---	---	---	49,568	49,568
6,604,416	148,548,265	5,800	8,466,510	163,624,991
---	74,123,001	---	---	74,123,001
---	---	---	1,867,914	1,867,914
---	40,365,535	---	---	40,365,535
---	---	20,043,847	---	20,043,847
118,680,351	519,725,892	---	25,898,579	664,304,822
118,680,351	634,214,428	20,043,847	27,766,493	800,705,119
$125,284,767	$782,762,693	$20,049,647	$36,233,003	$ 964,330,110

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

Governmental Funds

June 30, 2008 and 2007

	Total	
	2008	**2007**
Fund balances – total governmental funds	$ 1,126,400,625	$ 800,705,119
Amounts reported for governmental activities in the statements of net assets are different because:		
Capital assets, net of accumulated depreciation of $746,456,470 and $849,956,692 in 2008 and 2007, respectively, used in governmental activities are not financial resources and therefore are not reported in the funds.	26,392,008,870	26,000,558,305
Deferred assets are not available to pay for current period expenditures and therefore are not reported in the funds.	20,567,204	15,963,133
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included only in the statements of net assets.		
Medical and life insurance plan	10,727,438	13,634,699
Self-insurance plan	512,418	17,019,298
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	(2,485,586,463)	(2,026,456,668)
Other post-employment benefits obligation	(50,691,490)	---
Accrued interest payable	(26,939,816)	(24,380,651)
Bond issue costs	19,862,478	8,038,282
Total net assets – governmental activities	$25,006,861,264	$24,805,081,517

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

Statements of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Years Ended June 30, 2008 and 2007

	2008				
	State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Fuel taxes	$ 514,476,995	$ 115,290	$ ---	$ 315,399	$ 514,907,684
Sales and use taxes	51,739,035	121,086,751	86,460,258	11,052,984	270,339,028
Licenses, fees and permits	188,241,382	100,090,378	---	2,377,706	290,709,466
Intergovernmental/cost reimbursements/miscellaneous	1,169,913	78,700,549	---	797,652	80,668,114
Investment earnings	3,248,310	41,571,208	1,275,813	794,307	46,889,638
Federal government	---	907,955,801	---	62,179,640	970,135,441
Total revenues	758,875,635	1,249,519,977	87,736,071	77,517,688	2,173,649,371
Expenditures					
Current					
Administration	---	46,822,090	---	---	46,822,090
Fleet, facilities, and information systems	---	58,933,437	---	---	58,933,437
Maintenance	---	417,438,206	---	16,214,286	433,652,492
Construction	---	264,693,165	---	---	264,693,165
Multimodal operations	---	668,518	---	73,634,440	74,302,958
Capital outlay	---	1,143,493,776	---	2,609	1,143,496,385
Debt service	---	114,852,016	82,974,747	---	197,826,763
Other state agencies	199,145,107	---	---	91,426	199,236,533
Total expenditures	199,145,107	2,046,901,208	82,974,747	89,942,761	2,418,963,823
Excess of revenues over (under) expenditures	559,730,528	(797,381,231)	4,761,324	(12,425,073)	(245,314,452)
Other Financing Sources (Uses)					
Notes issued	---	4,538,796	---	---	4,538,796
Bonds issued	---	526,800,000	---	---	526,800,000
Refunding bonds issued	---	---	---	---	---
Refunding bonds escrow payment	---	---	---	---	---
Swap termination payment	---	(11,118,000)	---	---	(11,118,000)
Premium on bonds	---	27,808,178	---	---	27,808,178
Discount on bonds	---	(169,538)	---	---	(169,538)
Capital leases issued	---	762,775	---	---	762,775
Refinancing capital leases issued	---	22,984,806	---	---	22,984,806
Capital lease termination payment	---	(22,559,059)	---	---	(22,559,059)
Capital asset sales	---	8,680,990	---	23,683	8,704,673
Transfers in	---	574,863,959	---	---	574,863,959
Transfers out	(574,863,959)	---	---	---	(574,863,959)
Transfers related to state appropriations	---	---	---	13,257,327	13,257,327
Total other financing sources (uses)	(574,863,959)	1,132,592,907	---	13,281,010	571,009,958
Net Changes in Fund Balances	(15,133,431)	335,211,676	4,761,324	855,937	325,695,506
Fund Balances, beginning of year	118,680,351	634,214,428	20,043,847	27,766,493	800,705,119
Fund Balances, end of year	$ 103,546,920	$ 969,426,104	$ 24,805,171	$ 28,622,430	$ 1,126,400,625

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

2007				
State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
$ 517,241,382	$ 92,862	$ ---	$ 313,396	$ 517,647,640
53,032,529	143,699,144	69,905,113	8,622,526	275,259,312
134,373,207	122,069,683	---	2,643,077	259,085,967
9,706,480	78,037,073	---	2,253,235	89,996,788
4,191,004	38,404,467	863,179	929,149	44,387,799
---	797,195,794	---	80,598,970	877,794,764
718,544,602	1,179,499,023	70,768,292	95,360,353	2,064,172,270
---	45,796,886	---	---	45,796,886
---	58,758,803	---	---	58,758,803
---	405,056,993	---	31,739,340	436,796,333
---	300,578,874	---	---	300,578,874
---	610,899	---	70,873,644	71,484,543
---	1,247,361,664	---	941,995	1,248,303,659
---	136,325,877	59,301,413	---	195,627,290
189,323,736	---	---	85,402	189,409,138
189,323,736	2,194,489,996	59,301,413	103,640,381	2,546,755,526
529,220,866	(1,014,990,973)	11,466,879	(8,280,028)	(482,583,256)
---	406,316	---	---	406,316
---	800,000,000	---	---	800,000,000
---	394,870,000	---	---	394,870,000
---	(432,407,879)	---	---	(432,407,879)
---	---	---	---	---
---	73,179,794	---	---	73,179,794
---	---	---	---	---
---	1,355,885	---	---	1,355,885
---	---	---	---	---
---	---	---	---	---
---	8,675,118	---	3,968	8,679,086
---	523,744,434	---	---	523,744,434
(523,679,434)	---	---	(65,000)	(523,744,434)
---	---	---	12,282,754	12,282,754
(523,679,434)	1,369,823,668	---	12,221,722	858,365,956
5,541,432	354,832,695	11,466,879	3,941,694	375,782,700
113,138,919	279,381,733	8,576,968	23,824,799	424,922,419
$ 118,680,351	$ 634,214,428	$ 20,043,847	$ 27,766,493	$ 800,705,119

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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, 2008 and 2007

	2008	2007
Net changes in fund balances – total governmental funds	$ 325,695,506	$ 375,782,700
Amounts reported for governmental activities in the statements of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statements of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. These are the amounts by which capital outlays and donated assets ($1,143,496,385 and $1,248,744,826 for 2008 and 2007, respectively) exceeded depreciation ($746,456,470 and $849,956,691 for 2008 and 2007, respectively).	397,039,915	398,788,135
In the statements of activities, only the gains on the sale of the capital assets are reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the changes in net assets differ from the changes in fund balances by the book value of the assets sold.	(5,589,350)	(7,645,522)
Deferred revenues in the statements of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	4,604,071	(8,196,751)
Proceeds from the issuance of long-term debt provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statements of net assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statements of net assets. These are the net effects of the differences in the treatment of long-term debt obligations and related items.	(460,951,496)	(731,774,266)
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	(1,998,649)	(3,004,208)
Interest expense recognition	7,388,977	14,770,081
Claims and judgments	5,696,404	4,066,321
Other post-employment benefits	(50,691,490)	---
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	(2,907,261)	(3,900,242)
Self-insurance plan	(16,506,880)	23,003,993
Changes in net assets – governmental activities	$ 201,779,747	$ 61,890,241

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

Statements of Net Assets

Proprietary Funds

June 30, 2008 and 2007

	Internal Service Funds	
	2008	**2007**
Assets		
Current assets		
Cash and cash equivalents	$ 2,096,684	$ 3,906,250
Investments	73,785,655	72,031,691
Prepaid expenses	---	116,999
Miscellaneous receivables	1,983,597	2,616,571
Total current assets	77,865,936	78,671,511
Noncurrent assets		
Investments	19,273,884	22,545,709
Restricted investments	300,000	300,000
Total noncurrent assets	19,573,884	22,845,709
Total assets	97,439,820	101,517,220
Liabilities		
Current liabilities		
Accounts payable	1,421,214	2,065,539
Deferred revenue	7,207,310	6,483,132
Pending self-insurance claims	10,766,244	10,138,000
Incurred but not reported claims	16,040,665	14,435,000
Total current liabilities	35,435,433	33,121,671
Noncurrent liabilities		
Pending self-insurance claims	37,936,196	28,191,552
Incurred but not reported claims	12,828,335	9,550,000
Total noncurrent liabilities	50,764,531	37,741,552
Total liabilities	86,199,964	70,863,223
Net Assets		
Restricted net assets	300,000	300,000
Unrestricted net assets	10,939,856	30,353,997
Total net assets	$ 11,239,856	$ 30,653,997

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

Statements of Revenues, Expenses and Changes in Net Assets

Proprietary Funds

Years Ended June 30, 2008 and 2007

	Internal Service Funds	
	2008	2007
Operating Revenues		
Self-insurance premiums		
Highway workers' compensation	$ 1,742,267	$ 11,959,200
Highway patrol workers' compensation	3,000,000	3,000,000
Highway fleet vehicle liability	---	1,702,812
Highway general liability	6,699,996	10,444,800
Medical insurance premiums		
State	71,095,933	66,774,196
Member	26,534,016	25,368,868
Other	5,619,398	5,380,702
Total operating revenues	114,691,610	124,630,578
Operating Expenses		
Self-insurance programs		
Highway workers' compensation	9,298,019	2,639,125
Highway patrol workers' compensation	5,385,067	(355,629)
Highway fleet vehicle liability	2,023,887	1,376,962
Highway general liability	14,741,382	3,341,786
Other	654,798	851,329
Medical and life insurance program		
Insurance premiums	6,672,934	6,836,963
Medical benefits	76,571,749	73,361,977
Prescription drug benefits	17,873,541	18,125,171
Professional fees	1,505,035	1,424,310
Administrative services	4,079,004	2,874,356
Other	46,782	19,023
Total operating expenses	138,852,198	110,495,373
Operating income (loss)	(24,160,588)	14,135,205
Nonoperating Revenues		
Net appreciation and investment income	4,746,447	4,968,546
Total nonoperating revenues	4,746,447	4,968,546
Changes in Net Assets	(19,414,141)	19,103,751
Net Assets, beginning of year	30,653,997	11,550,246
Net Assets, end of year	$ 11,239,856	$ 30,653,997

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

Statements of Cash Flows

Proprietary Funds

Years Ended June 30, 2008 and 2007

	Internal Service Funds	
	2008	**2007**
Cash Flows From Operating Activities		
Receipts from interfund services provided	$ 115,034,686	$ 123,054,610
Payments for interfund services used	(116,585,513)	(108,612,304)
Payments to suppliers	(6,812,945)	(4,240,552)
Net cash provided by (used in) operating activities	(8,363,772)	10,201,754
Cash Flows From Investing Activities		
Proceeds from sale and maturities of investments	291,084,764	286,388,634
Purchase of investments	(288,656,100)	(299,629,609)
Interest received	4,224,437	3,058,057
Investment fees	(98,895)	(93,673)
Net cash provided by (used in) investing activities	6,554,206	(10,276,591)
Net decrease in cash and cash equivalents	(1,809,566)	(74,837)
Cash and Cash Equivalents, beginning of year	3,906,250	3,981,087
Cash and Cash Equivalents, end of year	$ 2,096,684	$ 3,906,250
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	$ (24,160,588)	$ 14,135,205
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Receivables	343,076	(1,575,968)
Prepaid expenses	116,999	(116,999)
Accounts payable	14,612,563	(2,057,529)
Deferred revenue	724,178	(182,955)
Net cash provided by (used in) operating activities	$ (8,363,772)	$ 10,201,754
Noncash Items Impacting Recorded Assets		
Increase in fair value of investments	$ 906,376	$ 1,599,059

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

Statements of Assets and Liabilities

Fiduciary Funds

June 30, 2008 and 2007

	Agency Funds	
	2008	**2007**
Assets		
Cash and cash equivalents	$ 9,163,883	$13,226,821
Restricted investments	42,313,215	19,675,200
Other	438,348	211,936
Total assets	$51,915,446	$33,113,957
Liabilities		
Due to other governments	$ 7,232,688	$11,831,826
Advances from other governments	44,682,758	21,282,131
Total liabilities	$51,915,446	$33,113,957

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

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Notes to the Financial Statements

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INDEX FOR THE NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2008 and 2007

Note 1: Summary of Significant Accounting Policies

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

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

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

(A) Financial Reporting Entity

Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*, establishes the criteria to be used for defining primary governments, component units, and related organizations. The Department does not meet the GASB's criteria to be reported as its own primary government or other stand-alone government. It is part of the primary government of the State and, like other state agencies, is included in the financial statements of the State.

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, they are not part of the Department's reporting entity, but are included in the financial statements of the State as blended or discretely presented component units.

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

(B) Government-wide and Fund Financial Statements

1. Government-wide Statements

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

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

2. Fund Financial Statements

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

The Department reports the following major governmental funds:

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

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

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

The Department reports the following additional fund types:

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

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

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

1. Government-wide Financial Statements

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

2. Fund Financial Statements

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

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

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

(D) Assets, Liabilities and Net Assets

1. Cash and Cash Equivalents and Investments

Cash and cash equivalents include cash and repurchase agreements, which are investments with original maturities of three months or less. Investments are valued at fair value.

2. Inventories

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

3. Interfund Transactions

The Department has the following types of interfund transactions between Department funds and funds of other State agencies:

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. 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 of greater than $1,000 for equipment and $15,000 for buildings and land improvements. No dollar threshold is set for land and infrastructure. Donated capital assets are recorded at their fair market value at the date of the donation.

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

Capital assets, including infrastructure, are depreciated on the straight-line method over the asset's estimated useful life. There is no depreciation recorded for land, 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

5. Deferred Revenue

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

6. Compensated Absences

Under the terms of the Department's personnel policy, Department employees are granted 10 to 14 hours of annual leave per month. Additionally, certain employees can accrue a maximum of 240 hours of compensatory time for unpaid overtime. Employees have accrued annual leave and compensatory time available amounting to $36,841,734 and $34,843,085 as of June 30, 2008 and 2007, respectively, that is recorded in the government-wide financial statements. Because employees are not paid for accumulated sick leave upon retirement or termination, no liability has been recorded for accumulated sick leave.

7. Bond Premiums, Discounts, and Issuance Costs

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources and discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Reservations of Fund Balances

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

9. Net Assets

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

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

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. This also includes unexpended bond or lease proceeds less the related outstanding liability. The entire amount of restricted net assets at June 30, 2008 and June 30, 2007, $1,061,821,340 and $788,664,610, respectively, is restricted by enabling legislation.

10. 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 and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses or expenditures and other changes in net assets or fund balances during the reporting period. Actual results could differ from those estimates.

11. Reclassifications

Certain reclassifications have been made to the 2007 financial statements to conform to the 2008 financial statement presentation. These reclassifications had no effect on net assets.

Note 2: Deposits and Investments

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

By policy, investments may include time deposits, linked deposits, certificates of deposit, commercial paper, bankers' acceptances, repurchase agreements and reverse repurchase agreements, and U.S. Treasury 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, 2008 and 2007, the Department's portfolio of non-pooled funds had $135,563,507 and $114,447,780, respectively, of uninsured, unregistered investments. Also at June 30, 2008 and 2007, the Department had book balances of $2,876,789 and $5,380,592, respectively, of repurchase agreements. Of the total repurchase agreements' bank balances of $5,389,002 and $8,395,896 at June 30, 2008 and 2007, respectively, securities were held by a financial institution's trust department in the Commission's or State's name, except that at June 30, 2008, $2,631,987 was not collateralized.

Interest Rate Risk – The State Treasurer's Office minimizes 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 1.5 years and holding at least 40 percent of the portfolio's total market value in securities with a maturity of 12 months or less. The investment portfolios of non-pooled funds are structured so that 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, $135,350,142 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 minimizes 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. The investment portfolios of non-pooled funds are limited to the safest types of securities, as described above. Both portfolios are diversified so potential losses on individual securities will be minimized.

Concentration of Credit Risk – Investments are 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, 2008 and 2007, no investments in any one organization (other than those issued or sponsored by the U.S. Government and those in pooled investments) represented five percent of total investments.

At June 30, 2008, 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	$ 6,645,976	$ 912,894,240	$ 14,409,344	$ 27,002,267	$ ---	$ ---
Cash deposited with banks	---	---	---	---	5,048	---
U.S. agency obligations	---	---	---	---	93,036,928	---
Commercial paper	---	---	---	---	---	---
U.S. Treasury obligations	---	---	---	---	13,364	---
Certificate of deposit	---	---	---	---	9,247	---
Repurchase agreements	---	---	---	---	2,091,636	---
	$ 6,645,976	$ 912,894,240	$ 14,409,344	$ 27,002,267	$ 95,156,223	$ ---
Restricted assets:						
Cash and investments pooled in the State Treasury	$ ---	$ 73,879,226	$ ---	$ ---	$ ---	$ ---
Cash and investments pooled with the Mo. Dept. of Revenue	---	---	---	---	---	7,199,488
Cash deposited with banks	---	---	---	---	---	1,179,242
U.S. agency obligations	---	---	---	---	---	42,313,215
Commercial paper	---	---	---	---	---	---
U.S. Treasury obligations	---	---	---	---	200,000	---
Certificate of deposit	---	---	---	---	100,000	---
Repurchase agreements	---	---	---	---	---	785,153
	$ ---	$ 73,879,226	$ ---	$ ---	$ 300,000	$ 51,477,098

At June 30, 2007, 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	$ 18,109,965	$ 600,245,874	$ 11,651,988	$ 26,018,306	$ ---	$ ---
Cash deposited with banks	---	---	---	---	2,118	---
U.S. agency obligations	---	---	---	---	92,582,572	---
Commercial paper	---	---	---	---	1,980,470	---
U.S. Treasury obligations	---	---	---	---	9,538	---
Certificate of deposit	---	---	---	---	4,820	---
Repurchase agreements	---	---	---	---	3,904,132	---
	$ 18,109,965	$ 600,245,874	$ 11,651,988	$ 26,018,306	$ 98,483,650	$ ---
Restricted assets:						
Cash and investments pooled in the State Treasury	$ ---	$ 74,123,001	$ ---	$ ---	$ ---	$ ---
Cash and investments pooled with the Mo. Dept. of Revenue	---	---	---	---	---	11,749,973
Cash deposited with banks	---	---	---	---	---	388
U.S. agency obligations	---	---	---	---	---	16,755,600
Commercial paper	---	---	---	---	---	2,919,600
U.S. Treasury obligations	---	---	---	---	200,000	---
Certificate of deposit	---	---	---	---	100,000	---
Repurchase agreements	---	---	---	---	---	1,476,460
	$ ---	$ 74,123,001	$ ---	$ ---	$ 300,000	$ 32,902,021

At June 30, 2008, the Department's investments had the following maturities:

		Investment maturities (in years)		
Investment type	**Fair Value**	**Less than 1**	**1 to 3**	**3 to 5**
Repurchase agreements	$ 2,876,789	$ 2,876,789	$ ---	$ ---
Certificate of deposit	109,247	109,247	---	---
U.S. Treasury securities	213,364	213,364	---	---
U.S. agency obligations	135,350,142	110,637,094	24,128,985	584,063
	$138,549,542	$113,836,494	$24,128,985	$584,063

At June 30, 2007, the Department's investments had the following maturities:

		Investment maturities (in years)		
Investment type	**Fair Value**	**Less than 1**	**1 to 3**	**3 to 5**
Repurchase agreements	$ 5,380,592	$ 5,380,592	$ ---	$ ---
Certificate of deposit	104,820	104,820	---	---
Commercial paper	4,900,070	4,900,070	---	---
U.S. Treasury securities	209,538	---	209,538	---
U.S. agency obligations	109,338,172	86,165,715	19,193,657	3,978,800
	$119,933,192	$ 96,551,197	$19,403,195	$3,978,800

At June 30, 2008 and 2007, the Department's investments were rated as shown below. This disclosure does not include repurchase agreements, pooled investments, or the certificate of deposit.

		Fair Value	
Investment Type	**Moody's**	**2008**	**2007**
U.S. agency obligations	Aaa	$133,146,011	$106,684,962
U.S. agency obligations	not rated	2,204,131	2,653,210
U.S. Treasury obligations	Aaa	213,364	209,538
Commercial paper	Aa1	---	990,370
Commercial paper	Aa3	---	1,462,890
Commercial paper	Aaa	---	2,446,810
		$135,563,506	$114,447,780

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 $1,395,296 and $1,193,920 at June 30, 2008 and 2007, respectively. The Department provides an allowance based upon a review of the outstanding receivables, historical collection information and existing economic conditions.

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

Receivables at June 30, 2008 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	Internal Service Funds	Total	Due Within One Year
State taxes, licenses and fees	$ 107,660,143	$ 14,368,511	$10,293,434	$ 997,254	$ ---	$133,319,342	$131,495,813
Contractual agreement	---	4,003,916	---	---	---	4,003,916	4,003,916
Loans	---	---	---	2,318,237	---	2,318,237	460,744
Miscellaneous:							
Reimbursements	1,056,508	27,508,027	---	30,089	72,200	28,666,824	24,295,508
Interest	329,273	5,711,092	120,222	116,933	666,997	6,944,517	6,944,517
Contributions	---	---	---	---	1,244,400	1,244,400	1,244,400
Total miscellaneous	1,385,781	33,219,119	120,222	147,022	1,983,597	36,855,741	32,484,425
Federal government	---	37,631,133	---	6,165,169	---	43,796,302	43,796,302
	$ 109,045,924	$ 89,222,679	$10,413,656	$ 9,627,682	$ 1,983,597	$220,293,538	$212,241,200

Receivables at June 30, 2007 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	Internal Service Funds	Total	Due Within One Year
State taxes, licenses and fees	$ 106,239,419	$ 15,818,148	$ 8,309,083	$ 1,039,383	$ ---	$131,406,033	$131,406,033
Loans	---	---	---	1,867,914	---	1,867,914	444,777
Miscellaneous:							
Reimbursements	561,399	20,503,651	---	223,571	318,323	21,606,944	14,768,067
Interest	373,984	4,784,695	88,576	190,067	956,895	6,394,217	6,394,217
Contributions	---	---	---	---	1,341,353	1,341,353	1,341,353
Total miscellaneous	935,383	25,288,346	88,576	413,638	2,616,571	29,342,514	22,503,637
Federal government	---	26,872,221	---	6,893,762	---	33,765,983	33,765,983
	$ 107,174,802	$ 67,978,715	$ 8,397,659	$10,214,697	$ 2,616,571	$196,382,444	$188,120,430

Note 4: Capital Assets

Changes in capital assets for the year ended June 30, 2008 are summarized below:

	Beginning Balance	Additions	Deletions/ Retirements	Transfers	Ending Balance
Nondepreciable capital assets					
Land	$ 2,238,235,277	$ 96,566	$ 2,929,052	$ 123,636,951	$ 2,359,039,742
Construction in progress	212,571,687	78,201,436	---	(125,403,860)	165,369,263
Infrastructure in progress	2,733,987,396	1,028,231,625	---	(1,090,167,370)	2,672,051,651
Total nondepreciable capital assets	5,184,794,360	1,106,529,627	2,929,052	(1,091,934,279)	5,196,460,656
Depreciable capital assets					
Land improvements	13,946,880	21,131	---	444,372	14,412,383
Buildings	211,685,130	622,846	1,374,159	1,322,537	212,256,354
Equipment	275,888,304	26,504,574	24,211,245	---	278,181,633
Vehicles	179,636,263	9,818,207	9,800,502	---	179,653,968
Infrastructure	40,251,481,313	---	83,925,370	1,090,167,370	41,257,723,313
Total depreciable capital assets	40,932,637,890	36,966,758	119,311,276	1,091,934,279	41,942,227,651
Accumulated depreciation					
Land improvements	6,968,256	494,072	---	---	7,462,328
Buildings	69,275,452	7,016,771	904,291	---	75,387,932
Equipment	155,087,868	22,401,896	22,609,885	---	154,879,879
Vehicles	107,625,275	16,753,400	9,211,432	---	115,167,243
Infrastructure	19,777,917,094	699,790,331	83,925,370	---	20,393,782,055
Total accumulated depreciation	20,116,873,945	746,456,470	116,650,978	---	20,746,679,437
Total depreciable capital assets, net	20,815,763,945	(709,489,712)	2,660,298	1,091,934,279	21,195,548,214
Total net capital assets	$26,000,558,305	$ 397,039,915	$ 5,589,350	$ ---	$26,392,008,870

Changes in capital assets for the year ended June 30, 2007 are summarized below:

	Beginning Balance	Additions	Deletions/ Retirements	Transfers	Ending Balance
Nondepreciable capital assets					
Land	$ 2,151,083,075	$ 857,102	$ 3,635,891	$ 89,930,991	$ 2,238,235,277
Construction in progress	214,028,302	90,542,403	---	(91,999,018)	212,571,687
Infrastructure in progress	2,797,921,966	1,115,824,114	---	(1,179,758,684)	2,733,987,396
Total nondepreciable capital assets	5,163,033,343	1,207,223,619	3,635,891	(1,181,826,711)	5,184,794,360
Depreciable capital assets					
Land improvements	13,946,880	---	---	---	13,946,880
Buildings	211,766,972	---	2,149,869	2,068,027	211,685,130
Equipment	266,322,867	30,119,140	20,553,703	---	275,888,304
Vehicles	176,037,593	11,402,067	7,803,397	---	179,636,263
Infrastructure	39,108,600,990	---	36,878,361	1,179,758,684	40,251,481,313
Total depreciable capital assets	39,776,675,302	41,521,207	67,385,330	1,181,826,711	40,932,637,890
Accumulated depreciation					
Land improvements	6,497,451	470,805	---	---	6,968,256
Buildings	63,471,771	6,516,308	712,627	---	69,275,452
Equipment	150,999,364	22,511,721	18,423,217	---	155,087,868
Vehicles	98,401,532	16,585,237	7,361,494	---	107,625,275
Infrastructure	19,010,922,835	803,872,620	36,878,361	---	19,777,917,094
Total accumulated depreciation	19,330,292,953	849,956,691	63,375,699	---	20,116,873,945
Total depreciable capital assets, net	20,446,382,349	(808,435,484)	4,009,631	1,181,826,711	20,815,763,945
Total net capital assets	$ 25,609,415,692	$ 398,788,135	$ 7,645,522	$ ---	$26,000,558,305

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 $2,418,992 and $2,369,306 for all claims arising out of a single accident or occurrence and $362,849 and $355,396 for any one person in a single accident or occurrence, at June 30, 2008 and 2007, 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 4 percent.

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

	Beginning Balance	Current Claims and Estimate Changes	Claim Payments	Ending Balance
2008	$ 51,314,552	$31,448,355	$ 17,591,467	$ 65,171,440
2007	$ 55,856,546	$ 7,002,244	$ 11,544,238	$ 51,314,552

(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 Long-term Obligations note disclosure, the Department has approximately $1,775,783 and $7,472,187 in claims and judgments payable at June 30, 2008 and 2007, 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 $5,589,783 and $10,872,187 as of June 30, 2008 and 2007, respectively. These estimates are within a range of $3,167,783 to $18,674,783 and $5,091,051 to $34,054,455 as of June 30, 2008 and 2007, 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 a commercial insurance company. These benefits are available to employees, retirees, certain disabled employees, spouses, certain dependents, and survivors of deceased employees and retirees of the Department, the Missouri State Highway Patrol, and the MoDOT and Patrol Employees' Retirement System. Changes to plan benefits and funding are required to be approved by the Commission. Incurred but not reported claims of $12,400,000 and $11,000,000 were reported in the Medical and Life Insurance Plan as of June 30, 2008 and 2007, 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 this incurred but not reported claims liability during the past two years are as follows:

	Beginning Balance	Current Claims and Estimate Changes	Claim Payments	Ending Balance
2008	$ 11,000,000	$94,445,290	$ 93,045,290	$ 12,400,000
2007	$ 9,561,000	$91,487,148	$ 90,048,148	$ 11,000,000

Note 7: Other Post-Employment Benefits (OPEB)

The Department provides a portion of health care insurance through the Medical and Life Insurance Plan, as discussed in Note 6, in accordance with Section 104.270, RSMo. For purposes of reporting OPEB costs and obligations in accordance with Governmental Accounting Standards Board (GASB) Statement 45, the Insurance Plan is considered an agent multiple-employer defined benefit plan. Eligible members are employees who retire from the Department with a minimum of 5 years of state service and who participate in the Medical and Life Insurance Plan. Premiums vary by coverage categories, which include retirees, certain disabled employees, spouses, certain dependents, and survivors of deceased employees and retirees. Members' and the Department's required contribution rates average approximately 51.0 percent and 49.0 percent, respectively, of total premiums. Plan member contributions range from $10 to $558 per month. The medical insurance benefits, and employer and member contribution amounts, are recommended by the Medical and Life Insurance Plan's Board of Trustees and are approved by the Commission. The Insurance Plan is financed on a pay-as-you-go basis. These other post-employment benefit costs are included in the Medical and Life Insurance Plan Internal Service Fund.

For the year just ended, the Department's portion of the total Plan's $96.3 million Annual Required Contribution and Annual OPEB Cost was $69.7 million, with Department OPEB contributions of $19.0 million, 27.0 percent, including implicit rate subsidies. Although funding is not related to payroll amounts, an equivalent Annual Required Contribution rate would be 26.5 percent of annual covered payroll. The Department's share of the $71.1 million OPEB obligation at year-end was $50.7 million. In this transition year, the entire OPEB obligation represents the unfunded Annual Required Contribution. MoDOT's share of the Annual Required Contribution is as follows:

Normal cost	$ 23,845,869
Amortization payment	42,564,589
Interest on normal cost and amortization payment	3,320,523
Annual Required Contribution	$ 69,730,981

Based on an actuarial report dated July 1, 2007, the Plan's total actuarial accrued liability is $935.7 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)	$ 686,992,459
Actuarial value of assets	---
Unfunded actuarial accrued liability (UAAL)	$ 686,992,459
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll	$262,657,307
UAAL as a percentage of covered payroll	262%

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. 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	5.0%
Healthcare cost trend rate	10%, decreasing to 5% in 2012

Note 8: Long-term Obligations

Changes in long-term obligations for the year ended June 30, 2008 were as follows:

Obligation	Beginning Balance	Additions	Reductions	Discount Accreted	Ending Balance	Due Within One Year
State road bonds	$1,833,795,000	$526,800,000	$ 62,515,000	$ ---	$2,298,080,000	$ 84,890,000
Advances from other entities	12,923,480	4,538,796	1,419,812	---	16,042,464	2,704,453
Advances from State of Missouri component units	18,529,744	---	12,921,073	220,910	5,829,581	5,662,660
Federal Highway Administration loan	15,000,000	---	2,830,207	---	12,169,793	---
Capital leases	35,224,693	23,747,581	30,529,403	---	28,442,871	8,753,575
Claims and judgments	7,472,187	313,084	6,009,488	---	1,775,783	1,650,783
Compensated absences	34,843,085	29,579,434	27,580,785	---	36,841,734	27,580,785
Other post-employment benefits	---	50,691,490	---	---	50,691,490	---
	$1,957,788,189	$635,670,385	$143,805,768	$ 220,910	$2,449,873,716	$ 131,242,256
Amortization of financing activity:						
Deferred refunding difference					(21,370,987)	
Capital lease termination					(344,719)	
Discount					(160,275)	
Premium					108,280,218	
					$2,536,277,953	

Changes in long-term obligations for the year ended June 30, 2007 were as follows:

Obligation	Beginning Balance	Additions	Reductions	Discount Accreted	Ending Balance	Due Within One Year
State road bonds	$ 1,119,885,000	$1,194,870,000	$ 480,960,000	$ ---	$ 1,833,795,000	$ 69,105,000
Advances from other entities	12,717,163	406,317	200,000	---	12,923,480	193,785
Advances from State of Missouri component units	40,659,294	---	22,444,486	314,936	18,529,744	6,708,881
Federal Highway Administration loan	15,000,000	---	---	---	15,000,000	2,827,900
Capital leases	43,504,799	1,355,886	9,635,992	---	35,224,693	8,337,990
Claims and judgments	11,538,508	3,853,662	7,919,983	---	7,472,187	7,304,187
Compensated absences	31,838,878	29,872,925	26,868,718	---	34,843,085	26,868,718
	$ 1,275,143,642	$1,230,358,790	$ 548,029,179	$ 314,936	$ 1,957,788,189	$ 121,346,461
Amortization of financing activity:						
Deferred refunding difference					(23,616,288)	
Premium					92,284,770	
					$ 2,026,456,671	

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

The detail of long-term debt is as follows:

State road bonds:	**2008**	**2007**
Series A 2000 State Road bonds, originally issued for $250,000,000, to accelerate projects in the Department's five-year plan due in annual installments of $6,610,000 to $13,315,000 beginning February 1, 2002 through 2013; interest varying from 4.30 percent to 5.63 percent; secured by revenues collected under Article IV, Section 30(b) of the Missouri Constitution.	$ 49,700,000	$ 60,525,000
Series A 2001 State Road bonds, originally issued for $200,000,000, to finance projects in conformity with the priorities established in the 1992 plan developed by the Department due in annual installments of $7,110,000 to $10,535,000 beginning February 1, 2003 through 2015; interest varying from 2.25 percent to 5.125 percent; secured by revenues collected under Article IV, Section 30(b) of the Missouri Constitution.	48,890,000	57,275,000
Series A 2002 State Road bonds originally issued for $203,000,000, to finance projects in conformity with the priorities established in the 1992 plan developed by the Department due in annual installments of $7,435,000 to $10,075,000 beginning February 1, 2004 through 2015; interest varying from 3.00 percent to 5.25 percent; secured by revenues collected under Article IV, Section 30(b) of the Missouri Constitution.	54,670,000	62,865,000
Series A 2003 State Road bonds, originally issued for $254,000,000, to finance projects in conformity with the priorities established in the 1992 plan developed by the Department due in annual installments of $8,125,000 to $18,910,000 beginning February 1, 2005 through 2023; interest varying from 2.00 percent to 5.00 percent; secured by revenues collected under Article IV, Section 30(b) of the Missouri Constitution.	157,445,000	168,045,000
Series 2006 Refunding State Road bonds, originally issued for $394,870,000, to advance refund certain portions of Series A 2000 through 2003 State Road bonds; due in annual installments of $13,110,000 to $61,200,000 beginning February 1, 2013 through 2022; interest varying from 4.00 percent to 5.00 percent; secured by revenues collected under Article IV, Section 30(b) of the Missouri Constitution.	394,870,000	394,870,000
Series A 2005 State Road bonds, originally issued for $278,660,000, to finance projects pursuant to the Smoother, Safer, Sooner road and bridge program, due in annual installments of $23,835,000 to $33,940,000 beginning May 1, 2006 through 2015; interest varying from 2.50 percent to 5.00 percent; secured by revenues collected under Article IV, Section 30(b) of the Missouri Constitution.	206,785,000	231,295,000
Series B 2005 State Road bonds, originally issued for $72,000,000, to finance projects pursuant to the Smoother, Safer, Sooner road and bridge program, demand bonds due in 2015; variable interest rate determined weekly, not to exceed 10 percent or the maximum rate permitted by law; secured by revenues collected under Article IV, Section 30(b) of the Missouri Constitution. See Variable Rate Demand Bonds subsection.	58,920,000	58,920,000
Series A 2006 State Road bonds, originally issued for $296,670,000, to finance projects pursuant to the Smoother, Safer, Sooner road and bridge program; due in annual installments of $10,000,000 to $49,085,000; beginning in 2009 through 2021; interest varying from 3.75 percent to 5.00 percent; secured by revenues collected under Article IV, Section 30(b) of the Missouri Constitution.	296,670,000	296,670,000
Series B 2006 State Road bonds, originally issued for $503,330,000, to finance projects pursuant to the Smoother, Safer, Sooner road and bridge program due in annual installments of $67,735,000 to $121,210,000 beginning in 2022 through 2026; interest varying from 4.50 percent to 5.00 percent; secured by revenues collected under Article IV, Section 30(b) of the Missouri Constitution.	503,330,000	503,330,000
Series A 2007 State Road bonds, originally issued for $526,800,000, to finance projects pursuant to the Smoother, Safer, Sooner road and bridge program due in annual installments of $1,600,000 to $69,765,000 beginning in 2009 through 2027; interest varying from 4.00 percent to 5.25 percent; secured by revenues collected under Article IV, Section 30(b) of the Missouri Constitution.	526,800,000	---
	$2,298,080,000	$1,833,795,000

The Series 2000, 2001, 2002, and 2003 bonds are Senior Bonds and would take priority in payment over other bonds. The Series A 2005 and Series A and B 2006 bonds are First Lien bonds. The Series B 2005 bonds are Third Lien bonds. The Series A 2007 bonds are Second Lien bonds. As tax-exempt issuances, these bonds are subject to federal arbitrage regulations. Spending requirements have been met and no arbitrage rebates have been owed.

- 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 0.96 percent to 3.96 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. Through June 30, 2008, all bonds tendered have been remarketed within 180 days. The remarketing agents receive quarterly fees of 7.5 basis points of amounts outstanding to provide the service.

  Under an irrevocable letter of credit issued by State Street Bank and Trust Company, the bank is obligated to pay the bond trustee the purchase price of bonds not remarketed. The letter of credit expires July 21, 2012. As of June 30, 2008, no amounts have been drawn on the letter of credit.

  If monies are drawn on the letter of credit, the Commission may pay the purchase price of the bonds or obtain a liquidity advance, payable 60 days following the advance, with interest at the federal funds rate plus 0.5 percent. The Commission may enter into a term loan of up to three years bearing interest at a rate equal to the federal funds rate plus 1.5 percent. If the term loan were to be utilized because the outstanding amount of $58,920,000 was not resold, the Commission would be required to pay approximately $10,429,000 semi-annually for 3 years, assuming a 3.50 percent interest rate. The Department pays quarterly fees of 17 basis points to the bank.

- Defeased Debt

  In December 2006 (fiscal year 2007), the Commission defeased $407.6 million of outstanding State Road Bonds by placing funds into an irrevocable trust to provide for future debt service payments of portions of Series 2000 through 2003 bonds. Accordingly, the trust account assets and those portions of the bonds are excluded from the Department's financial statements. The amount of outstanding bonds considered defeased at June 30, 2008 are as follows:

Bond Series	**Principal Defeased**
2000 A	$135,980,000
2001 A	105,075,000
2002 A	109,165,000
2003 A	57,390,000
Total	$407,610,000

- Derivative Instrument

  In August 2007, the Commission issued $526.8 million in second lien state road bonds. Proceeds were used to finance certain construction and reconstruction costs of the state highway system, pursuant to the Smoother, Safer, Sooner road and bridge program. In conjunction with the bond sale, the scheduled settlement of an interest rate swap resulted in a termination payment of $11.1 million from bond proceeds. The competitively-bid swap transaction consisted of a $400.0 million forward (delayed) start, floating-to-fixed interest rate swap, whereby the Department paid the counterparties a fixed all-in rate of 4.2121 percent and received the SIFMA Index. This swap enabled the Commission to reduce risk variations in its debt service costs between the trade date of the swap and issuance date of the bonds by allowing for the lock-in of long-term rates 13 months forward to the bond issue date.

Advances from other entities:	**2008**	**2007**
County of St. Charles to provide for a location, needs and cost study of a river crossing on Highway 40 between St. Louis County and St. Charles County; principal due on July 1, 2020; no interest will accrue.	$ 644,498	$ 644,498
County of St. Charles for the final design of Route 364, from west of Harvester Road to west of Central School Road; principal due on July 1, 2008; no interest will accrue.	---	800,000
City of O'Fallon to accelerate a portion of the Route 364 (Page Avenue Extension) project, which consists of constructing a south outer road parallel to Route N between Winghaven Boulevard to Missouri Route K; principal due July 1, 2015; no interest will accrue.	8,835,335	8,835,335
City of Monett to make improvements to Route 60 in Barry County from 1.2 miles east of Route 37 to 1.8 miles east of Route 37; principal due in 2010; no interest will accrue.	1,120,692	1,120,692
City of O'Fallon to extend Bryan Road from Feise Road to Route N across the Route 364 (Page Avenue Extension) right of way; principal due on December 31, 2008; no interest will accrue.	790,000	790,000
County of Taney to install traffic signals on Route 65; principal due after July 31, 2007; no interest will accrue.	---	193,785
County of St. Charles to make improvements to Routes I-70 and K; principal due July 1, 2009; no interest will accrue.	200,000	200,000
City of Joplin to make improvements to the intersection of Route FF, Route 43, and 32nd Street; principal due August 31, 2008 and 2009; no interest will accrue.	2,115,856	97,143
Ozarks Technical Community College to make improvements to Route 14; principal due September 1, 2008; no interest will accrue.	---	242,027
City of Columbia to make improvements to Route 763; principal due July 1, 2010; no interest will accrue.	1,251,568	---
City of Columbia to make improvements to Route 63 at Gans Road; principal due August 1, 2010; no interest will accrue.	970,719	---
City of Chillicothe to make improvements to Route 65; principal due August 31, 2010; no interest will accrue.	58,558	---
American Energy Producers to make improvements to Route 65; principal due in fiscal year 2011; no interest will accrue.	55,238	---
	$ 16,042,464	$ 12,923,480

Advances from State of Missouri component units:	**2008**	**2007**
Highway 179 Transportation Corporation for the construction of Highway 179; principal payments due yearly through August 1, 2008; principal payments range from $2,140,734 to $3,784,974.	$ 3,784,974	$ 6,923,855
210 Highway Transportation Development District for the widening of 210 Highway; principal payments will occur yearly on July 1, through 2008; principal payments range from $965,504 to $2,375,000; no interest will accrue.	1,877,686	4,247,686
Fulton 54 Transportation Corporation for the right of way acquisition and utility adjustments for Route 54 and HH interchange; principal payments will occur yearly on September 1, through 2007; no interest will accrue.	---	1,200,000
Missouri Transportation Finance Corporation for right of way and construction-related cost for two additional lanes on Highway 63; principal and interest payments will occur yearly on July 1, through 2010; the interest rate is 3.232 percent.	166,921	6,158,203
	$ 5,829,581	$18,529,744
Federal loan:		
Federal Highway Administration loan; for the extension of Page Avenue in St. Charles; principal payments due beginning fiscal year 2008 through 2011, no interest will accrue.	$12,169,793	$15,000,000

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 1.32 percent and are based upon the current debt service schedule.

Fiscal Year	Principal Due	Interest Due	Total Due
State Road Bonds			
2009	$ 84,890,000	$ 110,946,838	$ 195,836,838
2010	88,285,000	107,070,920	195,355,920
2011	92,745,000	102,935,658	195,680,658
2012	113,780,000	98,419,837	212,199,837
2013	122,335,000	93,555,668	215,890,668
2014-2018	679,005,000	381,034,840	1,060,039,840
2019-2023	730,410,000	203,280,509	933,690,509
2024-2027	386,630,000	40,761,576	427,391,576
	$2,298,080,000	$1,138,005,846	$3,436,085,846
Advances from other entities			
2009	$ 2,704,453	$ ---	$ 2,704,453
2010	1,522,095	---	1,522,095
2011	2,336,083	---	2,336,083
2012	---	---	---
2013	---	---	---
2014-2018	8,835,335	---	8,835,335
2019-2021	644,498	---	644,498
	$ 16,042,464	$ ---	$ 16,042,464
Advances from State of Missouri component units			
2009	$ 5,662,660	$ 120,762	5,783,422
2010	166,921	5,396	172,317
	$ 5,829,581	$ 126,158	$ 5,955,739
Federal Loan			
2011	$ 12,169,793	$ ---	$ 12,169,793

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

In December 2003, the Commission entered into a line-of-credit with the MTFC. The maximum amount available in the line-of-credit is the total uncommitted balance of the MTFC accounts. The primary purpose of the loan is to finance federally funded construction projects in the event of federal reimbursement delays for Road Fund projects. The Commission will make a lump-sum payment of principal and interest three months after the loan is advanced. At June 30, 2008 and 2007, no advances had been made to MoDOT on the line-of-credit agreement.

Capital lease obligations:

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

	2008	2007
Building	$ 3,996,000	$ 3,996,000
Equipment	3,662,053	6,941,221
Vehicles	35,158,106	36,145,881
Total capital leased assets	42,816,159	47,083,102
Accumulated depreciation	13,038,150	10,175,859
Capital leased assets, net	$ 29,778,009	$ 36,907,243

- Refinanced lease:

  In January 2008, the Department refinanced an existing lease for dump trucks at an interest rate of 1.9 percent. The remaining outstanding principal was $22.1 million, and the new lease totaled $23.0 million. The new lease amount included funds to cover the early termination penalty fee on the existing lease of $442 thousand, which is amortized over the life of the new debt. This refinancing resulted in an economic gain (present value savings) of $184 thousand.

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, 2008:

2009	$ 9,484,775
2010	9,163,233
2011	8,580,547
2012	402,334
2013	396,000
2014-2016	2,541,000
Total minimum lease payments	30,567,889
Less: amount representing interest	2,125,018
Present value of minimum lease payments	$28,442,871

Note 9: Tax Revenues

Tax revenues for the fiscal years 2008 and 2007 were as follows:

	State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Nonmajor Funds	Total 2008
Fuel taxes	$514,476,995	$ 115,290	$ ---	$ 315,399	$514,907,684
Sales & use taxes	51,739,035	121,086,751	86,460,258	11,052,984	270,339,028
Total tax revenue	$566,216,030	$121,202,041	$ 86,460,258	$11,368,383	$785,246,712

	State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Nonmajor Funds	Total 2007
Fuel taxes	$517,241,382	$ 92,862	$ ---	$ 313,396	$517,647,640
Sales & use taxes	53,032,529	143,699,144	69,905,113	8,622,526	275,259,312
Total tax revenue	$570,273,911	$143,792,006	$ 69,905,113	$8,935,922	$792,906,952

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

- **Fuel tax** is paid on the sale of gasoline, aviation fuel used in propelling aircraft with reciprocating engines, and diesel fuel. The taxes are authorized by Sections 142.010 – 142.350; 155.080 and 155.090; and 142.362 – 142.621, RSMo, respectively. The tax rate on gasoline and diesel fuels is $0.17 per gallon. The Department receives 75 percent of the first $0.11 and 70 percent of the next $0.06. The remaining tax is distributed to cities and counties. In addition, the Department receives the entire tax on aviation fuel of $0.09 per gallon.

- **Sales and use taxes** are paid on the purchase of any new or used motor vehicle or trailer, on vehicles purchased out of state and titled in Missouri, and on the sale of a vehicle between individuals within Missouri. The taxes are authorized by Sections 144.070 and 144.440, RSMo. The general sales tax rate is 3 percent and Proposition C tax (Section 144.701, RSMo) is 1 percent, for a total of 4 percent. The Department received 65.625 percent of the sales tax in 2008 and 56.250 percent of the sales tax in 2007. The remainder is distributed to cities, counties, school districts, and the State's general revenue. The Department receives 100 percent of the 3 percent general use tax and 75 percent of the Proposition C use tax. The other 25 percent of the Proposition C use tax is distributed to cities and counties. In addition, the Department receives sales and use tax on aviation jet fuel, limited to a maximum of $6.0 million in each calendar year.

Note 10: Interfund Transactions

The Department is required by State statute (RSMo 226.200) to transfer any unspent monies in the Highway Fund to the State Road Fund on a monthly basis. Transfers for the years ended June 30, 2008 and 2007 were as follows:

	2008		2007	
	Transfers In	Transfers Out	Transfers In	Transfers Out
State Highways and Transportation Department Fund	$ ---	$ 574,863,959	$ 65,000	$ 523,744,434
State Road Fund	574,863,959	---	523,744,434	---
Nonmajor Funds	---	---	---	65,000
Total transfers	$ 574,863,959	$ 574,863,959	$ 523,809,434	$ 523,809,434

The due to/from amounts in the Road Fund and non-major funds represent interfund services provided and used. Amounts due to/from as of June 30, 2008 and 2007 were as follows:

	2008		2007	
	Due To	**Due From**	**Due To**	**Due From**
Nonmajor Funds	$ ---	$833,068	$ ---	$49,568
State Road Fund	833,068	---	49,568	---
Total due to/from	$833,068	$833,068	$ 49,568	$49,568

Note 11: Defined Benefit Pension Plan

The MoDOT and Patrol Employees' Retirement System (MPERS) was established, and is administered by a board of trustees, in accordance with Section 104.020 RSMo. As the plan includes employees outside of the Department, the MPERS is disclosed in accordance with the requirements of a cost-sharing, multiple-employer, public employee retirement plan. The MPERS provides retirement, death, and disability benefits to full-time employees (defined as working at least 1,040 hours annually) with benefits vesting after five years of creditable service. Contributions to the MPERS for fiscal years 2008 and 2007 were 31.01 percent and 31.10 percent, respectively, of covered payroll. The Department made 100 percent of the required contributions of $81,450,011, $80,949,952, and $75,755,230 in 2008, 2007, and 2006, respectively. The MPERS' funded status ratio was 59.10 percent and 58.19 percent as of June 30, 2008 and 2007, respectively.

The MPERS' funding policy provides for actuarially determined and board approved, employer contributions using the entry-age normal cost method on a closed group basis, consisting of normal cost and amortization of any unfunded accrued liabilities over a closed 28-year period from July 1, 2008. (The amortization period will decrease by one year each year.) Actuarially determined rates, expressed as percentages of annual covered payroll, provide for amounts sufficient to fund those benefits designated by State statute to be funded in advance. Employees do not contribute to the MPERS. Any amendments to the plan are established by changes in State statute.

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

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, 2008 and 2007. Consequently, this potential obligation is not included in the accompanying basic financial statements. Total reimbursements made by the Department were $591,451 and $969,205 for fiscal year 2008 and 2007, respectively.

(B) Construction Commitments

Construction awards outstanding for both state and federal participating projects at June 30, 2008 and 2007 amounted to approximately $1,336,155,047 and $1,151,750,082, respectively. The federal portion of this total was $927,641,189 and $806,409,045, or approximately 69.43 percent and 70.02 percent, for 2008 and 2007, 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, 2008 and 2007 amounted to $3,110,562 and $3,364,998, respectively. Future minimum lease payments for these leases are as follows:

	2008	**2007**
Year ending:		
2008	$ ---	$1,264,133
2009	1,007,487	134,908
2010	504,436	17,840
2011	472,521	---
2012	1,209	---
2013	1,209	---
2014	1,209	---
	$1,988,071	$1,416,881

(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: Accounting Pronouncements

The Department implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions,* in fiscal year 2008. This statement establishes new financial reporting and disclosure requirements for the Department as an employer providing healthcare benefits to certain former employees. Under the new requirements, in addition to expanded note disclosure, the Department's financial statements reflect the accrual of any unfunded actuarially-determined obligations. For purposes of GASB 45 reporting, the Medical and Life Insurance Plan is considered an agent multiple-employer plan. Refer to the note "Other Post-Employment Benefits" for more information.

The Department also implemented GASB Statement 50, *Pension Disclosures,* in fiscal year 2008. The GASB's objective for this statement is to more closely align financial reporting requirements for pensions with those for other post-employment benefits. The Department participates in the MoDOT and Patrol Employees' Retirement System, which is a separate legal entity that produces its own publicly available, stand-alone financial report. Accordingly, information such as actuarial assumptions can be obtained as described in the note "Defined Benefit Pension Plan."

The Department will implement GASB Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, in fiscal year 2009. This statement establishes new financial reporting and disclosure requirements for the Department. Under the new requirements, in addition to expanded note disclosure, the Department's financial statements will reflect the accrual of any ongoing remediation activities. The Statement requires beginning balances to be restated.

Note 14: Subsequent Event

On September 18, 2008, in a special meeting, the Commission announced a change in approach for the Safe and Sound Bridge Improvement Program. A contractor for the Improvement Program was previously selected in December 2007, subject to final negotiations, using a design-build-finance-maintain approach. Due to volatile credit markets, the Commission announced the Department will move ahead with an adapted program with 554 bridges improved using a design-build approach and 248 bridges using a modified design-bid-build approach. Under terms of the original Request for Proposal and a subsequent agreement, the Department will pay the contractor up to $12.0 million, subject to documentation provided by the contractor. Payment includes a stipend, as required by Section 227.107.14 RSMo, that covers a portion of the proposer's development costs and allows MoDOT to use their technical proposal. MoDOT will also receive bridge plans, surveys and other field work that it will use to expedite construction in early 2009.

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Required Supplementary Information

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Required Supplementary Information

Budgetary Comparison Schedules – State Highways and Transportation Department Fund

Year Ended June 30, 2008

With Summarized Financial Information for 2007

	Budgeted Amounts			Variances Between Final Budget and Actual	
	Original	**Final**	**Actual**	**2008**	**2007**
Budgetary fund balance, beginning of year	$ 18,150,926	$ 18,150,926	$ 18,150,926	$ ---	$ ---
Resources (inflows)					
Fuel taxes	525,844,000	525,844,000	520,356,209	(5,487,791)	(4,410,647)
License, fees and permits	166,234,000	166,234,000	185,521,895	19,287,895	(26,715,648)
Vehicle sales and use taxes	34,236,000	34,236,000	51,029,835	16,793,835	4,669,793
Interest	3,906,000	3,906,000	3,258,212	(647,788)	1,949,754
Intergovernmental/cost reimbursements/miscellaneous	3,129,000	3,129,000	1,838,049	(1,290,951)	8,351,080
Amount available for appropriation	751,499,926	751,499,926	780,155,126	28,655,200	(16,155,668)
Charges to appropriations (outflows)					
Appropriations spent by other state agencies	212,397,163	205,723,387	198,543,545	7,179,842	14,387,489
Total charges to appropriations	212,397,163	205,723,387	198,543,545	7,179,842	14,387,489
Transfers to State Road Fund	(500,000,000)	(591,129,687)	(574,970,695)	16,158,992	26,255,566
Budgetary fund balance, end of year	$ 39,102,763	$ (45,353,148)	$ 6,640,886	$ 51,994,034	$ 24,487,387

Required Supplementary Information

Budgetary Comparison Schedules – State Road Fund

Year Ended June 30, 2008

With Summarized Financial Information for 2007

	Budgeted Amounts			Variances Between Final Budget and Actual	
	Original	**Final**	**Actual**	**2008**	**2007**
Budgetary fund balance, beginning of year	$ 675,668,044	$ 675,668,044	$ 675,668,044	$ ---	$ ---
Resources (inflows)					
Fuel taxes	113,000	113,000	115,290	2,290	(20,137)
License, fees, and permits	114,905,000	114,905,000	100,740,214	(14,164,786)	9,472,497
Vehicle sales and use taxes	55,164,000	55,164,000	121,900,883	66,736,883	(11,861,965)
Interest	29,104,000	29,104,000	39,623,950	10,519,950	17,828,082
Intergovernmental/cost reimbursements/miscellaneous	113,615,000	113,615,000	84,873,504	(28,741,496)	15,789,017
Federal government	849,951,000	849,951,000	897,196,887	47,245,887	(25,634,096)
Bond proceeds	400,000,000	400,000,000	540,871,368	140,871,368	29,993,881
Amount available for appropriation	2,238,520,044	2,238,520,044	2,460,990,140	222,470,096	35,567,279
Charges to appropriations (outflows)					
Administration					
Personal service	22,074,919	22,129,147	20,651,313	1,477,834	1,509,133
Fringe benefits	22,702,553	22,747,696	21,478,878	1,268,818	4,327,641
Expense and equipment	5,492,123	5,586,171	4,678,036	908,135	1,417,328
Maintenance					
Personal service	147,690,370	146,758,671	146,154,515	604,156	2,005,178
Fringe benefits	86,702,634	86,474,635	83,136,755	3,337,880	3,370,350
Expense and equipment	210,145,441	211,143,606	204,032,158	7,111,448	9,735,816
Motorist assist					
Personal service	1,979,695	1,982,695	1,968,329	14,366	53,432
Fringe benefits	1,181,842	1,178,842	1,098,220	80,622	84,568
Expense and equipment	547,200	547,200	579,165	(31,965)	17,119
Construction					
Personal service	89,167,396	87,895,299	84,663,422	3,231,877	5,127,042
Fringe benefits	48,031,679	47,959,253	44,358,960	3,600,293	3,698,385
Expense and equipment	23,471,869	24,573,427	23,875,991	697,436	2,755,463
Contracts	759,192,185	708,516,422	612,610,460	95,905,962	85,587,872
Right of way purchase	65,000,000	65,000,000	60,070,088	4,929,912	6,106,748
Program-bonds	400,000,000	548,108,405	548,108,405	---	(43,977,198)
Fleet, facilities, and information systems					
Personal service	17,034,797	16,514,660	15,879,842	634,818	511,192
Fringe benefits	9,376,546	9,391,781	8,526,093	865,688	366,922
Expense and equipment	87,582,588	86,863,379	81,935,315	4,928,064	5,683,361
Multimodal operations					
Personal service	367,845	368,487	331,962	36,525	21,314
Fringe benefits	181,867	182,066	153,333	28,733	32,827
Expense and equipment	192,224	192,224	176,863	15,361	18,432
Bond principal and interest payments	105,955,000	103,955,000	84,666,674	19,288,326	12,313,539
Total charges to appropriations	2,104,070,773	2,198,069,066	2,049,134,777	148,934,289	100,766,464
Transfers from Highway Fund	500,000,000	591,129,687	574,970,695	(16,158,992)	(26,255,566)
Budgetary fund balance, end of year	$ 634,449,271	$ 631,580,665	$ 986,826,058	$355,245,393	$110,078,177

Required Supplementary Information

Budget Basis to GAAP Reconciliations and Disclosure

Years Ended June 30, 2008 and 2007

The following is a reconciliation of the difference between the State's budgetary basis and accounting principles generally accepted in the United States of America (GAAP) basis for 2008:

	State Highways and Transportation Department Fund	State Road Fund
Fund balance, budgetary basis	$ 6,640,886	$ 986,826,058
Receivables	109,045,924	89,222,679
Due from other funds	---	833,068
Inventories	---	42,442,965
Payables	(8,255,073)	(124,643,606)
Deferred revenues	(3,889,907)	(25,202,468)
Change in fair value of investments	5,090	(52,592)
Fund balance, GAAP basis	$103,546,920	$ 969,426,104

The following is a reconciliation of the difference between the State's budgetary basis and accounting principles generally accepted in the United States of America (GAAP) basis for 2007:

	State Highways and Transportation Department Fund	State Road Fund
Fund balance, budgetary basis	$ 18,150,926	$ 675,668,044
Receivables	107,174,802	67,978,715
Due from other funds	---	49,568
Inventories	---	40,365,535
Payables	(6,604,416)	(121,171,643)
Deferred revenues	---	(27,376,622)
Change in fair value of investments	(40,961)	(1,299,169)
Fund balance, GAAP basis	$118,680,351	$ 634,214,428

Budgetary Principles and Presentation

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

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 budgeted amounts lapse at the end of the lapse period. The Commission approves the State Road Fund budget and amendments. The fund level is the legal level of control for the State Road Fund. However, at any time, the Commission may approve the Department to spend more or less than the State Legislature or the fund level of the State Road Fund which will drive the Department's budget to be higher or lower than the other legal limits.

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

Required Supplementary Information

Schedule of Funding Progress
Other Post-Employment Benefits
Year Ended June 30, 2008

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2007	---	$686,992,459	$686,992,459	0%	$262,657,307	262%

The Department is the majority employer participating in the Insurance Plan. The Plan's total actuarial accrued liability is $935.7 million. As allowed by the GASB, this reporting requirement is being implemented prospectively, as prior years' data is not available.

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

Combining Financial Statements Nonmajor Governmental Funds

Combining Balance Sheets

Nonmajor Governmental Funds – Special Revenue

June 30, 2008

With Summarized Financial Information for 2007

	Multimodal Federal Fund and Missouri General Fund	State Transportation Fund	Aviation Trust Fund	State Transportation Assistance Revolving Fund	MCS Federal Fund
Assets					
Cash and cash equivalents	$1,359,916	$1,302,771	$16,360,135	$1,122,685	$ 83,320
State taxes and fees receivable	---	274,439	676,217	---	---
Miscellaneous receivables, net	---	---	99,827	17,106	---
Federal government receivable	3,648,453	---	---	---	222,048
Loans receivable	---	---	---	2,318,237	---
Total assets	$5,008,369	$1,577,210	$17,136,179	$3,458,028	$305,368
Liabilities					
Accounts payable	$3,644,617	$ 1,249	$ 373,094	$ ---	$220,114
Accrued payroll	24,714	8,191	27,407	---	---
Deferred revenue	900,441	---	---	---	---
Due to other funds	15,550	4,596	15,357	---	---
Total liabilities	4,585,322	14,036	415,858	---	220,114
Fund Balances					
Reserve for loans receivable	---	---	---	2,318,237	---
Unreserved, special revenue funds	423,047	1,563,174	16,720,321	1,139,791	85,254
Total fund balances	423,047	1,563,174	16,720,321	3,458,028	85,254
Total liabilities and fund balances	$5,008,369	$1,577,210	$17,136,179	$3,458,028	$305,368

Grade Crossing Safety Fund	Railroad Expense Fund	Highway Safety Fund	Motorcycle Safety Fund	Total 2008	Total 2007
$ 5,961,035	$389,235	$ 181,344	$ 241,826	$27,002,267	$26,018,306
46,598	---	---	---	997,254	1,039,383
30,089	---	---	---	147,022	413,638
---	---	2,294,668	---	6,165,169	6,893,762
---	---	---	---	2,318,237	1,867,914
$ 6,037,722	$389,235	$2,476,012	$ 241,826	$36,629,949	$36,233,003
$ 316,553	$ 3,178	$1,408,329	$ 25,496	$ 5,992,630	$ 8,120,810
---	21,365	19,705	---	101,382	99,638
11,599	168,399	---	---	1,080,439	196,494
---	13,457	784,108	---	833,068	49,568
328,152	206,399	2,212,142	25,496	8,007,519	8,466,510
---	---	---	---	2,318,237	1,867,914
5,709,570	182,836	263,870	216,330	26,304,193	25,898,579
5,709,570	182,836	263,870	216,330	28,622,430	27,766,493
$ 6,037,722	$389,235	$2,476,012	$ 241,826	$36,629,949	$36,233,003

Combining Statements of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds – Special Revenue

Year Ended June 30, 2008

With Summarized Financial Information for 2007

	Multimodal Federal Fund and Missouri General Fund	State Transportation Fund	Aviation Trust Fund	State Transportation Assistance Revolving Fund	MCS Federal Fund
Revenues					
Fuel taxes	$ ---	$ ---	$ 315,399	$ ---	$ ---
Sales and use taxes	---	2,982,592	8,070,392	---	---
Licenses, fees, and permits	---	---	---	---	---
Intergovernmental/cost reimbursements/miscellaneous	782,771	227	---	---	---
Investment earnings	---	893	665,257	127,759	---
Federal government	46,362,952	---	---	---	1,333,193
Total revenues	47,145,723	2,983,712	9,051,048	127,759	1,333,193
Expenditures					
Current					
Maintenance	---	---	---	---	1,357,577
Multimodal operations	60,428,756	2,671,331	7,401,128	---	---
Capital outlay	---	---	---	---	---
Other state agencies	---	---	63,501	2,722	---
Total expenditures	60,428,756	2,671,331	7,464,629	2,722	1,357,577
Excess of revenues over (under) expenditures	(13,283,033)	312,381	1,586,419	125,037	(24,384)
Other Financing Sources (Uses)					
Capital asset sales	---	---	---	---	17,533
Transfers in (out)	---	---	---	---	---
Transfers related to state appropriations	13,257,327	---	---	---	---
Total other financing sources	13,257,327	---	---	---	17,533
Net Changes in Fund Balances	(25,706)	312,381	1,586,419	125,037	(6,851)
Fund Balances, beginning of year	448,753	1,250,793	15,133,902	3,332,991	92,105
Fund Balances, end of year	$ 423,047	$ 1,563,174	$ 16,720,321	$ 3,458,028	$ 85,254

Grade Crossing Safety Fund	Railroad Expense Fund	Highway Safety Fund	Motorcycle Safety Fund	Total 2008	Total 2007
$ ---	$ ---	$ ---	$ ---	$ 315,399	$ 313,396
---	---	---	---	11,052,984	8,622,526
1,254,069	753,909	---	369,728	2,377,706	2,643,077
6,344	15	8,056	239	797,652	2,253,235
398	---	---	---	794,307	929,149
---	---	14,483,495	---	62,179,640	80,598,970
1,260,811	753,924	14,491,551	369,967	77,517,688	95,360,353
---	---	14,431,213	425,496	16,214,286	31,739,340
2,473,557	659,668	---	---	73,634,440	70,873,644
---	2,609	---	---	2,609	941,995
11,238	9,135	---	4,830	91,426	85,402
2,484,795	671,412	14,431,213	430,326	89,942,761	103,640,381
(1,223,984)	82,512	60,338	(60,359)	(12,425,073)	(8,280,028)
---	2,900	3,250	---	23,683	3,968
---	---	---	---	---	(65,000)
---	---	---	---	13,257,327	12,282,754
---	2,900	3,250	---	13,281,010	12,221,722
(1,223,984)	85,412	63,588	(60,359)	855,937	3,941,694
6,933,554	97,424	200,282	276,689	27,766,493	23,824,799
$ 5,709,570	$ 182,836	$ 263,870	$ 216,330	$ 28,622,430	$ 27,766,493

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Combining
Financial Statements
Proprietary Funds

Combining Statements of Net Assets

Proprietary Funds – Internal Service

June 30, 2008

With Summarized Financial Information for 2007

	MoDOT & MSHP Medical and Life Insurance Plan	MHTC Self-Insurance Plan	Total 2008	Total 2007
Assets				
Current assets				
Cash and cash equivalents	$ 1,866,295	$ 230,389	$ 2,096,684	$ 3,906,250
Investments	25,303,602	48,482,053	73,785,655	72,031,691
Prepaid expenses	---	---	---	116,999
Miscellaneous receivables	1,393,569	590,028	1,983,597	2,616,571
Total current assets	28,563,466	49,302,470	77,865,936	78,671,511
Noncurrent assets				
Investments	3,082,521	16,191,363	19,273,884	22,545,709
Restricted investments	100,000	200,000	300,000	300,000
Total noncurrent assets	3,182,521	16,391,363	19,573,884	22,845,709
Total assets	31,745,987	65,693,833	97,439,820	101,517,220
Liabilities				
Current liabilities				
Accounts payable	1,411,239	9,975	1,421,214	2,065,539
Deferred revenue	7,207,310	---	7,207,310	6,483,132
Pending self-insurance claims	---	10,766,244	10,766,244	10,138,000
Incurred but not reported claims	12,400,000	3,640,665	16,040,665	14,435,000
Total current liabilities	21,018,549	14,416,884	35,435,433	33,121,671
Noncurrent liabilities				
Pending self-insurance claims	---	37,936,196	37,936,196	28,191,552
Incurred but not reported claims	---	12,828,335	12,828,335	9,550,000
Total noncurrent liabilities	---	50,764,531	50,764,531	37,741,552
Total liabilities	21,018,549	65,181,415	86,199,964	70,863,223
Net Assets				
Restricted net assets	100,000	200,000	300,000	300,000
Unrestricted net assets	10,627,438	312,418	10,939,856	30,353,997
Total net assets	$10,727,438	$ 512,418	$11,239,856	$ 30,653,997

Combining Statements of Revenues, Expenses and Changes in Net Assets

Proprietary Funds – Internal Service

Year Ended June 30, 2008

With Summarized Financial Information for 2007

	MoDOT & MSHP Medical and Life Insurance Plan	MHTC Self-Insurance Plan	Total 2008	Total 2007
Operating Revenues				
Self-insurance premiums				
Highway workers' compensation	$ ---	$ 1,742,267	$ 1,742,267	$ 11,959,200
Highway patrol workers' compensation	---	3,000,000	3,000,000	3,000,000
Highway fleet vehicle liability	---	---	---	1,702,812
Highway general liability	---	6,699,996	6,699,996	10,444,800
Medical insurance premiums				
State	71,095,933	---	71,095,933	66,774,196
Member	26,534,016	---	26,534,016	25,368,868
Other	4,914,049	705,349	5,619,398	5,380,702
Total operating revenues	102,543,998	12,147,612	114,691,610	124,630,578
Operating Expenses				
Self-insurance programs				
Highway workers' compensation	---	9,298,019	9,298,019	2,639,125
Highway patrol workers' compensation	---	5,385,067	5,385,067	(355,629)
Highway fleet vehicle liability	---	2,023,887	2,023,887	1,376,962
Highway general liability	---	14,741,382	14,741,382	3,341,786
Other	---	654,798	654,798	851,329
Medical and life insurance program				
Insurance premiums	6,672,934	---	6,672,934	6,836,963
Medical benefits	76,571,749	---	76,571,749	73,361,977
Prescription drug benefits	17,873,541	---	17,873,541	18,125,171
Professional fees	1,505,035	---	1,505,035	1,424,310
Administrative services	4,079,004	---	4,079,004	2,874,356
Other	46,782	---	46,782	19,023
Total operating expenses	106,749,045	32,103,153	138,852,198	110,495,373
Operating income (loss)	(4,205,047)	(19,955,541)	(24,160,588)	14,135,205
Nonoperating Revenues				
Net appreciation and investment income	1,297,786	3,448,661	4,746,447	4,968,546
Total nonoperating revenues	1,297,786	3,448,661	4,746,447	4,968,546
Changes in Net Assets	(2,907,261)	(16,506,880)	(19,414,141)	19,103,751
Net Assets beginning of year	13,634,699	17,019,298	30,653,997	11,550,246
Net Assets, end of year	$ 10,727,438	$ 512,418	$ 11,239,856	$ 30,653,997

Combining Statements of Cash Flows

Proprietary Funds – Internal Service

Year Ended June 30, 2008
With Summarized Financial Information for 2007

	MoDOT & MSHP Medical and Life Insurance Plan	MHTC Self-Insurance Plan	Total 2008	Total 2007
Cash Flows From Operating Activities				
Receipts from interfund services provided	$102,699,054	$ 12,335,632	$ 115,034,686	$ 123,054,610
Payments for interfund services used	(98,994,046)	(17,591,467)	(116,585,513)	(108,612,304)
Payments to suppliers	(6,046,063)	(766,882)	(6,812,945)	(4,240,552)
Net cash provided by (used in) operating activities	(2,341,055)	(6,022,717)	(8,363,772)	10,201,754
Cash Flows From Investing Activities				
Proceeds from sale and maturities of investments	88,111,830	202,972,934	291,084,764	286,388,634
Purchase of investments	(88,949,423)	(199,706,677)	(288,656,100)	(299,629,609)
Interest received	1,165,376	3,059,061	4,224,437	3,058,057
Investment fees	(26,683)	(72,212)	(98,895)	(93,673)
Net cash provided by (used in) investing activities	301,100	6,253,106	6,554,206	(10,276,591)
Net increase (decrease) in cash and cash equivalents	(2,039,955)	230,389	(1,809,566)	(74,837)
Cash and Cash Equivalents, Beginning of Year	3,906,250	---	3,906,250	3,981,087
Cash and Cash Equivalents, End of Year	$ 1,866,295	$ 230,389	$ 2,096,684	$ 3,906,250
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating income (loss)	$ (4,205,047)	$ (19,955,541)	$ (24,160,588)	$ 14,135,205
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Receivables	155,056	188,020	343,076	(1,575,968)
Prepaid expenses	---	116,999	116,999	(116,999)
Accounts payable	984,758	13,627,805	14,612,563	(2,057,529)
Deferred revenue	724,178	---	724,178	(182,955)
Net cash provided by (used in) operating activities	$ (2,341,055)	$ (6,022,717)	$ (8,363,772)	$ 10,201,754
Noncash Items Impacting Recorded Assets				
Increase in fair value of investments	$ 276,449	$ 629,927	$ 906,376	$ 1,599,059

Combining Financial Statements Fiduciary Funds

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Combining Statements of Assets and Liabilities

Fiduciary Funds – Agency

June 30, 2008

With Summarized Financial Information for 2007

	Local Fund	MCS Agency Fund	Total 2008	Total 2007
Assets				
Cash and cash equivalents	$ 1,964,395	$7,199,488	$ 9,163,883	$13,226,821
Restricted investments	42,313,215	---	42,313,215	19,675,200
Other	405,148	33,200	438,348	211,936
Total assets	$44,682,758	$7,232,688	$51,915,446	$33,113,957
Liabilities				
Due to other governments	$ ---	$7,232,688	$ 7,232,688	$11,831,826
Advances from other governments	44,682,758	---	44,682,758	21,282,131
Total liabilities	$44,682,758	$7,232,688	$51,915,446	$33,113,957

Combining Statements of Changes in Assets and Liabilities

Fiduciary Funds – Agency

Year ended June 30, 2008

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Local Fund				
Assets				
Cash and cash equivalents	$ 1,476,848	$241,011,486	$240,523,939	$ 1,964,395
Restricted investments	19,675,200	220,075,707	197,437,692	42,313,215
Other	130,083	651,463	376,398	405,148
Total assets	$21,282,131	$461,738,656	$438,338,029	$44,682,758
Liabilities				
Advances from other governments	$21,282,131	$ 43,235,476	$ 19,834,849	$44,682,758
Total liabilities	$21,282,131	$ 43,235,476	$ 19,834,849	$44,682,758
MCS Agency Fund				
Assets				
Cash and cash equivalents	$11,749,973	$190,092,039	$194,642,524	$ 7,199,488
Other	81,853	806,893	855,546	33,200
Total assets	$11,831,826	$190,898,932	$195,498,070	$ 7,232,688
Liabilities				
Due to other governments	$11,831,826	$190,898,932	$195,498,070	$ 7,232,688
Total liabilities	$11,831,826	$190,898,932	$195,498,070	$ 7,232,688
Totals				
Assets				
Cash and cash equivalents	$13,226,821	$431,103,525	$435,166,463	$ 9,163,883
Restricted investments	19,675,200	220,075,707	197,437,692	42,313,215
Other	211,936	1,458,356	1,231,944	438,348
Total assets	$33,113,957	$652,637,588	$633,836,099	$51,915,446
Liabilities				
Due to other governments	$11,831,826	$190,898,932	$195,498,070	$ 7,232,688
Advances from other governments	21,282,131	43,235,476	19,834,849	44,682,758
Total liabilities	$33,113,957	$234,134,408	$215,332,919	$51,915,446

Combining Statements of Changes in Assets and Liabilities

Fiduciary Funds – Agency

Year ended June 30, 2007

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Local Fund				
Assets				
Cash and cash equivalents	$ 37,036	$ 46,809,928	$45,370,116	$ 1,476,848
Restricted investments	9,338,459	40,000,929	29,664,188	19,675,200
Other	53,745	285,904	209,566	130,083
Total assets	$9,429,240	$ 87,096,761	$75,243,870	$21,282,131
Liabilities				
Advances from other governments	$9,429,241	$ 16,936,173	$ 5,083,283	$21,282,131
Total liabilities	$9,429,241	$ 16,936,173	$ 5,083,283	$21,282,131
MCS Agency Fund				
Assets				
Cash and cash equivalents	$ 8,282,494	$198,601,328	$195,133,849	$11,749,973
Other	3,363,189	799,472	4,080,808	81,853
Total assets	$11,645,683	$199,400,800	$199,214,657	$11,831,826
Liabilities				
Due to other governments	$11,645,683	$199,400,800	$199,214,657	$11,831,826
Total liabilities	$11,645,683	$199,400,800	$199,214,657	$11,831,826
Totals				
Assets				
Cash and cash equivalents	$ 8,319,530	$245,411,256	$240,503,965	$13,226,821
Restricted investments	9,338,459	40,000,929	29,664,188	19,675,200
Other	3,416,934	1,085,376	4,290,374	211,936
Total assets	$21,074,923	$286,497,561	$274,458,527	$33,113,957
Liabilities				
Due to other governments	$11,645,683	$199,400,800	$199,214,657	$11,831,826
Advances from other governments	9,429,241	16,936,173	5,083,283	21,282,131
Total liabilities	$21,074,924	$216,336,973	$204,297,940	$33,113,957

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Statistical Section

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Index and Overview
Statistical Section

Sources:

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

Note:

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

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Financial Trends
Net Assets – Government-wide

Years Ended June 30

(Amounts in Thousands)

Year	Invested in capital assets, net of related debt	Restricted	Total
2008	$23,945,040	$1,061,821	$25,006,861
2007	24,016,417	788,665	24,805,082
2006	24,341,909	401,282	24,743,191
2005	24,234,053	387,012	24,621,065
2004	23,952,946	511,414	24,464,360
2003	23,937,412	457,734	24,395,146
2002	23,967,986	390,330	24,358,316

Note:

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

Financial Trends
Changes in Net Assets – Government-wide

Years Ended June 30

(Amounts in Thousands)

	2008	2007	2006
Transportation Program Expenses			
Administration	$ 33,645	$ 38,887	$ 30,838
Fleet, facilities, and information systems	56,721	54,400	53,222
Maintenance	406,374	378,902	362,163
Construction	240,821	273,086	165,494
Multimodal operations	74,128	71,268	60,530
Interest	102,344	75,228	53,543
Other state agencies	178,319	169,906	146,969
Missouri Constitution Article X refunds	---	---	---
Self-insurance	32,103	7,854	27,387
Medical and life insurance	87,710	102,642	92,952
Other post-employment benefits	69,731	---	---
Depreciation	746,456	849,957	829,556
Total transportation program expenses	2,028,352	2,022,130	1,822,654
Transportation Program Revenues			
Charges for services			
Licenses, fees, and permits	291,843	259,086	299,892
Employee insurance premiums	26,534	25,369	26,216
Other	86,719	67,816	46,165
Federal government – operating	62,179	78,588	61,630
Federal government – capital	907,956	797,196	768,173
Total transportation program revenues	1,375,231	1,228,055	1,202,076
Net expense of transportation program	(653,121)	(794,075)	(620,578)
General Revenues			
Fuel taxes	514,908	517,648	522,896
Sales and use taxes and fees	272,039	275,259	182,465
Unrestricted investment earnings	51,581	49,301	24,450
State appropriations	13,257	12,283	11,453
Donated assets	---	441	4
Gain (loss) on sale of capital assets	3,115	1,034	1,436
Total general revenues	854,900	855,966	742,704
Changes in Net Assets	$ 201,779	$ 61,891	$ 122,126

Note:

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

2005	2004	2003	2002
$ 29,703	$ 29,318	$ 37,040	$ 39,832
55,976	43,603	53,789	59,672
375,323	314,965	271,003	255,408
210,298	197,761	223,029	225,074
52,978	46,880	46,607	50,725
43,465	39,276	33,366	20,505
178,506	166,271	165,215	166,295
---	---	133	---
21,998	15,916	15,502	20,977
82,474	68,194	64,209	54,257
---	---	---	---
689,699	771,756	913,227	992,712
1,740,420	1,693,940	1,823,120	1,885,457
282,058	268,830	272,755	261,831
26,024	23,909	21,504	21,191
41,838	74,598	80,109	60,145
57,497	43,050	24,569	22,190
770,568	660,350	742,415	809,268
1,177,985	1,070,737	1,141,352	1,174,625
(562,435)	(623,203)	(681,768)	(710,832)
518,990	515,048	497,781	495,629
181,462	180,213	178,057	185,895
5,352	(12,846)	16,865	18,210
11,769	11,299	10,389	17,385
---	162	13,277	---
1,567	(2,238)	(3,117)	---
719,140	691,638	713,252	717,119
$ 156,705	$ 68,435	$ 31,484	$ 6,287

Financial Trends
Changes in Fund Balances–Governmental Funds

Years Ended June 30

(Amounts in Thousands)

	2008	2007	2006
Revenues			
Fuel taxes	$ 514,908	$ 517,648	$ 522,896
Sales and use taxes	270,339	275,259	182,465
Licenses, fees and permits	290,709	259,086	299,892
Intergovernmental/cost reimbursements/miscellaneous	80,668	89,997	53,652
Investment earnings	46,890	44,388	22,256
Federal government	970,135	877,795	827,791
Total revenues	2,173,649	2,064,173	1,908,952
Expenditures			
Administration	46,822	45,797	42,843
Fleet, facilities, and information systems	58,933	58,759	68,753
Maintenance	433,653	436,796	411,847
Construction	264,693	300,579	190,713
Multimodal operations	74,303	71,485	60,676
Capital outlay	1,143,496	1,248,304	1,252,825
Debt service – principal	88,097	105,630	73,919
Debt service – interest	109,730	89,997	57,776
Missouri Constitution Article X refunds	---	---	---
Other state agencies	199,237	189,409	169,726
Total expenditures	2,418,964	2,546,756	2,329,078
Excess of revenues over (under) expenditures	(245,315)	(482,583)	(420,126)
Other Financing Sources (Uses)			
Notes issued	4,539	406	1,787
Bonds issued	526,800	800,000	350,660
Refunding bonds issued	---	394,870	---
Refunding bonds escrow payment	---	(432,408)	---
Swap termination payment	(11,118)	---	---
Premium on bonds	27,808	73,180	21,336
Discount on bonds	(170)	---	---
Capital leases issued	763	1,355	2,646
Refinancing capital leases issued	22,985	---	---
Capital lease termination payment	(22,559)	---	---
Capital asset sales	8,705	8,679	6,669
Transfers in	574,864	523,744	570,592
Transfers out	(574,864)	(523,744)	(570,592)
Transfers related to state appropriations	13,257	12,283	11,453
Total other financing sources (uses)	571,010	858,365	394,551
Net Changes in Fund Balances	$ 325,695	$ 375,782	$ (25,575)
Debt service as a percentage of noncapital expenditures	16%	15%	12%
Debt service as a percentage of total revenues	9%	9%	7%

Notes:

Some amounts have been recategorized for comparability.

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

2005	2004	2003	2002
$ 518,990	$ 515,048	$ 497,781	$ 495,629
181,462	180,213	178,057	185,895
282,058	268,830	272,755	261,831
53,254	73,892	75,533	45,867
3,230	(12,812)	17,204	15,999
828,065	703,400	766,984	831,458
1,867,059	1,728,571	1,808,314	1,836,679
41,088	40,352	46,428	47,156
67,791	56,791	69,386	69,956
406,185	339,673	292,536	271,571
228,985	219,217	227,374	231,851
53,092	46,989	46,689	50,791
918,733	1,038,713	1,076,363	1,171,815
56,094	40,330	31,833	27,024
45,096	33,214	28,961	21,466
---	---	133	---
194,682	180,851	177,369	182,133
2,011,746	1,996,130	1,997,072	2,073,763
(144,687)	(267,559)	(188,758)	(237,084)
17,122	2,277	23,230	33,376
---	254,000	---	403,000
---	---	---	---
---	---	---	---
---	---	---	---
---	9,559	22	11,892
---	---	---	---
44,468	3,312	5,362	34,295
---	---	---	---
---	---	---	---
5,941	3,341	2,598	6,935
136,487	166,206	185,502	165,212
(136,487)	(166,206)	(185,502)	(165,212)
11,769	11,299	10,389	17,385
79,300	283,788	41,601	506,883
$ (65,387)	$ 16,229	$ (147,157)	$ 269,799
9%	8%	7%	5%
5%	4%	3%	3%

Financial Trends
Fund Balances – Governmental Funds

Years Ended June 30

(Amounts in Thousands)

Year	Reserved	Unreserved, Special Revenue	Unreserved, Debt Services	Total
2008	$ 122,644	$ 978,951	$ 24,805	$1,126,400
2007	116,356	664,305	20,044	800,705
2006	116,682	299,664	8,577	424,923
2005	139,366	311,132	---	450,498
2004	33,076	482,809	---	515,885
2003	28,299	470,566	---	498,865
2002	30,097	610,768	---	640,865
2001	35,529	331,457	---	366,986
2000	35,400	142,052	---	177,452
1999	37,121	147,532	---	184,653

Notes:

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

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

Financial Trends
Expenditures of Federal Awards

Years Ended June 30

(Amounts in Thousands)

Year	Roads and Bridges	Multimodal	Motor Carriers	Highway Safety	Total
2007	$ 800,933	$47,658	$ 1,327	$34,637	$ 884,555
2006	764,803	45,148	1,434	28,596	839,981
2005	764,091	34,203	2,733	20,057	821,084
2004	660,692	28,588	2,458	13,132	704,870
2003	742,640	27,633	1,175	---	771,448
2002	809,262	21,567	---	---	830,829

Source:

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

Notes:

Includes State Emergency Management Agency amounts.

Fiscal year 2008 data is not yet available.

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

Revenue Capacity
Revenue Base – State Motor Fuel Taxes

Years Ended June 30

(Amounts in Thousands)

Year	Gallons	Net State Receipts	Missouri Constitution Article X Refunds	Distribution: Cities	Counties	MoDOT
2008	4,182,599	$ 710,246	$ ---	$ 106,357	$ 83,418	$ 520,471
2007	4,141,906	704,071	---	105,875	83,036	515,160
2006	4,156,348	707,856	---	104,820	82,208	520,828
2005	4,182,914	710,343	---	106,890	83,831	519,622
2004	4,125,374	700,217	---	105,657	82,868	511,692
2003	4,005,507	679,397	437	101,791	79,832	497,337
2002	3,938,484	669,724	---	98,640	77,351	493,733
2001	3,834,656	653,674	7,307	98,426	77,192	470,749
2000	3,971,313	673,891	13,492	101,019	79,227	480,153
1999	3,761,350	640,178	16,842	95,322	74,743	453,271

Source:

MoDOT Resource Management Division

Notes:

Amounts are provided on a cash basis.

Dollar amounts are shown net of motor fuel tax refunds.

Revenue Capacity
Revenue Rates – State Motor Fuel Taxes

Years Ended June 30

(Cents per Gallon)

Year	Total Fuel Tax Rate	Local Governments	MoDOT
2008	17.00	4.55	12.45
2007	17.00	4.55	12.45
2006	17.00	4.55	12.45
2005	17.00	4.55	12.45
2004	17.00	4.55	12.45
2003	17.00	4.55	12.45
2002	17.00	4.55	12.45
2001	17.00	4.55	12.45
2000	17.00	4.55	12.45
1999	17.00	4.55	12.45

Source:

MoDOT Resource Management Division

Note:

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

Revenue Capacity
Principal Revenue Suppliers – State Motor Fuel Taxes

Year Ended June 30

(Amounts in Thousands)

	2008
Gallons from top ten suppliers	3,425,894
Net Revenue from top ten suppliers	$ 582,402
Net Revenue from all suppliers	$ 710,246
Percentage from top ten suppliers	82%

Sources:

Net revenue from top ten suppliers: Missouri Department of Revenue

Net revenue from all suppliers: MoDOT Resource Management Division

Remainder extrapolated

Notes:

Top ten supplier information is released by the Department of Revenue only in the aggregate. Information on individual suppliers is not available. There are 113 total suppliers.

Principal revenue payer information is to be reported comparatively for fiscal year 2008 and fiscal year 1999. However, information for fiscal year 1999 is not readily available from the Department of Revenue.

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Debt Capacity
Ratios of Outstanding Debt

Years Ended June 30

(Amounts in Thousands)

	Debt Outstanding at June 30				
Year	**Road Bonds**	**Loans**	**Capital Leases**	**Certificates of Participation**	**Total**
2008	$2,298,080	$ 34,042	$ 28,443	$ ---	$ 2,360,565
2007	1,833,795	46,453	35,225	---	1,915,473
2006	1,119,885	68,376	43,505	---	1,231,766
2005	828,500	80,830	53,514	---	962,844
2004	861,000	95,249	17,221	---	973,470
2003	630,455	101,338	22,982	---	754,775
2002	646,390	93,069	28,674	---	768,133
2001	250,000	92,325	2,474	---	344,799
2000	---	91,508	782	---	92,290
1999	---	57,793	2,182	1,000	60,975

Sources:

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

Population: United States Department of Commerce, Census Bureau

Note:

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

Ratio of Debt to Income		Ratio of Debt to Population	
Personal Income	Percentage of Personal Income	Population	Per Capita
$198,757,000	1.19%	5,878	$ 402
188,399,000	1.02	5,838	328
178,036,000	0.69	5,788	213
170,392,000	0.57	5,745	168
164,163,000	0.59	5,706	171
160,014,000	0.47	5,676	133
155,843,000	0.49	5,642	136
149,979,000	0.23	5,606	62
140,867,000	0.07	5,468	17
134,504,000	0.05	5,438	11

Debt Capacity
Legal Debt Limitations

Years Ended June 30

(Amounts in Thousands)

Year	Legal Limitations	Debt Issued Applicable To Limit (cumulative par)	Legal Debt Margin (excess available)	Ratio of Debt To Legal Limit
2008	$ n/a	$ ---	$ ---	---%
2007	n/a	---	---	---
2006	n/a	---	---	---
2005	2,250,000	907,000	1,343,000	40
2004	2,250,000	907,000	1,343,000	40
2003	2,250,000	653,000	1,597,000	29
2002	2,250,000	653,000	1,597,000	29
2001	2,250,000	250,000	2,000,000	11
2000	no authority	---	---	---
1999	no authority	---	---	---

Source:

MoDOT Resource Management Division

Notes:

Legal debt limitations apply only to road revenue bonds.

Sections 226.133 and 226.134 RSMo, authorized the issuance of road revenue bonds from 2000 through 2006, with a legal limit of $2.25 billion.

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

Debt Capacity
Pledged Revenue Coverage Related to Revenue Bonds

Years Ended June 30

(Amounts in Thousands)

	Pledged Revenues			Debt Service on State Road Bonds			
Year	Revenues	Operating Expenses	Net Pledged Revenues Available	Principal	Interest	Total	Debt Coverage Ratio
2008	$1,049,645	$ 279,823	$769,822	$62,515	$105,117	$167,632	4.6%
2007	1,024,787	269,210	755,577	73,350	82,049	155,399	4.9
2006	973,087	245,217	727,870	59,275	53,114	112,389	6.5
2005	904,978	545,048	359,930	32,500	43,788	76,288	4.7
2004	893,734	501,226	392,508	23,455	31,086	54,541	7.2
2003	867,255	476,193	391,062	15,935	28,041	43,976	8.9
2002	865,950	467,158	398,792	6,610	18,488	25,098	15.9
2001	846,204	486,232	359,972	---	---	---	---
2000	848,666	446,244	402,422	---	---	---	---
1999	803,959	407,645	396,314	---	---	---	---

Source:

MoDOT Resource Management Division

Notes:

Amounts are presented on a cash basis.

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

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

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

Years Ended December 31

(Amounts in Thousands)

Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2007	5,878	$198,757,000	$34	5.1%
2006	5,838	188,399,000	32	5.2
2005	5,788	178,036,000	31	6.3
2004	5,745	170,392,000	30	5.9
2003	5,706	164,163,000	29	5.9
2002	5,676	160,014,000	28	5.7
2001	5,642	155,843,000	28	4.8
2000	5,606	149,979,000	27	3.2
1999	5,468	140,867,000	26	3.4

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)

	2007			1998		
	Employees	Rank	Percentage	Employees	Rank	Percentage
Trade, Transportation, and Utilities	549	1	20%	541	1	20%
Government	440	2	16	414	2	15
Education and Health Services	384	3	14	330	4	13
Professional and Business Services	338	4	12	301	5	11
Manufacturing	300	5	11	378	3	14
Leisure and Hospitality	281	6	10	251	6	9
Financial Activities	167	7	6	156	7	6
Construction, Natural Resources, and Mining	153	8	5	132	8	5
Other Services	121	9	4	109	9	4
Information	63	10	2	74	10	3
Total	2,796		100%	2,686		100%

Source:

United States Department of Labor, Bureau of Labor Statistics

Demographic and Economic Information
Licensed Drivers with Population Data

Years Ended June 30

(Amounts in Thousands)

Year	Licensed Drivers	Change in Licensed Drivers	Population	Change in Population
2007	4,162	22	5,838	50
2006	4,140	5	5,788	43
2005	4,135	87	5,745	39
2004	4,048	82	5,706	30
2003	3,966	35	5,676	34
2002	3,931	69	5,642	36
2001	3,862	6	5,606	138
2000	3,856	16	5,468	30
1999	3,840	---	5,438	---

Sources:

Licensed Drivers: Missouri Department of Revenue for federal reporting

Population: United States Department of Commerce, Census Bureau

Notes:

Fiscal year 2008 licensed drivers data is not yet available.

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

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

Demographic and Economic Information
Vehicle Registrations with Fuel Tax Receipts

Years Ended June 30

(Amounts in Thousands)

Fiscal Year	Registrations	Percentage Change in Registrations	Net State Fuel Tax Receipts	Percentage Change in Fuel Tax Receipts	Fuel Tax Receipts per Registration
2007	5,997	(0.7)%	$ 704,071	(0.5)%	117
2006	6,040	7.1	707,856	(0.4)	117
2005	5,609	(1.9)	710,343	1.4	127
2004	5,715	13.0	700,217	3.0	123
2003	4,974	(7.8)	679,397	1.4	137
2002	5,362	10.1	669,724	2.4	125
2001	4,819	(3.3)	653,674	(3.1)	136
2000	4,980	4.3	673,891	5.0	135
1999	4,766	---	640,178	---	134

Sources:

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

Fuel Tax Receipts: MoDOT Resource Management Division, cash basis

Notes:

Fiscal year 2008 registrations data is not yet available.

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

Operating Information
Demand and Level of Service Indicators
Years Ended December 31

	Freight Tonnage By Mode (Amounts In Thousands)				Travel Information by Mode		
Year	Port	Motor Carrier (1)	Aviation	Rail	Number of Transit Passengers (2)	Number of Amtrak Rail Passengers (2)	Number of Business Capable Airports
2008	n/a-cy	n/a-cy	n/a-cy	n/a-cy	n/a-src	532,000	n/a-cy
2007	2,300	n/a-src	260	n/a-src	68,200,000	433,000	30
2006	2,200	399,000	267	441,000	70,400,000	433,000	29
2005	2,300	418,000	278	400,000	66,000,000	422,000	29
2004	2,400	419,000	282	405,000	64,600,000	402,000	29
2003	2,400	385,000	290	395,000	65,100,000	390,000	27
2002	2,400	363,000	299	380,000	67,700,000	427,000	27

Source:

MoDOT Tracker – Measures of Departmental Performance

Reference notes:

(1) Motor carrier data may not directly reflect exact industry tonnage amounts and should only be used to indicate general industry trends.

(2) Measured on a fiscal year basis.

(3) In 2006, bond funding was not available for new construction.

(4) Measured in the fall of each year; current process began in 2005.

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

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

Road and Bridge Projects		Safety		
Number of Miles of New 4-lane Corridors Completed (3)	Percent of Projects Completed on Time (2)	Number of Fatalities from Traffic Crashes	Number of Disabling Injuries from Traffic Crashes	Percent of Major Roads' Stripes Meeting Expectations (4)
n/a-cy	91%	n/a-cy	n/a-cy	n/a-cy
30	88	992	7,743	96%
15	76	1,096	8,150	95
57	73	1,257	8,624	93
63	72	1,130	8,857	n/a
73	71	1,232	8,730	n/a
45	73	1,208	9,156	n/a

Operating Information
Demand and Level of Service Indicators
Years Ended December 31

Year	Daily Vehicle Miles Traveled (Amounts in Thousands) Non-State Highways	State Highways	Total Public Highways	Population (Amounts in Thousands)	Average Daily Miles Per Capita
2007	56,414	134,149	190,563	5,878	32.4
2006	55,829	132,758	188,587	5,838	32.3
2005	55,763	132,604	188,367	5,788	32.5
2004	55,874	132,635	188,509	5,745	32.8
2003	55,162	130,945	186,107	5,706	32.6
2002	55,615	131,130	186,745	5,676	32.9

Sources:

Daily Vehicle Miles Traveled: MoDOT Transportation Planning Division

Population: United States Department of Commerce, Census Bureau

Operating Information
Capital Asset Indicators (1)

Years Ended December 31

Year	Centerline Miles (2)	Percentage of Major Highways In Good Condition (3)	Number of Deficient Bridges
2007	33,685	78%	2,844
2006	33,681	74	2,836
2005	32,423	61	2,892
2004	32,403	47	2,907
2003	32,397	45	2,959
2002	32,340	45	3,029

Sources:

MoDOT Tracker – Measures of Departmental Performance

Centerline miles provided by Transportation Planning Division

Reference notes:

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

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

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

Operating Information
Capital Asset Indicators
Years Ended December 31

	Total Public Centerline Miles					
Functional Classification	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**
Rural						
Interstate	722	800	800	801	801	799
Freeway/Expressway	---	---	---	15	---	2
Principal Arterial	3,117	3,246	3,171	3,175	3,196	3,170
Minor Arterial	3,927	4,076	4,135	4,025	4,015	3,916
Collector	3	63	3	6	3	6
Major Collector	16,213	16,381	16,458	16,723	16,692	16,820
Minor Collector	5,966	5,995	5,949	5,771	5,775	5,740
Local	869	922	21	25	56	55
Urban						
Interstate	459	381	381	380	380	382
Freeway/Expressway	399	343	344	330	329	285
Principal Arterial	811	701	694	702	708	729
Minor Arterial	513	352	340	334	335	334
Collector	442	234	110	98	90	57
Major Collector	---	1	1	1	---	24
Minor Collector	---	---	---	---	---	---
Local	244	186	16	17	17	21
Total Centerline Miles	33,685	33,681	32,423	32,403	32,397	32,340
Statewide Composite						
Interstate	1,181	1,181	1,181	1,181	1,181	1,181
Freeway/Expressway	399	343	344	345	329	287
Arterial Systems	8,368	8,375	8,340	8,236	8,254	8,149
Collector Systems	22,624	22,674	22,521	22,599	22,560	22,647
Local	1,113	1,108	37	42	73	76
Total Centerline Miles	33,685	33,681	32,423	32,403	32,397	32,340

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

	2008	2007	2006	2005	2004	2003	2002
District 1	446	462	455	449	445	447	443
District 2	454	474	465	475	478	473	476
District 3	442	455	470	467	465	448	457
District 4	792	833	840	826	805	768	797
District 5	529	546	544	537	516	514	516
District 6	904	925	933	953	945	924	928
District 7	462	488	501	499	473	480	485
District 8	532	540	545	542	523	525	525
District 9	446	468	493	475	453	448	446
District 10	536	534	564	553	531	496	521
Director's and Commission Secretary Offices	10	10	10	11	13	13	13
Organizational Support Team	142	150	138	124	133	146	153
System Delivery Team	709	736	751	747	718	683	628
System Facilitation Team	320	330	321	345	341	334	346
Total	6,724	6,951	7,030	7,003	6,839	6,699	6,734

Source:

State of Missouri payroll reporting system

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Other Information

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BKD LLP

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

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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Missouri Department of Transportation as of and for the year ended June 30, 2008 which collectively comprise its basic financial statements, and have issued our report thereon dated September 26, 2008, which contained an explanatory paragraph regarding a change in accounting principle. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Department's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Department's financial statements that is more than inconsequential will not be prevented or detected by the Department's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Department's internal control.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

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.*

We noted certain matters that we reported to the Department's management in a separate letter dated September 26, 2008.

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

BKD, LLP

September 26, 2008