

Comprehensive Annual Financial Report

for the fiscal year ended
June 30, 2017

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

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

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Introductory Section



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September 28, 2017

The Honorable Eric Greitens, Governor
Members of the Missouri Legislature
Members of the Missouri Highways and Transportation Commission
Citizens of the State of Missouri

The Missouri Department of Transportation (MoDOT or the Department) is pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Department for the fiscal year ended June 30, 2017.

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

The objective of the independent audit is to provide reasonable assurance the financial statements are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion and that the Department's financial statements for the fiscal year ended June 30, 2017, are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). Their report is presented as the first component in the financial section of this report.

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

The CAFR comprises all funds from which MoDOT spends including certain other state agencies' spending as allowed by Missouri law. Only MoDOT appropriations are reported for other state of Missouri funds. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Department.

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

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

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

Profile of the Department

MoDOT works to provide a world-class transportation experience that delights our customers and promotes a prosperous Missouri. The Department is responsible for designing, building, operating and maintaining Missouri's transportation system - the seventh largest in the United States with approximately 33,856 miles of highway and 10,403 bridges. The Department also works to improve airports, river ports, railroads, public transit systems and pedestrian and bicycle travel.

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

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

As shown on the organizational chart following this letter, the Department is organized by divisions and districts. The divisions represent a variety of disciplines and provide direction and oversight of the activities in the districts and support to the Department. These activities include the design and construction of highways and facilities, transportation planning including the five-year STIP, maintenance and safety of the existing highway system and activities related to other modes of transportation, such as aviation, railways, river ports, freight, transit, and bicycle and pedestrian facilities. The districts represent seven geographical regions of the state of Missouri and are responsible for providing projects and services to the citizens of Missouri.

Budgetary Controls

The Commission approves the appropriation request submitted to the State Legislature for all governmental funds reported by MoDOT with the exception of those funds appropriated to other state agencies and to the Office of Administration for certain fringe benefits. The request is developed with input from the districts and divisions. The legal authority of the State Road Fund budget and any related amendments is the Commission. The legal authority for all other funds rests with the Legislature which takes action on appropriation requests between January and May for the subsequent year's appropriations.

The Department relies on the statewide accounting system to control total expenditures by appropriation utilizing features in the system to ensure budgetary compliance. An additional budgetary control in place includes management using reports to monitor spending by program, division or appropriation.

Missouri Economy

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

Missouri employment continues to show slight growth. Per the Bureau of Labor Statistics, United States Department of Labor, in fiscal year 2017, the unemployment rate declined to 3.8 percent in June 2017. This compares to an unemployment rate of 4.7 percent in June 2016. Compared to the national trend, the Missouri unemployment rate declined more than the United States rate and ended 0.6 percentage points lower in June of 2017 than the national rate of 4.4 percent. Employment gains occurred over the previous year in most areas including manufacturing; finance;

professional and business services; educational and health services; and leisure and hospitality. Personal income in the first quarter of 2017 is continuing to show steady growth at 3.2 percent over the previous year. Consumer confidence increased in fiscal year 2017, which indicates that consumers are more optimistic about the economy.

MoDOT contributes to the economy in the areas of job creation, personal income growth and new value added to the economy. Based on the 2017-2021 STIP investment (includes total investment for roads and bridges and other modes) of \$5,451.5 million, an analysis estimates that on average, each year the plan creates 4,343 additional jobs with an average salary of \$52,452, \$227.8 million in new personal income and \$316.0 million in new value added to the economy. By comparison, the analysis of the 2016-2020 STIP investment of \$3,040.7 million estimates 2,836 jobs with an average salary of \$53,074, \$150.5 million in new personal income and \$188.1 million in new value added to the economy. These statistics show the impact to the economy by the increased STIP investment.

Federal funds are the largest source of transportation revenue. The Department's share of state fuel tax receipts, the second largest revenue source, decreased 0.1 percent in 2017. The 2017 state fuel tax receipts are still 1.8 percent lower than in 2008, the year with the highest collections in the last decade. The motor fuel tax rate was last raised in 1996 and is not indexed to keep pace with inflation. Motor vehicle and driver licensing fees decreased 1.1 percent from 2016. Vehicle and driver licensing fees, similar to motor fuel taxes, are not indexed to keep pace with inflation and for most annual registration fees no increases have occurred since 1984. Motor vehicle sales tax receipts increased 5.5 percent from 2016. Overall, state revenues for the Department increased 1.3 percent in 2017 compared to 2016.

In December 2015, Congress passed the Fixing America's Surface Transportation (FAST) Act, which is a five-year, \$305.0 billion transportation bill for the nation's transportation projects. Prior to the FAST Act, Congress had not passed a long-term highway authorization act since 2005. The FAST Act is funded with receipts into the Highway Trust Fund, a transfer of \$24.0 billion from the General Fund and additional funding offsets to pay for the bill. Despite the good news of a five-year transportation bill, Congress still needs to find a long-term source of transportation revenue to support the nation's infrastructure needs.

Construction

Missouri's 2018-2022 STIP was approved by the Commission in late June 2017. The STIP awards for road and bridge projects total \$4,450.0 million and make maintaining the existing system a priority, in an effort to maintain Missouri's transportation system in its current condition. The Missouri legislature in 2000, and Missouri voters in 2004, approved bonding authority that directed MoDOT to sell bonds and use the proceeds to improve roads and bridges. Missouri's major roads went from 47.4 percent in good condition in 2004 to 90.1 percent as of December 2016. Minor, less traveled roads are 76.1 percent in good condition as of December 2016, a significant improvement from December 2012 when only 69.3 percent were in good condition. The condition of Missouri's bridges steadily improved during the five years of the Safe and Sound Bridge Improvement Program, a program to replace or rehabilitate 802 bridges throughout the state; however, that trend has reversed as the number of bridges in good condition has been declining since fiscal year 2012.

During 2017, the construction project to replace the U.S. Route 69 Bridges over the Missouri River between Platte County, Missouri and Wyandotte County, Kansas was completed. The project cost of \$78.7 million was split with the state of Kansas. The southbound U.S. Route 69 Bridge, referred to as the Fairfax Bridge, was built in 1933. The northbound U.S. Route 69 Bridge, referred to as the Platte Purchase Bridge, was built in 1957. Both were built for the vehicles used at the time they were constructed, and not for the heavy loads and high volume of truck traffic found today in this industrial zone.

Also completed in 2017 was the project to convert U.S. Route 60 to a freeway between Greene County Farm Road 241 west of Rogersville and Chicory Road east of Rogersville. The project cost \$35.7 million.

The Columbia I-70 Bridges project cost \$18.0 million to replace three bridges over local streets in Columbia. The I-70 bridges cross over Business Loop 70/West Boulevard, Garth Avenue, and MO Route 763/Rangeline Street. The project was awarded in June 2015, with construction starting in August 2015. The project was completed in August 2016.

The Route 141 at I-44 Improvement Design-Build project costing \$25.0 million was awarded in January 2016. The project will improve connections at the Interstate 44/Route 141 interchange, as well as at Route 141 and Vance Road. Construction began in June 2016 and will be completed by the summer of 2018.

The Poplar Street Ramp project is currently underway with improvements to the eastbound bridge (eastbound I-64 and northbound I-55) over the Mississippi River. Crews are placing a new overlay on the bridge and widening the ramp from northbound I-55 to the bridge. The total project cost is \$54.0 million and is expected to be completed in fall 2018.

MoDOT will be making safety improvements at 31 locations in Franklin and St. Charles counties. This project, costing \$24.0 million, is being completed using a design-build project delivery method. A variety of safety improvements will be made, including pavement treatments, reflective pavement markers, rumble strips and flashing stop signs. Awarded in May 2017, construction is expected to be completed by fall 2019.

MoDOT, along with the city of Washington, Franklin County and Warren County, will replace the deteriorating 1936 Missouri River Bridge, located on Route 47. This bridge provides a vital link between Warren County and Franklin County. The project is expected to cost \$69.0 million. In 2014, the project received a \$10.0 million Transportation Investment Generating Economic Recovery (TIGER) Grant from the U.S. Department of Transportation. The groundbreaking for the new bridge was in August 2016, and the project schedule calls for construction of the new bridge to be completed in 2019.

Construction will begin in fall 2017 on a new bridge over the Mississippi River, connecting Louisiana, Missouri with the state of Illinois. In 2015, the project received a \$10.0 million TIGER Grant from the U.S. Department of Transportation. The project was awarded in June 2017. The estimated cost of \$65.0 million will be split between Missouri and Illinois. The new bridge is expected to be completed by November 2019.

Long-term Financial Planning

The Department's 2018 budget, \$2.1 billion, approved by the Commission in June, is approximately \$73.1 million less than the Department's 2017 amended budget, primarily because the 2017 amended budget includes an additional \$123.2 million in debt service on bonds due to calling bonds in fiscal year 2017. The fiscal year 2018 budget reflects the cash expenditures associated with a slightly larger program. Starting in fiscal year 2017 and continuing for the next several years, the program will continue to grow to ensure all federal funds allocated to Missouri are invested in the transportation system. The multi-year FAST Act lessened the federal funds reimbursement risk that Missouri and all states faced during the lengthy period when the nation did not have a long-term federal transportation bill. In the coming years, the Department plans to spend down the cash balance in the State Road Fund to fully match the federal funds allocated to Missouri.

The Department projects the annual construction program will be \$850.0 million in 2018 and \$900.0 million in 2019 and subsequent years. As the program increases, the associated budget will also increase. Even with the higher contractor awards, the funds will be focused on maintaining the current transportation system.

Other Information

The Department is required to undergo an annual Single Audit in accordance with the provisions of the Single Audit Act Amendments of 1996 and the Office of Management and Budget published 2 CFR (Code of Federal Regulations) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The Department's information will be included in the state of Missouri's Single Audit for the fiscal year ended June 30, 2017.

Acknowledgements

This CAFR is published to demonstrate our intention to maintain the highest quality standards of public accountability. This report could not have been prepared without the dedicated efforts of MoDOT employees. The commitment and professionalism of the Financial Services Division staff contributed significantly to the timely preparation of the 2017 report.

Respectfully submitted,



Patrick K. McKenna
Director



Roberta Broecker, CPA
Chief Financial Officer

Principal Officials

as of June 30, 2017

Commission

Michael B. Pace	Chairman
Gregg C. Smith	Vice Chair
Michael T. Waters, Jr.	Member
Mary E. Nelson*	Member
John W. Briscoe	Member
Vacant*	Member
Pamela Harlan	Secretary

MoDOT

Patrick K. McKenna	Director
Ed Hassinger	Chief Engineer
Roberta Broeker	Chief Financial Officer
Kathy Harvey	Assistant Chief Engineer
Rich Tiemeyer	Chief Counsel
Bill Rogers	Audits and Investigations Director
Dennis Heckman	State Bridge Engineer
David Ahlvers	State Construction and Materials Engineer
Fay Fleming	Communications Director
Eric Schroeter	State Design Engineer
Rudy Nickens	Equal Opportunity and Diversity Director
Lester Woods	External Civil Rights Director
Brenda Morris	Financial Services Director
Debbie Rickard	General Services Director
Jay Wunderlich	Governmental Relations Director
Micki Knudsen	Human Resources Director
Beth Ring	Information Systems Director
Michael DeMers	Innovative Partnerships and Alternative Funding Director
Becky Allmeroth	State Maintenance Engineer
Scott Marion	Motor Carrier Services Director
Michelle Teel	Multimodal Operations Director
Jeff Padgett	Risk and Benefits Management Director
Nicole Hood	State Highway Safety and Traffic Engineer
Machelle Watkins	Transportation Planning Director

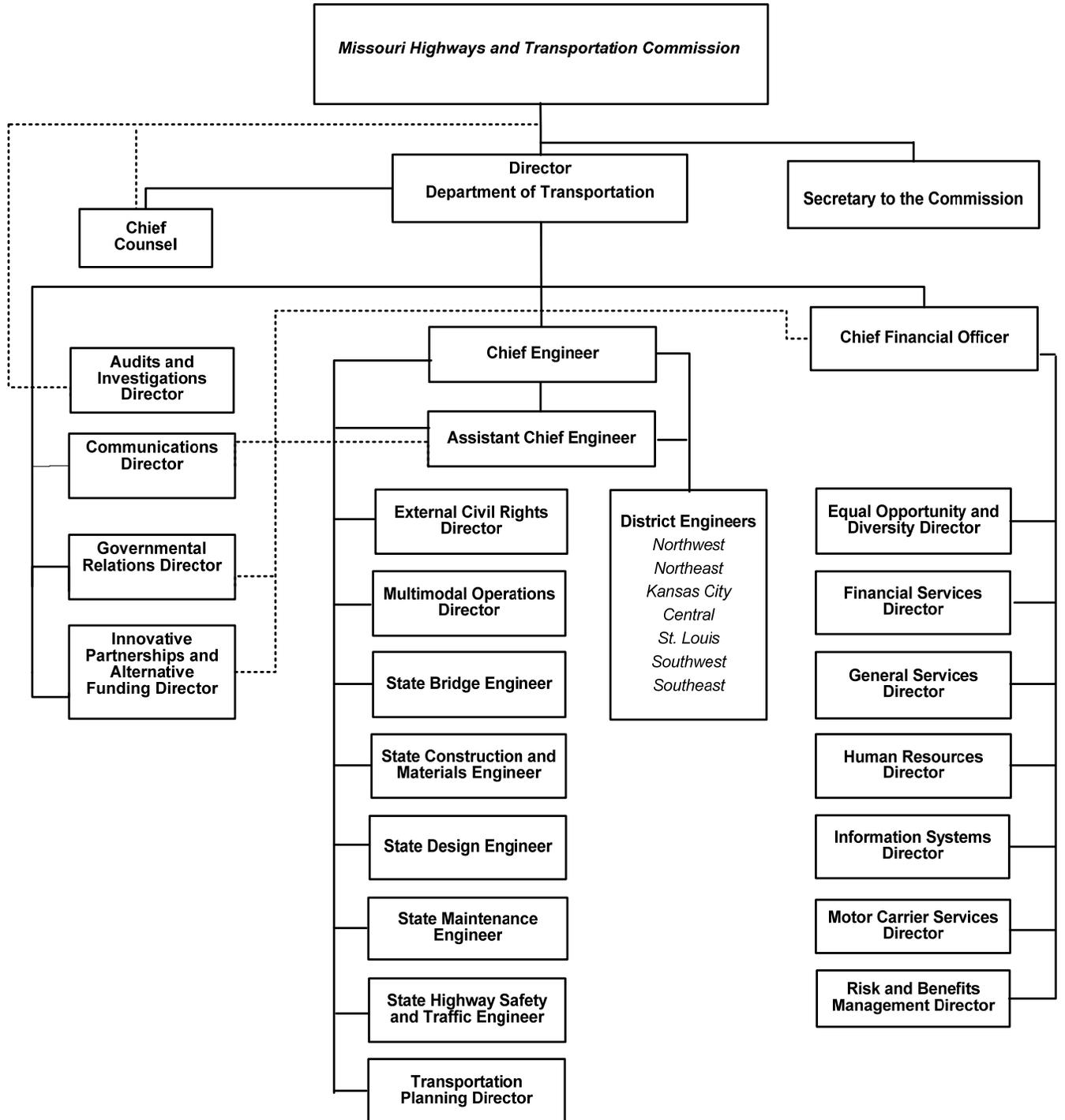
Districts

Don Wichern	Northwest District Engineer
Paula Gough	Northeast District Engineer
Brian Kidwell	Kansas City District Engineer
Dave Silvester	Central District Engineer
Greg Horn	St. Louis District Engineer
Travis Koestner	Southwest District Engineer
Mark Shelton	Southeast District Engineer

*Commissioner Robert G. Brinkmann and Commissioner Terry Ecker were appointed by Governor Greitens on September 21, 2017 to fill the vacancies previously held by Ed Hillhouse and Mary Nelson, respectively. Both of these appointments are awaiting confirmation by the State Senate.

Organizational Chart

June 30, 2017





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Financial Section



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Independent Auditors' Report

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

Report On The Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Missouri Department of Transportation (the Department) as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility For The Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Missouri Department of Transportation as of June 30, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Financial Reporting Entity

As discussed in Note 1, the financial statements of the Missouri Department of Transportation are intended to present the financial position, the changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, each major fund and the aggregate remaining fund information of the state of Missouri that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the state of Missouri as of June 30, 2017 and 2016, and the changes in its financial position and cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis Of Matter Relating To Restatement

As discussed in Note 14, the 2016 financial statements have been restated to correct errors in infrastructure in progress. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 22 through 33, the Budgetary Comparison Schedules on pages 82 through 84, the Schedule of Proportionate Share of Net Pension Liability and the Schedule of Pension Contributions on page 85, and the Schedule of Funding Progress - Other Post-Employment Benefits on page 86 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2017 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

RubinBrown LLP

September 28, 2017



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Management's Discussion and Analysis

Management's Discussion and Analysis

The following section of our annual financial report presents our discussion and analysis of the Department's (or MoDOT's) financial performance during the year. It is intended to assist you in understanding how the various statements relate to each other and provide an objective and easily readable analysis of the Department's financial activities based on currently known facts, decisions and conditions. We encourage readers to consider the information presented here in conjunction with the letter of transmittal included in the introductory section and information presented in the Department's financial statements and notes, which follow this section. The Department had early implemented Governmental Accounting Standards Board Statement Number 82, *Pension Issues, an amendment of GASB Statement Numbers 67, 68 and 73* in fiscal year 2016. No other new GASB standards were applicable to MoDOT for fiscal year 2017.

FINANCIAL HIGHLIGHTS

Government-wide Highlights

- The net position of the Department at the close of the fiscal year was \$27.5 billion compared to \$27.0 billion at 2016. The Department's net position increased 1.6 percent for fiscal year 2017 from 2016 and 1.8 percent for fiscal year 2016 from 2015. Of the fiscal year 2017 and 2016 amounts, \$0.5 billion and \$0.4 billion, respectively, are negative unrestricted amounts which are offset by the department's investment in capital assets. The negative unrestricted net position of the governmental activities occurred when the Department adopted GASB 68 and GASB 71 in fiscal year 2015 requiring the Department to report its proportionate share of the net pension liability. The addition of the net pension liability results in assets no longer being available to meet our obligations.
- The majority of the Department's assets are capital assets, which totaled \$30.1 billion and \$29.9 billion for fiscal years 2017 and 2016, respectively. This represents a 0.6 percent increase for 2017 from 2016 and a 0.8 percent increase for 2016 from 2015.
- Non-current liabilities of the Department total \$3.6 billion at June 30, 2017 compared to \$3.9 billion at June 30, 2016, a \$0.3 billion decrease. The fiscal year 2017 decrease is the result of calling the Senior Lien Refunding State Road Bonds, Series 2006, and the Second Lien State Road Bonds, Series 2007, on February 1 and May 1, respectively, as well as a reduction in scheduled debt repayments. Fiscal year 2016 compared to 2015 had a \$0.2 billion decrease.

Fund Highlights

- As of the close of the fiscal year, the Department's *governmental funds* combined ending fund balance for fiscal year 2017 is 0.9 billion compared to the fiscal year 2016 balance of \$1.0 billion. From fiscal year 2017 to 2016, a decrease of \$0.1 billion occurred because the cash balance in the State Road Fund is being spent down to fully match the federal funds allocated to Missouri.

For fiscal year 2017, 95.7 percent of the Department's governmental fund balance is available for spending at the Department's discretion in accordance with the purpose of the funds compared to 96.1 percent in fiscal year 2016. The nonspendable fund balance related to inventories decreased from \$39.6 million in fiscal year 2016 to \$38.8 million in fiscal year 2017.

- The *proprietary funds* combined net position is \$39.6 million at the close of the fiscal year, compared to \$34.1 million in 2016. Restricted investments at the close of both years totaled \$0.3 million, resulting in unrestricted net position of \$39.3 million and \$33.8 million for fiscal years 2017 and 2016, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Also included are schedules that report information about the pension plan liability, contributions and the funding progress of the MoDOT and MSHP Medical and Life Insurance Plan.

Combining Statements

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

Budgetary Comparison Schedules and Reconciliations

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statements of Net Position

As noted earlier, net position may serve over time as a useful indicator of the Department's financial health. The following tables, graphs and analyses discuss the financial position and changes in financial position for the Department as a whole as of and for the fiscal years ended June 30, 2017, 2016 and 2015. The Department's combined net position increased \$443.0 million over the course of this fiscal year's operations, an increase of 1.6 percent. This compares to an increase of \$484.0 million in 2016 from 2015.

The following table reflects the condensed financial information derived from the Statements of Net Position as of June 30, 2017, 2016 and 2015:

(Amounts in millions)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>Percent Change 2017-2016</u>
Assets				
Current and other assets	\$ 1,212	\$ 1,318	\$ 1,264	(8.0)%
Capital assets, net	<u>30,094</u>	<u>29,914</u>	<u>29,717</u>	<u>0.6</u>
Total assets	<u>31,306</u>	<u>31,232</u>	<u>30,981</u>	<u>0.2</u>
Deferred Outflows of Resources				
Deferred bond refunding	52	66	79	(21.2)
Pension related items	<u>215</u>	<u>123</u>	<u>125</u>	<u>74.8</u>
Total deferred outflows of resources	<u>267</u>	<u>189</u>	<u>204</u>	<u>41.3</u>
Liabilities				
Current liabilities	425	433	399	(1.8)
Noncurrent liabilities	<u>3,566</u>	<u>3,864</u>	<u>4,075</u>	<u>(7.7)</u>
Total liabilities	<u>3,991</u>	<u>4,297</u>	<u>4,474</u>	<u>(7.1)</u>
Deferred Inflows of Resources				
Pension obligations	<u>92</u>	<u>77</u>	<u>106</u>	<u>19.5</u>
Total deferred inflows of resources	<u>92</u>	<u>77</u>	<u>106</u>	<u>19.5</u>
Net Position				
Net Investment in capital assets	27,979	27,471	27,080	1.8
Restricted (internal service fund requirements and highways and transportation uses)*	---	---	---	---
Unrestricted	<u>(489)</u>	<u>(424)</u>	<u>(475)</u>	<u>15.3</u>
Total net position	<u>\$ 27,490</u>	<u>\$ 27,047</u>	<u>\$ 26,605</u>	<u>1.6%</u>

*Due to rounding Restricted Net Position does not show on this table.

The total assets of the Department were \$31.3 billion with deferred outflows of resources of \$267.0 million, while total liabilities were \$4.0 billion, with deferred inflows of resources of \$92.0 million, resulting in a net position of \$27.5 billion. Total assets increased \$74.0 million in 2017, compared to a \$293.0 million increase in 2016 from 2015. Total liabilities decreased \$306.0 million in 2017, compared to a \$177.0 million decrease in 2016 from 2015. The decrease in total liabilities in 2017 and 2016 is the decrease in bond related debt. The largest portion of the Department's net position, \$28.0 billion, is the investment in capital assets (i.e., land, buildings, equipment, infrastructure and other) less any related debt outstanding needed to acquire or construct the asset. The Department uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. The negative unrestricted net position of the governmental activities occurred when the Department adopted GASB 68 and GASB 71 in fiscal year 2015 requiring the department to report its proportionate share of the net pension liability.

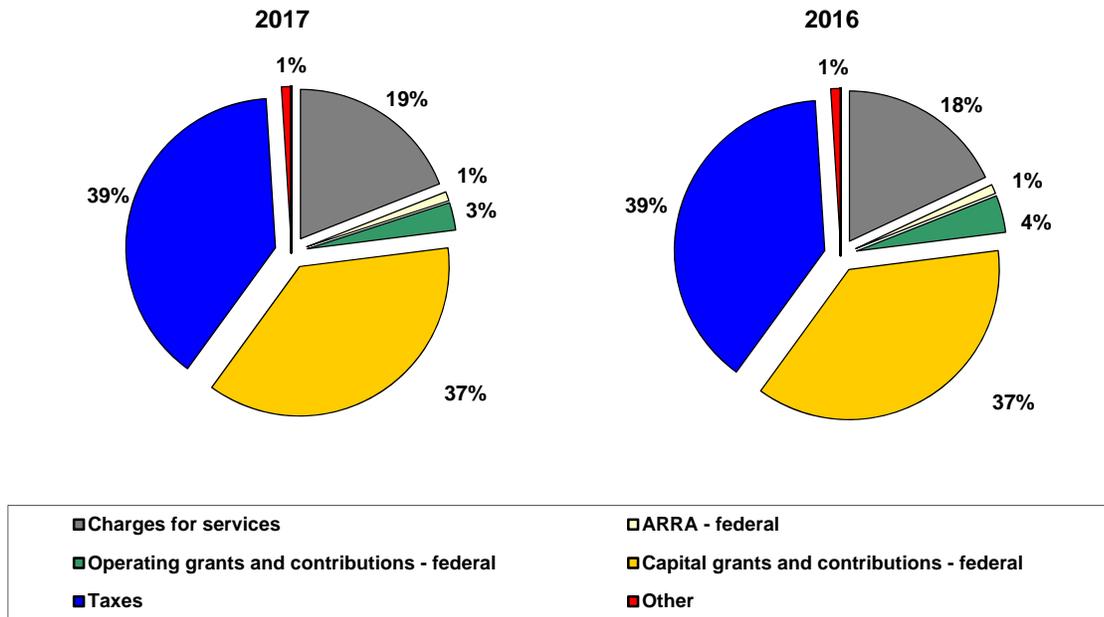
Statements of Activities

The following condensed financial information was derived from the government-wide Statements of Activities and reflects how the Department's net position changed during the year, compared to the prior years. The information is for the fiscal years ended June 30, 2017, 2016 and 2015:

(Amounts in millions)	<u>2017</u>	<u>2016</u>	<u>2015</u>	Percent Change 2017-2016
Revenues				
Program revenues				
Charges for services	\$ 425	\$ 420	\$ 386	1.2%
American Recovery and Reinvestment Act	19	18	15	5.6
Operating grants and contributions – federal government	78	78	83	---
Capital grants and contributions – federal government	847	826	764	2.5
General revenues				
Taxes	876	868	828	0.9
Investment earnings (loss)	4	9	11	(55.6)
Miscellaneous	9	7	(1)	(28.6)
Total revenues	<u>2,258</u>	<u>2,226</u>	<u>2,086</u>	<u>1.4</u>
Expenses				
Program expenses				
Administration	24	25	25	(4.0)
Fleet, facilities and information systems	29	18	30	61.1
Maintenance	345	329	329	4.9
Construction	210	259	274	(18.9)
Multimodal operations	101	94	84	7.4
Interest on debt	94	104	113	(9.6)
Other state agencies	235	225	227	4.4
Self insurance (workers' compensation and liability)	10	22	21	(54.5)
Medical and life insurance	124	112	106	10.7
Pension	88	78	92	12.8
Other post-employment benefits	44	44	50	---
Depreciation on assets	512	474	454	8.0
Total expenses	<u>1,816</u>	<u>1,784</u>	<u>1,805</u>	<u>1.8</u>
Changes in net position	442	442	281	---
Net position, beginning of year, as previously reported	27,047	26,605	27,418	1.7
Restatement of net position, net pension liability	---	---	(1,094)	---
Net position, beginning of year, as restated	<u>27,047</u>	<u>26,605</u>	<u>26,324</u>	<u>1.7</u>
Net position, end of year	<u>\$27,489</u>	<u>\$27,047</u>	<u>\$26,605</u>	<u>1.6%</u>

Governmental Activities

The following chart depicts revenues of the governmental activities, as a percent, for the fiscal years ended June 30, 2017 and 2016:



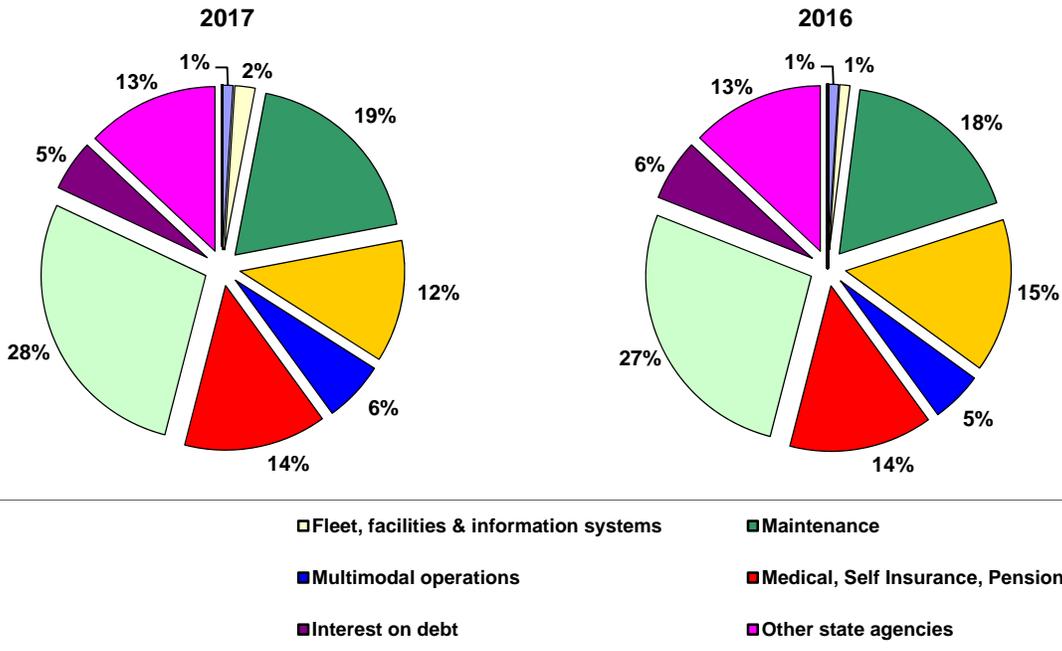
Revenues for the year increased \$32.0 million compared to an increase of \$140.0 million in 2016 from 2015. Federal grants revenue, including operating grants and contributions and capital grants and contributions, increased \$21.0 million from fiscal year 2016. The increase is the timing of reimbursements related to project expenditures associated with advance construction conversions. Advance construction is a Federal Highway Administration financing technique that allows states to initiate a project using non-federal funds and claim reimbursement on the project at a later date, when additional federal funds are available. The American Recovery Reinvestment Act (ARRA) federal revenue program came to an end this fiscal year. The following three revenue sources provided \$2.1 billion, or 95.1 percent, of the Department's revenues:

- Charges for services, including licenses, fees, permits and cost reimbursements: \$425.0 million
- Sales and fuel taxes: \$876.0 million
- Federal Highway Administration capital grants: \$847.0 million

In 2016, these same revenue sources provided \$2.1 billion, or 95.0 percent, of the Department's revenues.

Taxes remained the larger portion of the revenue for the Department. Taxes overall increased 0.9 percent with sales tax revenues increasing 3.7 percent in fiscal year 2017 from 2016. The primary components of the increase in revenues are federal revenues, discussed above and sales tax receipts.

The following chart depicts expenses of the governmental activities for the fiscal years ended June 30, 2017 and 2016:



Expenses for the year increased \$32.0 million, or 1.8 percent. The overall increase in expenses is in fleet, facilities and information systems; maintenance; and depreciation. The increase in fleet, facilities and information systems expense resulted from the timing of the purchase of fleet where equipment can be ordered in one year, but delivered and paid for in the next year. The increase in maintenance is due to costs associated with pavement repairs. Depreciation increased as more completed projects in the previous year are now being depreciated.

The Department's expenses for construction and maintenance of the state's highway system totaled \$555.0 million and \$588.0 million in 2017 and 2016, respectively. This represents 30.6 percent and 33.0 percent of the total expenses for 2017 and 2016, respectively.

FUND FINANCIAL ANALYSIS

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

Governmental Funds

At the end of the fiscal year, the fund balances of the governmental funds totaled \$0.9 billion, a decrease of \$107.0 million from the previous year. This compares to an increase of \$43.5 million in 2016 from 2015. Revenues from the federal government increased \$16.5 million from 2016. Federal government revenues increased because of federal reimbursement receipts related to project expenditures associated with advance construction conversions. Advance construction is a Federal Highway Administration financing technique that allows states to initiate a project using non-federal funds and claim reimbursement on the project at a later date, when additional federal funds are available. The Department spent \$166.2 million more in 2017. The largest increase is debt service. Debt service increased \$125.6 million as the Department called Senior Lien Refunding State Road Bonds, Series 2006, and Second Lien State Road Bonds, Series 2007, on February 1 and May 1, respectively.

State Highways and Transportation Department Fund: The Highway Fund was established by statute to receive revenues derived from the use of state highways. The fund pays the costs incurred to collect revenues received and to administer and enforce state motor vehicle laws and traffic regulations. As shown on the Balance Sheets, the fund ended the fiscal year with assets of \$116.2 million, liabilities of \$11.8 million, deferred inflows of resources \$0.7 million and a restricted fund balance of \$103.7 million. The Constitution requires the balance of funds remaining after other state agency expenditures be transferred to the Road Fund.

As shown on the Statements of Revenues, Expenditures and Changes in Fund Balances of the governmental funds, the Highway Fund had \$716.4 million in revenues, compared to \$726.3 million from 2016. The decrease is from lower motor fuel tax and motor vehicle and drivers' license receipts as well as cost reimbursements from local entities. In 2016, revenues were \$39.3 million more than 2015.

State Road Fund: The Road Fund was constitutionally established to receive monies from highway user fees transferred from the Highway Fund, the motor vehicle sales tax, the federal government and other revenues. This is the primary operating fund of the Department and pays to construct, improve and maintain the state highway system and to administer the Commission and the Department. The fund ended the year with assets of \$856.8 million, a decrease of \$110.8 million from 2016. This compares to an increase in 2016 of \$38.5 million from 2015. Deferred inflows of resources for the fund were \$23.2 million compared to \$17.7 million in fiscal year 2016. Liabilities totaled \$110.0 million, a decrease of \$11.2 million from 2016, and fund balances totaled \$723.5 million, a decrease of \$105.1 million from 2016 compared to an increase of \$34.5 million in 2016 from 2015.

State Road Bond Fund: The 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 \$56.5 million, compared to \$53.0 million in 2016. The American Recovery and Reinvestment Act of 2009 (ARRA) revenue represents the federal government subsidy received for the Build America Bonds issued in 2010. Sales tax revenue increased \$6.9 million in 2017. Expenditures of the Road Bond Fund were \$180.7 million in 2017 compared to \$181.3 million in 2016.

Proprietary Funds

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

As shown on the Statements of Net Position – Proprietary Funds, total assets increased \$0.1 million in 2017 compared to an increase of \$6.3 million in 2016. Total current liabilities of the proprietary funds at the end of 2017 were \$47.1 million, an increase of \$3.5 million from 2016. Total pending self insurance claims and incurred but not reported claims decreased \$5.6 million compared to a \$5.2 million increase in 2016 from 2015.

Total net position of the internal service funds increased at the end of the current fiscal year to \$39.6 million, compared to a slight increase in fiscal year 2016 from 2015. Highway workers' compensation and general liability expenses decreased \$10.3 million while nonoperating revenues had a decrease of \$1.8 million due to a negative market value adjustment on investments.

The largest operating expenses of the proprietary funds, medical and prescription drug benefits, totaled \$125.8 million compared to \$117.7 million in 2016. This accounts for 82.6 percent of the total operating expenses, compared to 77.3 percent in 2016. This \$8.1 million increase compares to a \$3.7 million increase in 2016 from 2015. The net income of the Self Insurance Fund was \$11.1 million in fiscal year 2017 compared to \$4.2 million in fiscal year 2016. The change in net position of the medical and life insurance plan was a negative \$5.6 million in fiscal year 2017 compared to a negative change in net position of \$4.0 million in fiscal year 2016. The operating loss can be attributed to an increase in the dollar amount of medical and prescription drug claims as well as the change in incurred but not reported claims.

Fiduciary Funds

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

SIGNIFICANT EVENTS FOR THE YEAR ENDED JUNE 30, 2017

On December 6, 2016, the Commission authorized the calling of Senior Lien State Road Bonds, Series 2006, totaling \$90,860,000, which were callable February 1, 2017, and Second Lien State Road Bonds, Series 2007, totaling \$26,965,000, which were callable May 1, 2017. By calling these bonds, the Commission saved approximately \$22.7 million in interest between August 1, 2017 through April 30, 2027.

During 2017, the construction project to replace the U.S. Route 69 Bridges over the Missouri River between Platte County, Missouri and Wyandotte County, Kansas was completed. The project cost of \$78.7 million has been split with the state of Kansas. The southbound U.S. Route 69 Bridge, referred to as the Fairfax Bridge, was built in 1933. The northbound U.S. Route 69 Bridge, referred to as the Platte Purchase Bridge, was built in 1957. Both were built for the vehicles used at the time they were constructed and not for the heavy loads and high volume of truck traffic found today in this industrial zone.

Also completed in 2017 was the project to convert U.S. Route 60 to a freeway between Greene County Farm Road 241 west of Rogersville and Chicory Road east of Rogersville. The project cost \$35.7 million.

The Columbia Interstate 70 (I-70) Bridges project cost \$18.0 million to replace three bridges over local streets in Columbia. The I-70 bridges cross over Business Loop 70/West Boulevard, Garth Avenue and MO Route 763/Rangeline Street. The project was awarded in June 2015, with construction starting in August 2015. The project was completed in August 2016.

The Route 141 at I-44 Improvement Design-Build project costing \$22.0 million was awarded in January 2016. The project will improve connections at the Interstate 44/Route 141 interchanges as well as at Route 141 and Vance Road. Construction began in June 2016 and will be completed by the summer of 2018.

The Poplar Street Ramp project is currently underway with improvements to the eastbound bridge (eastbound I-64 and northbound I-55) over the Mississippi River. Crews are placing a new overlay on the bridge and widening the ramp from northbound I-55 to the bridge. The total project cost is \$54.0 million and is expected to be completed by fall 2018.

Construction will begin in the fall 2017 on a new bridge over the Mississippi River, connecting Louisiana, Missouri with the state of Illinois. In 2015, the project received a \$10.0 million Transportation Investment Generating Economic Recovery (TIGER) Grant from the U.S. Department of Transportation. The project was awarded in June 2017. The estimated cost of \$65.0 million will be split between Missouri and Illinois. The new bridge is expected to be completed by November 2019.

MoDOT, along with the city of Washington, Franklin County and Warren County, will replace the deteriorating 1936 Missouri River Bridge located on Route 47. This bridge provides a vital link between Warren County and Franklin County. The project is expected to cost \$69.0 million. In 2014, the project received a \$10.0 million TIGER Grant from the U.S. Department of Transportation. The groundbreaking for the new bridge was in August 2016, and the project schedule calls for construction of the new bridge to be completed in 2019.

In fiscal year 2017, the construction award amount was less than the budgeted amount as it was in fiscal years 2016 and 2015. The Department has successfully used a variety of innovations, which focus on getting the most value for each tax dollar, to minimize the impacts of rising costs. These innovations include:

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

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

CAPITAL ASSETS AND LONG-TERM OBLIGATION ADMINISTRATION

Capital Assets

The Department's investment in capital assets for its governmental activities as of June 30, 2017, totals \$55.2 billion, with accumulated depreciation of \$25.1 billion and a net value of \$30.1 billion. The net value represents an increase of \$179.8 million from fiscal year 2016, compared to an increase of \$238.8 million in 2016 from 2015. These assets are summarized in the table below. Additional information about the Department's capital assets is presented in the Notes to the Financial Statements.

(Amounts in millions)	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>Percent Change 2017-2016</u>
Land and permanent easements	\$ 2,636	\$ 2,642	\$ 2,634	(0.2)%
Software in progress	3	4	4	(25.0)
Construction in progress	17	11	13	54.5
Infrastructure in progress	1,479	1,405	1,682	5.3
Land improvements	15	16	16	(6.3)
Buildings	149	154	160	(3.2)
Software	9	7	6	28.6
Vehicles and equipment	198	188	176	5.3
Temporary easements	1	1	1	---
Infrastructure	<u>25,587</u>	<u>25,486</u>	<u>25,025</u>	<u>0.4</u>
Total	<u>\$30,094</u>	<u>\$29,914</u>	<u>\$29,717</u>	<u>0.6%</u>

As provided by generally accepted accounting principles (GAAP), the Department records its infrastructure assets at actual or estimated historical cost. Included in infrastructure are 33,856 miles of highways and 10,403 bridges that the Department is responsible for maintaining.

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

Long-Term Obligation Administration

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

(Amounts in millions)	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>Percent Change 2017-2016</u>
State road bonds	\$2,032	\$2,341	\$2,510	(13.2)%
Premium on bonds	134	167	199	(19.8)
Advances from other entities	1	1	7	---
Capital lease obligations*	---	---	---	---
Compensated absences	33	32	32	3.1
Other liabilities	<u>1</u>	<u>13</u>	<u>7</u>	<u>(92.3)</u>
Total obligations	2,201	2,554	2,755	(13.8)
Current portion of obligations	<u>221</u>	<u>224</u>	<u>202</u>	<u>(1.3)</u>
Total noncurrent obligations	<u>\$1,980</u>	<u>\$2,330</u>	<u>\$2,553</u>	<u>(15.0)%</u>

*Due to rounding, capital lease obligations do not show on this table.

The Department's total noncurrent obligations, excluding pending self insurance claims, incurred but unreported claims, pension and other post-employment benefit obligations decreased \$350.0 million from 2016, compared to a decrease of \$223.0 million in 2016 from 2015. At the end of the current fiscal year, state road bonds total \$2.0 billion, or 92.3 percent, of the total obligations. Revenues collected under Article IV, Section 30(a) and (b) of the Missouri Constitution and revenues collected from federal highway reimbursements secure the bonds. These revenues are state highway user fees, including fuel taxes, sales taxes, licenses and fees and federal highway reimbursements. Principal payments are due on various dates through fiscal year 2033.

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

The Department has entered into various capital lease obligations totaling \$89.0 thousand in fiscal year 2017. The lease agreements provide a means of financing office equipment. Capital lease payments mature on various dates through fiscal year 2020.

RECENT EVENTS AND FUTURE BUDGETS

The Department's fiscal year 2018 budget for all funds was approved by the Legislature in May 2017 and signed into law by the Governor in June 2017. The fund level is the legal level of control for the State Road Fund, with approval of the State Road Fund budget by the Commission. The Commission approved the budget for all funds in June 2017, with a total spending plan of \$2.1 billion. The fiscal year 2018 budget is slightly less than the fiscal year 2017 budget, and it is significantly smaller than the fiscal year 2011 budget of \$3.0 billion. Program funds over the next several years will continue to focus on taking care of the existing transportation system.

In December 2015, Congress passed the Fixing America's Surface Transportation (FAST) Act, which is a five-year, \$305.0 billion transportation bill for the nation's transportation projects. Prior to the FAST Act, Congress had not passed a long-term highway authorization act since 2005. The FAST Act is funded with receipts into the Highway Trust Fund, a transfer of \$24.0 billion from the General Fund and additional funding offsets to pay for the bill. Despite the good news of a five-year transportation bill, Congress still needs to work on a long-term source of transportation revenue to support the nation's infrastructure needs.

Annually, the Department prepares a financial forecast that is used to develop its STIP. The financial forecast for the 2018-2022 STIP projected higher state revenues. In addition, the passage of the FAST Act created federal funding stability and reduced the federal reimbursement risk which all state departments of transportation were facing. MoDOT's 2018-2022 STIP presents a multi-year plan that uses available cash balances to meet current federal funding investment levels. The result is an increase in construction awards. Even with the higher contractor awards, the funds available will be focused primarily on maintaining the current transportation system. This means more maintenance-related activities like resurfacing and bridge repair projects rather than expansion projects. The financial forecast will be refreshed in the fall and will determine the projected awards for the upcoming years.

The STIP further illustrates the downturn in MoDOT's construction budget which peaked at \$1.3 billion in 2009. In fiscal year 2018, construction awards are projected to be \$850.0 million. Since 1992, concrete and asphalt costs have outpaced fuel tax revenue two-to-one. With no new funding source available in the near future, the Department will work closely with planning partners and other transportation stakeholders to keep the funding conversation going.

ECONOMIC CONDITIONS

The current economic environment presents government entities, including state transportation departments, with challenges. Consumer sentiment indices have shown an increase in consumer confidence. The unemployment rate in Missouri continues to be lower than the previous year. Even though these economic indicators show an improved economy, only one of the three major state transportation revenue sources increased in fiscal year 2017. Fuel prices have stayed low in the last year; however, motor fuel taxes collected were slightly less in fiscal year 2017. A certain amount of uncertainty exists as to the sustainability of the growth from these sources. The bidding environment for fiscal year 2016 was favorable and continued to be so in fiscal year 2017. During the previous five fiscal years, 2013-2017, 1,825 highway and bridge construction projects estimated at \$3.5 billion were awarded for \$3.4 billion, a 3.9 percent difference.

CONTACTING THE DEPARTMENT'S FINANCIAL MANAGEMENT

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



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Government-wide Financial Statements

Statements of Net Position

June 30, 2017 and 2016

	Governmental Activities	
	2017	2016
		(as restated)
Assets		
Current assets		
Cash and cash equivalents	\$ 735,838,760	\$ 851,668,623
Investments	7,553,550	12,779,431
Restricted cash and investments	67,826,250	71,178,800
State taxes and fees receivables	143,508,731	142,229,949
Federal government receivables	78,502,569	70,927,120
Miscellaneous receivables, net	20,546,436	15,597,914
Loans receivable	350,320	335,522
Inventories	<u>38,789,753</u>	<u>39,614,030</u>
Total current assets	<u>1,092,916,369</u>	<u>1,204,331,389</u>
Noncurrent assets		
Investments	112,139,409	106,988,131
Restricted cash and investments	200,000	200,000
Miscellaneous receivables, net	6,091,519	5,807,931
Loans receivable	757,249	705,904
Capital assets		
Assets not being depreciated	4,135,075,767	4,061,742,498
Assets being depreciated, net	<u>25,958,562,127</u>	<u>25,852,125,175</u>
Total noncurrent assets	<u>30,212,826,071</u>	<u>30,027,569,639</u>
Total assets	<u>31,305,742,440</u>	<u>31,231,901,028</u>
Deferred Outflows of Resources		
Bond refunding	52,372,552	65,558,383
Pension related items	<u>214,697,361</u>	<u>123,426,909</u>
Total deferred outflows of resources	<u>267,069,913</u>	<u>188,985,292</u>
Liabilities		
Current liabilities		
Accounts payable	104,236,351	96,337,030
Accrued payroll	27,335,613	24,647,420
Accrued interest payable	19,411,065	23,729,154
Deposits	1,691,290	1,444,038
Unearned revenue	15,110,108	29,274,881
Pending self insurance claims	18,554,000	18,319,000
Incurred but not reported claims	17,513,000	15,043,000
Financing and other obligations	<u>221,452,019</u>	<u>224,004,142</u>
Total current liabilities	<u>425,303,446</u>	<u>432,798,665</u>
Noncurrent liabilities		
Pending self insurance claims	45,911,362	52,156,358
Incurred but not reported claims	12,898,000	14,928,000
Net pension liability	1,097,719,514	1,061,941,581
Other post-employment benefit obligations	430,230,759	405,682,013
Financing and other obligations	<u>1,979,277,591</u>	<u>2,329,683,542</u>
Total noncurrent liabilities	<u>3,566,037,226</u>	<u>3,864,391,494</u>
Total liabilities	<u>3,991,340,672</u>	<u>4,297,190,159</u>
Deferred Inflows of Resources		
Pension related items	<u>92,267,750</u>	<u>77,129,141</u>
Total deferred inflows of resources	<u>92,267,750</u>	<u>77,129,141</u>
Net Position		
Net investment in capital assets	27,978,519,641	27,470,764,600
Restricted for:		
Internal service fund requirements	300,000	300,000
Unrestricted	<u>(489,615,710)</u>	<u>(424,497,580)</u>
Total net position	<u>\$27,489,203,931</u>	<u>\$27,046,567,020</u>

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

Statements of Activities

Years Ended June 30, 2017 and 2016

	Governmental Activities	
	2017	2016 (as restated)
Transportation Program Expenses		
Administration	\$ 24,255,235	\$ 25,373,979
Fleet, facilities and information systems	28,960,762	18,087,833
Maintenance	345,806,713	328,987,552
Construction	210,251,946	258,845,906
Multimodal operations	100,952,203	93,500,288
Interest	93,642,644	104,189,809
Other state agencies	234,614,300	225,148,535
Self insurance	9,670,509	21,603,919
Medical and life insurance	123,667,664	111,561,195
Pension	87,675,310	78,195,709
Other post-employment benefits	43,615,470	44,004,939
Depreciation	<u>512,939,543</u>	<u>474,319,704</u>
Total transportation program expenses	<u>1,816,052,299</u>	<u>1,783,819,368</u>
Transportation Program Revenues		
Charges for services		
Licenses, fees and permits	304,982,410	310,073,315
Intergovernmental/cost reimbursements/miscellaneous	74,793,721	68,181,024
Interest	31,360	18,741
Member insurance premiums	<u>44,802,994</u>	<u>41,988,794</u>
Total charges for services	424,610,485	420,261,874
Federal government		
American Recovery and Reinvestment Act	19,449,388	18,159,624
Operating	78,484,273	77,468,102
Capital	<u>847,191,182</u>	<u>826,329,207</u>
Total federal government	<u>945,124,843</u>	<u>921,956,933</u>
Total transportation program revenues	<u>1,369,735,328</u>	<u>1,342,218,807</u>
Net expense of transportation program	<u>(446,316,971)</u>	<u>(441,600,561)</u>
General Revenues		
Fuel taxes	512,713,475	517,365,842
Sales taxes	363,278,972	350,372,094
Unrestricted investment earnings (loss)	3,853,491	9,101,047
State appropriations	22,136,245	14,216,345
Gain (loss) on sale of capital assets	<u>(13,028,301)</u>	<u>(7,450,659)</u>
Total general revenues	<u>888,953,882</u>	<u>883,604,669</u>
Changes in Net Position	442,636,911	442,004,108
Net Position, beginning of year, as restated	<u>27,046,567,020</u>	<u>26,604,562,912</u>
Net Position, end of year	<u>\$27,489,203,931</u>	<u>\$27,046,567,020</u>

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, 2017 and 2016

	2017				
	State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 8,143,621	\$642,302,876	\$41,222,315	\$21,485,089	\$ 713,153,901
State taxes and fees receivables	107,226,800	20,518,821	15,230,435	532,675	143,508,731
Federal government receivables	---	67,250,884	---	11,251,685	78,502,569
Miscellaneous receivables, net	875,534	20,125,762	75,488	2,680,502	23,757,286
Loans receivable	---	---	---	1,107,569	1,107,569
Due from other funds	---	41,899	---	---	41,899
Inventories	---	38,789,753	---	---	38,789,753
Restricted cash and investments	---	67,726,250	---	---	67,726,250
Total assets	<u>\$116,245,955</u>	<u>\$856,756,245</u>	<u>\$56,528,238</u>	<u>\$37,057,520</u>	<u>\$1,066,587,958</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ 1,561,605	\$ 85,717,310	\$ ---	\$ 14,884,213	\$ 102,163,128
Accrued payroll	10,249,323	16,969,618	---	116,672	27,335,613
Deposits	---	1,691,290	---	---	1,691,290
Unearned revenue	---	5,587,783	---	521,539	6,109,322
Due to other funds	---	---	---	41,899	41,899
Total liabilities	<u>11,810,928</u>	<u>109,966,001</u>	<u>---</u>	<u>15,564,323</u>	<u>137,341,252</u>
Deferred Inflows of Resources					
Deferred Revenues	<u>721,293</u>	<u>23,242,236</u>	<u>---</u>	<u>38,312</u>	<u>24,001,841</u>
Total deferred inflows of resources	<u>721,293</u>	<u>23,242,236</u>	<u>---</u>	<u>38,312</u>	<u>24,001,841</u>
Fund balances					
Nonspendable – inventories	---	38,789,753	---	---	38,789,753
Restricted – highways and transportation	<u>103,713,734</u>	<u>684,758,255</u>	<u>56,528,238</u>	<u>21,454,885</u>	<u>866,455,112</u>
Total fund balances	<u>103,713,734</u>	<u>723,548,008</u>	<u>56,528,238</u>	<u>21,454,885</u>	<u>905,244,865</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$116,245,955</u>	<u>\$856,756,245</u>	<u>\$56,528,238</u>	<u>\$37,057,520</u>	<u>\$1,066,587,958</u>

2016

State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 15,081,847	\$756,042,660	\$36,713,588	\$ 22,072,948	\$ 829,911,043
104,483,200	20,966,553	16,217,942	562,254	142,229,949
---	64,253,437	---	6,673,683	70,927,120
1,544,780	15,579,806	69,720	1,213,028	18,407,334
---	---	---	1,041,426	1,041,426
---	40,001	---	---	40,001
---	39,614,030	---	---	39,614,030
---	71,078,800	---	---	71,078,800
<u>\$121,109,827</u>	<u>\$967,575,287</u>	<u>\$53,001,250</u>	<u>\$31,563,339</u>	<u>\$1,173,249,703</u>
\$ 2,741,039	\$ 82,612,096	\$ ---	\$ 8,874,887	\$ 94,228,022
7,890,786	16,642,327	---	114,307	24,647,420
---	1,444,038	---	---	1,444,038
---	20,492,786	---	621,091	21,113,877
---	---	---	40,001	40,001
<u>10,631,825</u>	<u>121,191,247</u>	<u>---</u>	<u>9,650,286</u>	<u>141,473,358</u>
1,400,916	17,724,896	---	57,207	19,183,019
<u>1,400,916</u>	<u>17,724,896</u>	<u>---</u>	<u>57,207</u>	<u>19,183,019</u>
---	39,614,030	---	---	39,614,030
109,077,086	789,045,114	53,001,250	21,855,846	972,979,296
<u>109,077,086</u>	<u>828,659,144</u>	<u>53,001,250</u>	<u>21,855,846</u>	<u>1,012,593,326</u>
<u>\$121,109,827</u>	<u>\$967,575,287</u>	<u>\$53,001,250</u>	<u>\$31,563,339</u>	<u>\$1,173,249,703</u>



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

Governmental Funds

June 30, 2017 and 2016

	<u>Total</u>	
	<u>2017</u>	<u>2016</u> (as restated)
Fund balances – total governmental funds	\$ 905,244,865	\$ 1,012,593,326
Amounts reported for governmental activities in the statements of net position are different because:		
Capital assets, net of accumulated depreciation of \$25,090,765,397 and \$24,657,958,757 in 2017 and 2016, respectively, used in governmental activities are not financial resources and therefore are not reported in the funds.	30,093,637,894	29,913,867,673
Amounts resulting from the difference calculated between the reacquisition price and the net carrying amount of refunded bonds, reported as deferred outflows of resources, are not reported in the funds.	52,372,552	65,558,383
Some revenue will be collected after the availability period and is deferred in the fund statements. However, it is recognized in the government-wide statements.	24,001,841	19,183,019
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	14,091,091	19,699,741
Self insurance plan	25,517,025	14,407,542
Certain changes in the net pension liability are amortized over time and are not reported in the funds.	122,429,611	46,297,768
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	(2,200,729,610)	(2,553,687,684)
Net pension liability	(1,097,719,514)	(1,061,941,581)
Other post-employment benefits obligations	(430,230,759)	(405,682,013)
Accrued interest payable	<u>(19,411,065)</u>	<u>(23,729,154)</u>
Total net position – governmental activities	<u>\$27,489,203,931</u>	<u>\$27,046,567,020</u>

Statements of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Years Ended June 30, 2017 and 2016

	2017				
	State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Fuel taxes	\$ 512,345,751	\$ 109,012	\$ ---	\$ 258,712	\$ 512,713,475
Sales taxes	1,770,005	174,035,516	178,800,852	8,672,599	363,278,972
Licenses, fees and permits	198,945,776	103,623,543	---	2,431,986	305,001,305
Intergovernmental/cost reimbursements/miscellaneous	3,045,166	58,668,068	---	1,658,752	63,371,986
Investment earnings	337,239	2,736,949	407,261	83,042	3,564,491
American Recovery and Reinvestment Act	---	7,899,747	4,972,274	6,577,367	19,449,388
State government	---	---	---	22,136,245	22,136,245
Federal government	---	845,485,480	---	78,484,273	923,969,753
Total revenues	<u>716,443,937</u>	<u>1,192,558,315</u>	<u>184,180,387</u>	<u>120,302,976</u>	<u>2,213,485,615</u>
Expenditures					
Current					
Administration	---	50,824,538	---	---	50,824,538
Fleet, facilities and information systems	---	38,271,681	---	---	38,271,681
Maintenance	---	437,676,643	---	18,786,939	456,463,582
Construction	---	278,780,555	---	---	278,780,555
Multimodal operations	---	795,061	---	101,348,830	102,143,891
Capital outlay	---	710,606,260	---	573,781	711,180,041
Debt service	---	245,308,732	180,653,399	---	425,962,131
Other state agencies	262,666,213	---	---	---	262,666,213
Total expenditures	<u>262,666,213</u>	<u>1,762,263,470</u>	<u>180,653,399</u>	<u>120,709,550</u>	<u>2,326,292,632</u>
Excess of revenues over (under) expenditures	<u>453,777,724</u>	<u>(569,705,155)</u>	<u>3,526,988</u>	<u>(406,574)</u>	<u>(112,807,017)</u>
Other Financing Sources (Uses)					
Capital leases issued	---	16,580	---	---	16,580
Capital asset sales	---	5,436,363	---	5,613	5,441,976
Transfers in	---	459,141,076	---	---	459,141,076
Transfers out	(459,141,076)	---	---	---	(459,141,076)
Total other financing sources (uses)	<u>(459,141,076)</u>	<u>464,594,019</u>	<u>---</u>	<u>5,613</u>	<u>5,458,556</u>
Net Changes in Fund Balances	(5,363,352)	(105,111,136)	3,526,988	(400,961)	(107,348,461)
Fund Balances, beginning of year	<u>109,077,086</u>	<u>828,659,144</u>	<u>53,001,250</u>	<u>21,855,846</u>	<u>1,012,593,326</u>
Fund Balances, end of year	<u>\$ 103,713,734</u>	<u>\$ 723,548,008</u>	<u>\$ 56,528,238</u>	<u>\$ 21,454,885</u>	<u>\$ 905,244,865</u>

2016

State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 516,986,442	\$ 108,038	\$ ---	\$ 271,362	\$ 517,365,842
1,645,590	167,352,857	171,930,722	9,442,925	350,372,094
201,373,934	106,613,651	---	2,085,554	310,073,139
6,061,285	59,646,822	---	1,857,031	67,565,138
279,890	5,476,537	476,634	126,162	6,359,223
---	6,886,393	5,992,537	5,280,694	18,159,624
---	---	---	14,216,345	14,216,345
---	<u>829,766,092</u>	---	<u>77,654,690</u>	<u>907,420,782</u>
<u>726,347,141</u>	<u>1,175,850,390</u>	<u>178,399,893</u>	<u>110,934,763</u>	<u>2,191,532,187</u>
---	51,364,549	---	---	51,364,549
---	38,744,419	---	---	38,744,419
---	417,298,473	---	18,665,396	435,963,869
---	296,945,465	---	---	296,945,465
---	878,037	---	93,768,563	94,646,600
---	689,975,795	---	902,663	690,878,458
---	119,119,645	181,257,086	---	300,376,731
<u>251,143,437</u>	---	---	---	<u>251,143,437</u>
<u>251,143,437</u>	<u>1,614,326,383</u>	<u>181,257,086</u>	<u>113,336,622</u>	<u>2,160,063,528</u>
<u>475,203,704</u>	<u>(438,475,993)</u>	<u>(2,857,193)</u>	<u>(2,401,859)</u>	<u>31,468,659</u>
---	113,977	---	---	113,977
---	11,883,856	---	4,708	11,888,564
---	460,974,437	---	---	460,974,437
<u>(460,760,010)</u>	---	---	<u>(214,427)</u>	<u>(460,974,437)</u>
<u>(460,760,010)</u>	<u>472,972,270</u>	---	<u>(209,719)</u>	<u>12,002,541</u>
14,443,694	34,496,277	(2,857,193)	(2,611,578)	43,471,200
<u>94,633,392</u>	<u>794,162,867</u>	<u>55,858,443</u>	<u>24,467,424</u>	<u>969,122,126</u>
<u>\$ 109,077,086</u>	<u>\$ 828,659,144</u>	<u>\$ 53,001,250</u>	<u>\$ 21,855,846</u>	<u>\$ 1,012,593,326</u>

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



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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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Net changes in fund balances – total governmental funds	\$(107,348,461)	\$ 43,471,200
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. This is the amount by which capital outlays and donated assets (\$711,180,041 and \$690,878,458 for 2017 and 2016, respectively) exceed depreciation (\$512,939,543 and \$474,319,704 for 2017 and 2016, respectively) in the current period.	198,240,498	216,558,754
In the statements of activities, only the gain on the sale of the assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the book value of the assets sold.	(18,470,277)	(19,339,223)
Certain revenues in the statements of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	4,818,822	(9,494,022)
Certain pension-related expenses, not applicable to the current period, are not reported in the governmental funds.	128,029,220	123,756,827
Proceeds from the issuance of long-term debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.	308,633,104	174,988,817
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	(1,144,075)	714,966
Interest expense recognition	23,669,803	21,084,127
Claims and judgments	12,931,500	(6,757,940)
Net pension liability	(87,675,310)	(78,195,709)
Other post-employment benefits obligations	(24,548,746)	(24,938,215)
Internal service funds are used by management for the medical and life insurance plan and the self insurance plan. The net revenue (expense) of certain internal service funds is reported with governmental activities.		
Medical and life insurance plan	(5,608,650)	(4,010,093)
Self insurance plan	<u>11,109,483</u>	<u>4,164,619</u>
Changes in net position – governmental activities	<u>\$ 442,636,911</u>	<u>\$ 442,004,108</u>

Statements of Net Position

Proprietary Funds

June 30, 2017 and 2016

	<u>Internal Service Funds</u>	
	<u>2017</u>	<u>2016</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 22,684,859	\$ 21,757,580
Investments	7,553,551	12,779,431
Restricted investments	100,000	100,000
Miscellaneous receivables	<u>2,880,669</u>	<u>2,998,511</u>
Total current assets	<u>33,219,079</u>	<u>37,635,522</u>
Noncurrent assets		
Investments	112,139,408	106,988,131
Restricted investments	<u>200,000</u>	<u>200,000</u>
Total noncurrent assets	<u>112,339,408</u>	<u>107,188,131</u>
Total assets	<u>145,558,487</u>	<u>144,823,653</u>
Liabilities		
Current liabilities		
Accounts payable	2,073,223	2,109,008
Unearned revenue	9,000,786	8,161,004
Pending self insurance claims	18,554,000	18,319,000
Incurred but not reported claims	<u>17,513,000</u>	<u>15,043,000</u>
Total current liabilities	<u>47,141,009</u>	<u>43,632,012</u>
Noncurrent liabilities		
Pending self insurance claims	45,911,362	52,156,358
Incurred but not reported claims	<u>12,898,000</u>	<u>14,928,000</u>
Total noncurrent liabilities	<u>58,809,362</u>	<u>67,084,358</u>
Total liabilities	<u>105,950,371</u>	<u>110,716,370</u>
Net Position		
Restricted net position	300,000	300,000
Unrestricted net position	<u>39,308,116</u>	<u>33,807,283</u>
Total net position	<u>\$ 39,608,116</u>	<u>\$ 34,107,283</u>

Statements of Revenues, Expenses and Changes in Net Position

Proprietary Funds

Years Ended June 30, 2017 and 2016

	<u>Internal Service Funds</u>	
	<u>2017</u>	<u>2016</u>
Operating Revenues		
Self insurance premiums		
Highway workers' compensation	\$ 6,000,000	\$ 7,200,000
Highway patrol workers' compensation	2,400,000	2,352,989
Highway fleet vehicle liability	1,400,000	1,400,000
Highway general liability	10,500,000	12,500,000
Medical insurance premiums		
State	83,984,937	77,481,522
Member	44,802,994	41,988,794
Other	<u>8,497,092</u>	<u>6,679,183</u>
Total operating revenues	<u>157,585,023</u>	<u>149,602,488</u>
Operating Expenses		
Self insurance programs		
Highway workers' compensation	7,675,779	5,557,142
Highway patrol workers' compensation	2,288,997	2,155,211
Highway fleet vehicle liability	2,368,566	4,456,861
Highway general liability	(4,025,947)	8,423,544
Other	1,363,114	1,011,161
Medical and life insurance program		
Insurance premiums	7,225,156	7,146,757
Medical benefits	100,182,279	91,708,347
Prescription drug benefits	28,139,622	24,816,990
Professional fees	1,089,654	1,078,773
Administrative services	<u>6,097,677</u>	<u>5,877,052</u>
Total operating expenses	<u>152,404,897</u>	<u>152,231,838</u>
Operating income (loss)	<u>5,180,126</u>	<u>(2,629,350)</u>
Nonoperating Revenues		
Net appreciation and investment income	<u>320,707</u>	<u>2,783,876</u>
Total nonoperating revenues	<u>320,707</u>	<u>2,783,876</u>
Changes in Net Position	5,500,833	154,526
Net Position, beginning of year	<u>34,107,283</u>	<u>33,952,757</u>
Net Position, end of year	<u>\$ 39,608,116</u>	<u>\$ 34,107,283</u>

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

Statements of Cash Flows

Proprietary Funds

Years Ended June 30, 2017 and 2016

	<u>Internal Service Funds</u>	
	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		
Receipts from interfund services provided	\$ 157,751,403	\$ 149,022,351
Payments for interfund services used	(148,584,666)	(138,522,021)
Payments to suppliers	<u>(8,586,230)</u>	<u>(7,592,042)</u>
Net cash provided by (used in) operating activities	<u>580,507</u>	<u>2,908,288</u>
Cash Flows From Investing Activities		
Proceeds from sale and maturities of investments	49,789,659	76,270,360
Purchases of investments	(51,759,229)	(71,542,538)
Interest received	2,437,552	2,436,767
Investment fees	<u>(121,210)</u>	<u>(118,033)</u>
Net cash provided by (used in) investing activities	<u>346,772</u>	<u>7,046,556</u>
Net increase (decrease) in cash and cash equivalents	927,279	9,954,844
Cash and Cash Equivalents, beginning of year	<u>21,757,580</u>	<u>11,802,736</u>
Cash and Cash Equivalents, end of year	<u>\$ 22,684,859</u>	<u>\$ 21,757,580</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	\$ 5,180,126	\$ (2,629,350)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Receivables	166,380	(580,136)
Accounts and claims payable	(5,605,781)	5,568,488
Unearned revenue	<u>839,782</u>	<u>549,286</u>
Net cash provided by (used in) operating activities	<u>\$ 580,507</u>	<u>\$ 2,908,288</u>
Noncash Items Impacting Recorded Assets		
Increase (decrease) in fair value of investments	<u>\$ (2,044,174)</u>	<u>\$ 535,175</u>

Statements of Assets and Liabilities

Fiduciary Funds – Agency

June 30, 2017 and 2016

	<u>Agency Funds</u>	
	<u>2017</u>	<u>2016</u>
Assets		
Restricted cash and cash equivalents	\$ 39,915,420	\$ 38,381,651
Other	<u>5,299</u>	<u>774</u>
Total assets	<u>\$ 39,920,719</u>	<u>\$ 38,382,425</u>
Liabilities		
Due to other governments	\$ 4,726,459	\$ 4,474,615
Advances from other governments	<u>35,194,260</u>	<u>33,907,810</u>
Total liabilities	<u>\$ 39,920,719</u>	<u>\$ 38,382,425</u>



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Notes to the Financial Statements



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Note 1: Summary of Significant Accounting Policies

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

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

In 2002, several functions from other state agencies were combined with MoDOT. This consolidation was the result of legislative action and the Governor's Executive Order, which created the "One-Stop Shop" for motor carrier services (MCS), railroad operators and overdimension and overweight permitting. In 2003, by Governor's Executive Order, the Division of Highway Safety was transferred from the Department of Public Safety to MoDOT. Legislation passed in 2014 to recognize that 2003 reorganization, transferring all the authority, powers, duties, and functions of the Division of Highway Safety relating to the motorcycle safety program, the driver improvement program, the ignition interlock program, and other state highway safety programs from the Department of Public Safety to the Commission and Department. In 2006, the unit that audits motor carrier operators was transferred to MoDOT from the Department of Revenue. This unit is responsible for auditing International Fuel Tax Agreement tax returns and International Registration Plan applications.

(A) Financial Reporting Entity

Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*, as amended by GASB Statements 39 and 61, establishes the criteria to be used for defining primary governments, component units and related organizations. The Department does not meet the GASB's criteria to be reported as its own primary government or other stand-alone government and is part of the primary government of the state. Like other state agencies, the Department is included in the financial statements of the state. These financial statements report the funds from which MoDOT spends. The nonmajor Multimodal Fund includes only MoDOT appropriations from the state's General fund. The nonmajor MCS Federal Fund is the Motor Carrier Safety Assistance Program.

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

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

(B) Government-wide and Fund Financial Statements

1. Government-wide Financial Statements

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

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

2. Fund Financial Statements

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

The Department reports the following governmental funds:

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

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

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

Nonmajor Funds – The remaining funds are considered nonmajor. They are special revenue funds, which account for grants and other resources whose use is restricted for a particular purpose.

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 various states and Canadian provinces. These funds are not included in the government-wide statements, because they are held on behalf of various political subdivisions and other interested parties, and they are not available for Department use.

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

1. Government-wide Financial Statements

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

2. Fund Financial Statements

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

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

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

(D) Financial Statement Element Attributes

1. Cash and Cash Equivalents and Investments

Cash and cash equivalents include:

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

Investments are valued at fair value.

2. Inventories

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

3. Interfund Transactions

The Department reports the following types of interfund transactions:

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

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

4. Capital Assets

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

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

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

Vehicles, machinery and equipment	1 to 20 years
Buildings and other improvements	10 to 50 years
Infrastructure	12 to 56 years
Software	5 years
Temporary Easements	3 years

5. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, financial statements may report a separate section for deferred outflows of resources. Deferred outflows of resources consists of the consumption of net position that is applicable to a future reporting period and so will not be recognized as an outflow of resources until then. Deferred outflows of resources related to refunding long-term debt and certain pension contributions and other pension related deferrals are reported in the statement of net position. The deferred bond refunding amount results from the difference in the carrying value of refunded debt and its reacquisition price, and is amortized over the shorter of the life of the refunded or refunding debt. The deferrals related to pension obligations include pension contributions made to the plan between the measurement date of the pension obligations and the end of the fiscal year and the change in proportional share of MoDOT's participation in the plan.

In addition to liabilities, financial statements may report a separate section for deferred inflows of resources. Deferred inflows of resources consists of the acquisition of net position that is applicable to a future reporting period and so will not be recognized as inflow of resources until then. Deferred inflows of resources in the fund financial statements are reported as receivables, when the corresponding revenues are unavailable. Deferred inflows of resources includes federal reimbursements, cost reimbursements and other miscellaneous receivables. For the government-wide financial statements, deferred inflows of resources relate to certain changes in pension obligations that are amortized over future periods.

6. Deposits and Unearned Revenue

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

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

7. Compensated Absences

Under the terms of the Department's personnel policy, Department employees are granted 10 to 14 hours of annual leave per month. Additionally, certain employees can accrue a maximum of 240 hours of compensatory time for unpaid overtime. Employees have accrued annual leave and compensatory time available amounting to \$32,701,303 and \$31,557,228 as of June 30, 2017 and 2016, respectively, recorded in the government-wide financial statements. Because employees are not paid for accumulated sick leave upon retirement or termination, no liability has been recorded for this leave.

8. Bond Premiums, Discounts and Issuance Costs

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

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

9. Pollution Remediation Obligations

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

10. Pensions

Pension-related expenses, liabilities, deferred outflows of resources and deferred inflows of resources have been determined on the same basis as they are reported by the MoDOT and Patrol Employees' Retirement System (MPERS). For this purpose, benefit payments are recognized when due and payable in accordance with the benefit term. Investments are reported at fair value.

11. Fund Balances

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

Nonspendable – This consists of State Road Fund balances of \$38,789,753 and \$39,614,030 at June 30, 2017 and 2016, respectively, representing inventories held.

Restricted – This consists of fund balances that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. Total restricted fund balances of \$866,455,112 and \$972,979,296 at June 30, 2017 and 2016, respectively, were restricted by enabling legislation.

12. Net Position

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

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

Restricted – This consists of assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. Total restricted net position at June 30, 2017 and 2016, \$300,000 and \$300,000, respectively, were restricted by enabling legislation or by outside parties.

Unrestricted – This consists of the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. The unrestricted net position deficits at June 30, 2017 and June 30, 2016, \$489,615,710 and \$424,497,580, respectively, were a result of the inclusion of the net pension liability.

13. Use of Estimates

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

Note 2: Deposits and Investments

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

By policy, investments may include linked deposits, certificates of deposit, commercial paper, bankers' acceptances, repurchase agreements and reverse repurchase agreements, U.S. Treasury obligations and federal agency securities. The Department's investments are reported at fair value. While the majority of the Department's investments are pooled in the State Treasury or with the Department of Revenue, a portion is held at banks outside those state agencies. At June 30, 2017 and 2016, the Department's portfolio of non-pooled funds had \$119,892,959 and \$119,967,562, respectively, of uninsured, unregistered investments held in the Commission's or State's name. Also at June 30, 2017 and 2016, the Department had book balances of \$22,680,563 and \$21,748,106, respectively, and bank balances of \$24,556,883 and \$22,156,169, respectively, of repurchase agreements. All repurchase agreements were collateralized by securities held by a financial institution's trust department in the Commission's or State's name.

Interest Rate Risk – The State Treasurer's Office policy states it will minimize the risk that the market value of investments will fall due to changes in general interest rates by maintaining an effective duration of less than 2.5 years and holding at least 25.0 percent of the portfolio's total market value in securities with a maturity of 12 months or less. MoDOT's policy for the investment portfolios of non-pooled funds states they are to be structured so securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. At June 30, 2017 and June 30, 2016, the total non-pooled investments of \$119,677,808 and \$119,749,143, respectively, were highly sensitive to interest rate changes because the investments are callable or subject to prepayment. The effective maturities are disclosed based on assumptions provided by the Department's investment advisor.

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

Concentration of Credit Risk – The policies of both the State Treasurer's Office and the Department state investments are to be diversified and limits are set to minimize the risk of loss resulting from excess concentration in a specific maturity, issuer or class of security. The asset allocation is periodically reviewed by the State Treasurer and the Department's investment advisor. At June 30, 2017 and 2016, no investments in any one organization (other than those issued or sponsored by the U.S. Government and those in pooled investments) represented 5.0 percent of total investments.

At June 30, 2017, the Department's cash and investments consisted of the following:

	State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Nonmajor Funds	Internal Service Funds	Agency Funds
Cash and investments:						
Cash and investments pooled in the State Treasury	\$ 8,143,621	\$642,302,876	\$41,222,315	\$21,485,089	\$ ---	\$ ---
Cash deposited with banks	---	---	---	---	4,296	---
U.S. agency obligations	---	---	---	---	119,677,808	---
U.S. Treasury obligations	---	---	---	---	15,151	---
Repurchase agreements	---	---	---	---	22,680,563	---
Total	<u>\$ 8,143,621</u>	<u>\$642,302,876</u>	<u>\$41,222,315</u>	<u>\$21,485,089</u>	<u>\$142,377,818</u>	<u>\$ ---</u>
Restricted assets:						
Cash and investments pooled in the State Treasury	\$ ---	\$ 67,726,250	\$ ---	\$ ---	\$ ---	\$ ---
Cash and investments pooled with the Mo. Dept. of Revenue	---	---	---	---	---	4,721,160
Cash deposited with banks	---	---	---	---	---	35,194,260
U.S. Treasury obligations	---	---	---	---	200,000	---
Certificate of deposit	---	---	---	---	100,000	---
Total	<u>\$ ---</u>	<u>\$ 67,726,250</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 300,000</u>	<u>\$39,915,420</u>

At June 30, 2016, 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	\$15,081,847	\$756,042,660	\$36,713,588	\$22,072,948	\$ ---	\$ ---
Cash deposited with banks	---	---	---	---	9,474	---
U.S. agency obligations	---	---	---	---	119,749,143	---
U.S. Treasury obligations	---	---	---	---	18,419	---
Repurchase agreements	---	---	---	---	21,748,106	---
Total	<u>\$15,081,847</u>	<u>\$756,042,660</u>	<u>\$36,713,588</u>	<u>\$22,072,948</u>	<u>\$141,525,142</u>	<u>\$ ---</u>
Restricted assets:						
Cash and investments pooled in the State Treasury	\$ ---	\$ 71,078,800	\$ ---	\$ ---	\$ ---	\$ ---
Cash and investments pooled with the Mo. Dept. of Revenue	---	---	---	---	---	4,473,841
Cash deposited with banks	---	---	---	---	---	33,907,810
U.S. Treasury obligations	---	---	---	---	200,000	---
Certificate of deposit	---	---	---	---	100,000	---
Total	<u>\$ ---</u>	<u>\$ 71,078,800</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 300,000</u>	<u>\$38,381,651</u>

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

The Department categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs comprised of quoted prices for similar assets or liabilities in active markets. Level 3 inputs are significant unobservable inputs. The Department's participation in the State Treasurer's Office cash and investment pool is reported at fair value based on the Department's proportional share of the pool's assets, which is the equivalent of net asset value. Accordingly, the cash and investments within the State Treasurer's Office pool are not categorized as being level 1, 2 or 3. The State Treasurer's Office redeems securities upon request.

At June 30, 2017, MoDOT's investments held in depository banks have the following average maturities and ratings:

<u>Investment by Type</u>	<u>Rating</u>		<u>Total Investments</u>	<u>Investment Maturities (in years)</u>			<u>Fair Value Measurements</u>	
	<u>Moody's</u>	<u>S&P</u>		<u>Less than 1 year</u>	<u>1-5 years</u>	<u>6-10 years</u>	<u>Level 1</u>	<u>Level 2</u>
Repurchase agreements	Aaa	AA+	\$ 22,680,563	\$22,680,563	\$ ---	\$ ---	\$ ---	\$ 22,680,563
U.S. Treasury obligations	Aaa	AA+	215,151	---	215,151	---	215,151	---
U.S. agency obligations	Aaa	AA+	<u>119,677,808</u>	<u>7,553,551</u>	<u>111,221,793</u>	<u>902,464</u>	---	<u>119,677,808</u>
			<u>\$142,573,522</u>	<u>\$30,234,114</u>	<u>\$111,436,944</u>	<u>\$ 902,464</u>	<u>\$215,151</u>	<u>\$142,358,371</u>

At June 30, 2016, MoDOT's investments held in depository banks have the following average maturities and ratings:

<u>Investment by Type</u>	<u>Rating</u>		<u>Total Investments</u>	<u>Investment Maturities (in years)</u>			<u>Fair Value Measurements</u>	
	<u>Moody's</u>	<u>S&P</u>		<u>Less than 1 year</u>	<u>1-5 years</u>	<u>6-10 years</u>	<u>Level 1</u>	<u>Level 2</u>
Repurchase agreements	Aaa	AA+	\$ 21,748,106	\$21,748,106	\$ ---	\$ ---	\$ ---	\$ 21,748,106
U.S. Treasury obligations	Aaa	AA+	218,419	---	218,419	---	218,419	---
U.S. agency obligations	Aaa	AA+	<u>119,749,143</u>	<u>12,779,431</u>	<u>105,284,593</u>	<u>1,685,119</u>	---	<u>119,749,143</u>
			<u>\$141,715,668</u>	<u>\$34,527,537</u>	<u>\$105,503,012</u>	<u>\$1,685,119</u>	<u>\$218,419</u>	<u>\$141,497,249</u>

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 \$1,361,975 and \$2,005,350 at June 30, 2017 and 2016, respectively. The Department provides an allowance based upon a review of the outstanding receivables, historical collection information and existing economic conditions.

Contributions receivable consists of amounts due from participating employers and members in the Department's insurance and risk management plans. The federal government receivable represents funds to be received on federally-participating projects. Loans receivable represents loans to cities and counties for nonhighway-related projects, such as airport improvements.

Receivables at June 30, 2017 for the government's individual major funds, nonmajor funds and internal service funds were as follows:

	State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Nonmajor Funds
State taxes and fees	\$107,226,800	\$ 20,518,821	\$15,230,435	\$ 532,675
Federal government	---	67,250,884	---	11,251,685
Miscellaneous:				
Reimbursements	800,898	19,014,689	---	2,650,768
Interest	74,636	1,111,073	75,488	29,734
Contributions	---	---	---	---
Total miscellaneous	<u>875,534</u>	<u>20,125,762</u>	<u>75,488</u>	<u>2,680,502</u>
Loans	---	---	---	1,107,569
Total receivables	<u>\$108,102,334</u>	<u>\$107,895,467</u>	<u>\$15,305,923</u>	<u>\$15,572,431</u>

Receivables at June 30, 2016 for the government's individual major funds, nonmajor funds and internal service funds were as follows:

	State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Nonmajor Funds
State taxes and fees	\$104,483,200	\$ 20,966,553	\$16,217,942	\$ 562,254
Federal government	---	64,253,437	---	6,673,683
Miscellaneous:				
Reimbursements	1,484,876	14,541,134	---	1,189,532
Interest	59,904	1,038,672	69,720	23,496
Contributions	---	---	---	---
Total miscellaneous	<u>1,544,780</u>	<u>15,579,806</u>	<u>69,720</u>	<u>1,213,028</u>
Loans	---	---	---	1,041,426
Total receivables	<u>\$106,027,980</u>	<u>\$100,799,796</u>	<u>\$16,287,662</u>	<u>\$ 9,490,391</u>

<u>Internal Service Funds</u>	<u>Total</u>	<u>Due Within One Year</u>
\$ ---	\$ 143,508,731	\$ 143,508,731
---	78,502,569	78,502,569
642,720	23,109,075	17,017,556
294,220	1,585,151	1,585,151
<u>1,943,729</u>	<u>1,943,729</u>	<u>1,943,729</u>
<u>2,880,669</u>	<u>26,637,955</u>	<u>20,546,436</u>
---	<u>1,107,569</u>	<u>350,320</u>
<u>\$2,880,669</u>	<u>\$249,756,824</u>	<u>\$242,908,056</u>

<u>Internal Service Funds</u>	<u>Total</u>	<u>Due Within One Year</u>
\$ ---	\$ 142,229,949	\$ 142,229,949
---	70,927,120	70,927,120
664,603	17,880,145	12,072,214
245,682	1,437,474	1,437,474
<u>2,088,226</u>	<u>2,088,226</u>	<u>2,088,226</u>
<u>2,998,511</u>	<u>21,405,845</u>	<u>15,597,914</u>
---	<u>1,041,426</u>	<u>335,522</u>
<u>\$2,998,511</u>	<u>\$235,604,340</u>	<u>\$229,090,505</u>

Note 4: Capital Assets

Changes in capital assets for the year ended June 30, 2017 are summarized below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
Nondepreciable capital assets					
Land and permanent easements	\$ 2,641,917,873	\$ 123,898	\$ 6,818,253	\$ 1,117,034	\$ 2,636,340,552
Software in progress	4,573,973	1,437,258	---	(2,664,616)	3,346,615
Construction in progress	10,809,355	9,522,231	---	(3,592,482)	16,739,104
Infrastructure in progress	<u>1,404,441,297</u>	<u>657,097,218</u>	<u>---</u>	<u>(582,889,019)</u>	<u>1,478,649,496</u>
Total nondepreciable capital assets	<u>4,061,742,498</u>	<u>668,180,605</u>	<u>6,818,253</u>	<u>(588,029,083)</u>	<u>4,135,075,767</u>
Depreciable/amortizable capital assets					
Land improvements	30,415,200	147,291	132,217	152,888	30,583,162
Buildings	272,062,856	1,348,119	617,181	2,322,560	275,116,354
Software	27,180,453	2,131,813	371,478	2,664,616	31,605,404
Equipment and vehicles	521,495,252	39,132,577	24,311,655	---	536,316,174
Temporary easements	1,793,463	234,251	519,072	---	1,508,642
Infrastructure	<u>49,657,136,708</u>	<u>5,385</u>	<u>65,833,324</u>	<u>582,889,019</u>	<u>50,174,197,788</u>
Total depreciable/amortizable capital assets	<u>50,510,083,932</u>	<u>42,999,436</u>	<u>91,784,927</u>	<u>588,029,083</u>	<u>51,049,327,524</u>
Accumulated depreciation/amortization					
Land improvements	14,273,111	1,227,769	29,914	---	15,470,966
Buildings	118,265,985	8,235,294	466,417	---	126,034,862
Software	20,524,991	2,276,536	368,180	---	22,433,347
Equipment and vehicles	333,760,597	28,465,654	23,495,409	---	338,730,842
Temporary easements	446,753	597,738	518,822	---	525,669
Infrastructure	<u>24,170,687,320</u>	<u>472,136,552</u>	<u>55,254,161</u>	<u>---</u>	<u>24,587,569,711</u>
Total accumulated depreciation/amortization	<u>24,657,958,757</u>	<u>512,939,543</u>	<u>80,132,903</u>	<u>---</u>	<u>25,090,765,397</u>
Total depreciable/amortizable capital assets, net	<u>25,852,125,175</u>	<u>(469,940,107)</u>	<u>11,652,024</u>	<u>588,029,083</u>	<u>25,958,562,127</u>
Total net capital assets	<u>\$ 29,913,867,673</u>	<u>\$198,240,498</u>	<u>\$18,470,277</u>	<u>\$ ---</u>	<u>\$30,093,637,894</u>

Changes in capital assets for the year ended June 30, 2016, as restated, are summarized below:

<u>Beginning Balance</u> (as restated)	<u>Additions</u>	<u>Deletions/ Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
\$ 2,633,659,470	\$ 382,727	\$ 4,748,798	\$ 12,624,474	\$ 2,641,917,873
3,891,104	809,167	---	(126,298)	4,573,973
12,974,826	12,872,959	---	(15,038,430)	10,809,355
<u>1,682,038,907</u>	<u>628,975,148</u>	<u>---</u>	<u>(906,572,758)</u>	<u>1,404,441,297</u>
<u>4,332,564,307</u>	<u>643,040,001</u>	<u>4,748,798</u>	<u>(909,113,012)</u>	<u>4,061,742,498</u>
29,863,040	331,283	71,943	292,820	30,415,200
272,895,909	2,688,759	5,642,948	2,121,136	272,062,856
24,117,972	3,120,683	184,500	126,298	27,180,453
509,212,565	40,725,957	28,443,270	---	521,495,252
1,617,932	971,775	796,244	---	1,793,463
<u>48,830,901,017</u>	<u>---</u>	<u>80,337,067</u>	<u>906,572,758</u>	<u>49,657,136,708</u>
<u>49,668,608,435</u>	<u>47,838,457</u>	<u>115,475,972</u>	<u>909,113,012</u>	<u>50,510,083,932</u>
13,078,976	1,212,402	18,267	---	14,273,111
112,841,639	8,330,075	2,905,729	---	118,265,985
18,190,122	2,519,369	184,500	---	20,524,991
333,373,497	27,406,545	27,019,445	---	333,760,597
703,770	539,227	796,244	---	446,753
<u>23,806,336,596</u>	<u>434,312,086</u>	<u>69,961,362</u>	<u>---</u>	<u>24,170,687,320</u>
<u>24,284,524,600</u>	<u>474,319,704</u>	<u>100,885,547</u>	<u>---</u>	<u>24,657,958,757</u>
<u>25,384,083,835</u>	<u>(426,481,247)</u>	<u>14,590,425</u>	<u>909,113,012</u>	<u>25,852,125,175</u>
<u>\$29,716,648,142</u>	<u>\$ 216,558,754</u>	<u>\$ 19,339,223</u>	<u>\$ -----</u>	<u>\$29,913,867,673</u>

Note 5: Risk Management

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

(A) Workers' Compensation, Vehicle and General Liabilities

The Department sets aside assets for the settlement of workers' compensation, vehicle liability and general liability claims in an internal service fund, the MHTC Self Insurance Fund. Section 537.610, RSMo. limits the liability of the state and its public entities on claims within the scope of Sections 537.600 to 537.650, RSMo., except for those claims governed by the provisions of the Missouri Workers' Compensation Law, Chapter 287, RSMo. The limits were \$2,762,789 and \$2,734,567 for all claims arising out of a single accident or occurrence, and \$414,418 and \$410,185 for any one person in a single accident or occurrence, at June 30, 2017 and 2016, respectively, as set by the Missouri Department of Insurance.

Estimated pending self insurance claims represent the expected losses to be realized on known claims pending and include minor non-incremental claims adjustment expenses. Estimated unreported claims represent expected losses or claims incurred but not reported. Amounts are reported based on actuarial calculations. Liabilities for incurred losses related to workers' compensation and general and vehicle liability claims are reported at their discounted value, assuming an investment yield of 2.0 percent.

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

	<u>Beginning Balance</u>	<u>Current Claims and Estimate Changes</u>	<u>Claim Payments</u>	<u>Ending Balance</u>
2017	\$90,646,358	\$ 8,307,395	\$16,377,391	\$82,576,362
2016	84,252,816	20,592,758	14,199,216	90,646,358

(B) Other Claims

Claims for condemnation and inverse condemnation, contractor suits, levy and drainage district suits, environmental regulatory liability and employment suits are paid from the State Road Fund. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. As listed in the Financing and Other Obligations note disclosure, the Department has approximately \$537,500 and \$13,469,000 in claims and judgments payable at June 30, 2017 and 2016, 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 \$3,078,000 and \$17,574,000 as of June 30, 2017 and 2016, respectively. These estimates are within a range of \$1,742,000 to \$11,103,000 and \$5,209,000 to \$121,935,751 as of June 30, 2017 and 2016, respectively.

Note 6: Medical and Life Insurance Plan

The MoDOT and Missouri State Highway Patrol (MSHP) Insurance Plan (the Medical and Life Insurance Plan) Internal Service Fund accounts for the medical coverage provided on a self insured basis and life insurance benefits underwritten by commercial insurance companies. These benefits are available to employees, retirees, certain disabled employees, spouses, certain dependents and survivors of deceased employees and retirees of the Department, the MSHP and the MoDOT and Patrol Employees' Retirement System (MPERS). Changes to plan benefits and funding are required to be approved by the Commission. Incurred but not reported claims of \$12,300,000 and \$9,800,000 were reported in the Medical and Life Insurance Plan as of June 30, 2017 and 2016, respectively.

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

	<u>Beginning Balance</u>	<u>Current Claims and Estimate Changes</u>	<u>Claim Payments</u>	<u>Ending Balance</u>
2017	\$ 9,800,000	\$128,321,901	\$125,821,901	\$12,300,000
2016	11,000,000	116,525,337	117,725,337	9,800,000

Note 7: Pension Plan

(A) General Information about the Pension Plan

1. Plan Description

MPERS provides retirement, death and disability benefits. MPERS was established in accordance with Section 104.020, RSMo., and is administered by an 11-member Board of Trustees. The plan is administered in accordance with the requirements of a cost sharing, multiple-employer, public employee retirement plan under the Revised Statutes of Missouri. MPERS is a part of the state of Missouri financial reporting entity and is included in the State's financial reports as a component unit shown as a pension trust fund. As a separate legal entity, MPERS issues its own stand-alone financial report, which provides detailed information regarding actuarial assumptions and funding progress. Copies may be requested from the MoDOT and Patrol Employees' Retirement System, P.O. Box 1930, Jefferson City, Missouri 65102, or can be found online at www.mpers.org.

2. Benefits Provided

Employees eligible to be members of MPERS are those working in a position that normally requires the performance of duties for at least 1,040 hours annually. Benefits are designated by state statute. Any amendments to the plan require changes in state statute. MPERS has three benefit structures known as the Closed Plan, the Year 2000 Plan and the Year 2000 Plan - 2011 Tier.

Closed Plan - Employees covered by the Closed Plan are fully vested for benefits upon receiving five years of creditable service. The base benefit in the Closed Plan is equal to 1.6 percent multiplied by the final average pay multiplied by years of creditable service. For members employed prior to August 28, 1997, Cost of Living Allowances (COLAs) are provided annually based on 80.0 percent of the increase in the Consumer Price Index for all urban consumers for the United States (CPI-U). The minimum rate is 4.0 percent and the maximum rate is 5.0 percent, until the cumulative amount of COLAs equals 65.0 percent of the original benefit. Thereafter, the 4.0 percent minimum rate is eliminated and the annual COLA rate will be equal to 80.0 percent of the increase in the CPI-U (annual maximum of 5.0 percent). For members employed on or after August 28, 1997, COLAs are provided annually based on 80.0 percent of the increase in the CPI-U, up to a maximum rate of 5.0 percent. This benefit structure is closed to new entrants.

Year 2000 Plan - Employees covered by the Year 2000 Plan are fully vested for benefits upon earning five years of creditable service. The base benefit in the Year 2000 Plan is equal to 1.7 percent multiplied by the final average pay multiplied by years of creditable service. Members retiring under the Rule of 80 receive an additional temporary benefit until age 62. The temporary benefit is equivalent to 0.8 percent multiplied by final average pay multiplied by years of creditable service. COLAs are provided annually based on 80.0 percent of the increase in the CPI-U, up to a maximum rate of 5.0 percent. This benefit structure is closed to new entrants.

Year 2000 Plan - 2011 Tier - Employees covered by the Year 2000 Plan – 2011 Tier are fully vested for benefits upon earning 10 years of creditable service. Legislation passed during the 2017 legislative session will reduce the 10 year vesting period for 2011 Tier members to 5 years effective July 1, 2018. The base benefit in the 2011 Tier is equal to 1.7 percent multiplied by the final average pay multiplied by years of creditable service. Members retiring under the Rule of 90 receive an additional temporary benefit until age 62. The temporary benefit is equivalent to 0.8 percent multiplied by final average pay multiplied by years of creditable service. COLAs are provided annually based on 80.0 percent of the change in the CPI-U, up to a maximum rate of 5.0 percent.

3. Contributions

Employer contributions paid to the system are determined by an actuary and are set by the Board. Annual contribution amounts are designed to fund in advance the benefits designated by state statute. Employee contribution amounts are designated by state statute. New employees hired for the first time on or after January 1, 2011 (Year 2000 Plan-2011 Tier) contribute 4.0 percent of their pay. The Department's contributions to MPERS for fiscal years 2017 and 2016 were 58.0 percent and 58.05 percent, respectively, of eligible (covered) payroll. Required employer contributions totaling \$127,407,569 and \$123,196,057 for fiscal years 2017 and 2016, respectively, represent funding of normal costs and amortization of the unfunded accrued liability. Actual contributions made were 100.0 percent of required contributions. The fiscal year 2017 contribution rate was based on a 9-year closed amortization period for unfunded retiree liabilities and a 24-year closed amortization period for other unfunded liabilities.

(B) Actuarial Information

The total pension liability was determined by actuarial valuations as of June 30, 2016 and 2015, using the following actuarial assumptions, applied to all prior periods included in the measurements:

Inflation	3.0%
Salary increases	3.5% to 11%
Investment rate of return	7.75%
Cost-of-living adjustments	2.40% compound

The mortality tables for post-retirement mortality, used in evaluating allowances to be paid to non-disabled pensioners, were the RP2000 Combined Healthy Mortality Tables projected 16 years and set back one year for males and females. Pre-retirement mortality used was 70 percent for males and 50 percent for females of the postretirement tables, set back one year for males and females. Disabled pension mortality was based on Pension Benefit Guaranty Corporation's Disabled Mortality Tables. The healthy mortality tables include a margin for mortality improvement. The margin is in the 16-year projection. The disabled mortality tables do not include a margin for mortality improvement.

The actuarial assumptions used in the 2016 and 2015 valuations were based on the results of an actuarial experience study for the period July 1, 2007 – June 30, 2012.

The Board of Trustees establishes MPERS' policy in regard to the allocation of invested assets and may amend the policy. The following is MPERS' asset allocation policy as of June 30, 2016 and 2015:

<u>Asset Class</u>	<u>Target Allocation</u>
Global equity	30%
Private equity	15
Fixed income	25
Real assets	5
Real estate	10
Hedge funds	15
Cash	0

The long-term (30-year) expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant(s) and actuary(ies). The estimated long-term expected real rates of return for each major asset class included in MPERS' target asset allocation as of June 30, 2016 and 2015 are summarized in the following table:

<u>Asset Class</u>	<u>2016</u>	<u>2015</u>
Global equity	4.80%	4.80%
Private equity	6.50	6.50
Fixed income	0.50	0.50
Real assets	4.75	4.75
Real estate	2.75	2.75
Hedge funds	2.75	3.00

A single discount rate of 7.75 percent was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.75 percent. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the Department's proportional share of the plan's net pension liability, calculated using a single discount rate of 7.75 percent, as well as what the Department's proportional share of the plan's net pension liability would be if it were calculated using a single discount rate that is one-percentage point lower or one-percentage point higher for the valuations as of June 30, 2016 and 2015.

	<u>1 Percent Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1 Percent Increase (8.75%)</u>
2017	\$1,371,228,392	\$1,097,719,514	\$869,129,661
2016	1,357,528,345	1,061,941,581	826,700,939

(C) Liabilities, Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The Department reported a liability of \$1,097.7 million and \$1,061.9 million for its proportionate share of the net pension liability at June 30, 2017 and 2016, respectively. The net pension liability was measured as of June 30, 2016 and June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The Department's proportion of the net pension liability was based on a projection of the Department's long-term share of contributions to the pension plan relative to the projected contributions of all participating departments, actuarially determined. At June 30, 2016 and 2015, the Department's proportion was 62.03 percent and 62.23 percent, respectively. The Department recognized pension expense of \$87.7 million and \$78.2 million for the years ended June 30, 2017 and 2016, respectively.

The Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2017</u>		<u>2016</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ ---	\$26,860,306	\$ ---	\$12,301,354
Changes in proportion and differences between employer contributions and share of contributions	---	18,103,184	230,852	22,257,871
Net difference between projected and actual investment earnings on pension plan investment	87,289,790	47,304,260	---	42,569,916
Contributions subsequent to measurement date	<u>127,407,571</u>	<u>---</u>	<u>123,196,057</u>	<u>---</u>
Total	<u>\$214,697,361</u>	<u>\$92,267,750</u>	<u>\$123,426,909</u>	<u>\$77,129,141</u>

Deferred outflows and inflows of resources resulting from contributions subsequent to the measurement date will be recognized as a change to the net pension liability in each subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending</u>	<u>2017 Net Deferred Inflows of Resources</u>	<u>2016 Net Deferred Inflows of Resources</u>
2017	\$ ---	\$27,705,413
2018	17,655,782	27,705,413
2019	16,071,740	26,116,264
2020	(14,589,717)	(4,628,801)
2021	<u>(14,159,845)</u>	<u>---</u>
Total	<u>\$ 4,977,960</u>	<u>\$76,898,289</u>

Note 8: Other Post-Employment Benefits (OPEB)

The Department provides a portion of healthcare insurance through the Medical and Life Insurance Plan, as discussed in the prior Note, in accordance with Section 104.270, RSMo. For purposes of reporting OPEB costs and obligations in accordance with GASB Statement 45, the Insurance Plan is disclosed within the state of Missouri reporting entity as a single employer plan. However, it is disclosed for the Department's reporting purposes as an agent, multiple-employer plan, as it includes employees of MoDOT, MSHP and MPERS, and is not a separate legal entity. These other post-employment benefit costs are included in the Medical and Life Insurance Plan Internal Service Fund.

Eligible members are employees who retire from the Department participating in the Medical and Life Insurance Plan with a minimum of five years of creditable service if hired before January 1, 2011 or ten years of creditable service if hired on or after January 1, 2011 (after July 1, 2018, it will only be five years of creditable service for all employees, as mentioned in Note 7). Premiums vary by coverage categories, which include retirees, certain disabled employees, spouses, certain dependents and survivors of deceased employees and retirees. Subscribers' and the Department's required contribution rates average approximately 31.4 percent and 68.6 percent, respectively, of total premiums. During calendar year 2017, plan subscriber contributions range from \$94 to \$1,018 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. Medical premiums for employees who retire on or after January 1, 2015, are based on total years of service, with the Commission contributing 2.0 percent per year of service, not to exceed 50.0 percent of the total premium. The Insurance Plan is financed on a pay-as-you-go basis.

	Plan Total			Department Portion		
	2017	2016	2015	2017	2016	2015
Annual OPEB cost	\$ 64,479,486	\$ 65,104,839	\$ 72,601,215	\$ 43,615,470	\$ 44,004,939	\$ 50,179,235
Net OPEB obligations at year end	624,041,684	584,624,842	544,582,647	430,230,759	405,682,013	380,743,798
Percent cost contributed	n/a	n/a	n/a	44%	43%	42%

The Department contributed \$19.1 million and \$19.1 million, including implicit rate subsidies, during each of the fiscal years 2017 and 2016, respectively. Payments for OPEB liabilities are made from the Road Fund. Although funding is not related to payroll amounts, an equivalent Annual Required Contribution (ARC) rate would be 19.9 percent and 20.7 percent of annual covered payroll of \$219,668,222 and \$212,224,044 for fiscal years 2017 and 2016, respectively. MoDOT's share of the changes in the Plan's net OPEB obligation at June 30, 2017 and 2016 is as follows:

	2017	2016
Normal cost	\$ 17,017,050	\$ 17,017,050
Amortization payment	31,012,901	31,012,901
Interest on net OPEB obligation	18,148,479	17,150,950
Adjustment to ARC	<u>(22,562,960)</u>	<u>(21,175,962)</u>
Annual OPEB cost	43,615,470	44,004,939
Contributions	<u>(19,066,724)</u>	<u>(19,066,724)</u>
Increase in net OPEB obligation	24,548,746	24,938,215
Net OPEB obligation – beginning of year	<u>405,682,013</u>	<u>380,743,798</u>
Net OPEB obligation – end of year	<u>\$430,230,759</u>	<u>\$405,682,013</u>

Based on an actuarial valuation report as of July 1, 2015, the Plan's total actuarial accrued liability is \$793.2 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)	\$557,611,967
Actuarial value of assets	---
Unfunded actuarial accrued liability (UAAL)	<u>\$557,611,967</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Fiscal Year 2017 covered payroll	\$219,668,222
UAAL as a percentage of covered payroll	254%

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. The actuarial calculations have been based on the substantive plan in place at the time of valuation and on the pattern of cost sharing between the employers and members at that point. The actuarial methods and assumptions utilized in the valuation were as follows:

Actuarial cost method	projected unit credit
UAAL amortization method	level dollar amount
UAAL amortization period, closed/open	30 years, open
Investment return (discount) rate	4.0%
Healthcare cost trend rate	7.0%, decreasing to 4.5% in 2018

Note 9: Financing and Other Obligations

Changes in long-term obligations for the year ended June 30, 2017 were as follows:

<u>Obligation</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
State road bonds	\$2,341,150,000	\$ ---	\$308,595,000	\$2,032,555,000	\$200,185,000
Notes issued	644,499	---	---	644,499	---
Capital leases	126,636	16,580	54,684	88,532	47,651
Claims and judgments	13,469,000	527,500	13,459,000	537,500	537,500
Compensated absences	<u>31,557,228</u>	<u>21,825,943</u>	<u>20,681,868</u>	<u>32,701,303</u>	<u>20,681,868</u>
	<u>\$2,386,947,363</u>	<u>\$22,370,023</u>	<u>\$342,790,552</u>	<u>\$2,066,526,834</u>	<u>\$221,452,019</u>
Amortization of financing activity:					
Premium				<u>134,202,776</u>	
				<u>\$2,200,729,610</u>	

Changes in long-term obligations for the year ended June 30, 2016 were as follows:

<u>Obligation</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
State road bonds	\$2,509,620,000	\$ ---	\$168,470,000	\$2,341,150,000	\$190,770,000
Notes issued	7,229,834	---	6,585,335	644,499	---
Capital leases	60,118	113,977	47,459	126,636	45,965
Claims and judgments	6,711,060	13,459,000	6,701,060	13,469,000	13,469,000
Compensated absences	<u>32,272,194</u>	<u>19,004,211</u>	<u>19,719,177</u>	<u>31,557,228</u>	<u>19,719,177</u>
	<u>\$2,555,893,206</u>	<u>\$32,577,188</u>	<u>\$201,523,031</u>	<u>\$2,386,947,363</u>	<u>\$224,004,142</u>
Amortization of financing activity:					
Discount				(13,150)	
Premium				<u>166,753,471</u>	
				<u>\$2,553,687,684</u>	

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

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

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

(A) State Road Bonds

1. Bonded Debt Detail

	<u>2017</u>	<u>2016</u>
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. The MHTC authorized the redemption of \$90,860,000 principal amount of the Senior Lien Refunding State Road Bonds, Series 2006, on February 1, 2017.	\$119,655,000	\$251,745,000
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. The MHTC authorized the redemption of \$26,965,000 principal amount of the Second Lien State Road Bonds, Series 2007, on May 1, 2017.	---	86,515,000
Series A 2008 Federal Reimbursement State Road bonds, originally issued for \$142,735,000, to finance federally-eligible projects, including the new I-64 project in St. Louis, due in annual installments of \$7,140,000 to \$12,870,000 beginning in 2011 through 2025; interest varying from 3.00 percent to 5.00 percent; secured by revenues collected from federal highway reimbursements.	87,545,000	96,385,000
Series A 2009 Federal Reimbursement State Road bonds, originally issued for \$195,625,000, to finance federally-eligible projects, including the Safe and Sound bridge program, due in annual installments of \$14,505,000 to \$21,870,000 beginning in 2011 through 2021; interest varying from 2.00 percent to 5.00 percent; secured by revenues collected from federal highway reimbursements.	81,680,000	99,905,000
Series B 2009 Federal Reimbursement State Road bonds, originally issued for \$404,375,000, to finance federally-eligible projects, including the Safe and Sound bridge program, due in annual installments of \$23,175,000 to \$43,250,000 beginning in 2022 through 2033; interest varying from 4.80 percent to 5.45 percent, exclusive of expected U.S. Treasury subsidy; secured by revenues collected from federal highway reimbursements.	404,375,000	404,375,000
Series C 2009 State Road bonds, originally issued for \$300,000,000, to finance projects pursuant to Amendment 3 due in annual installments of \$19,070,000 to \$28,015,000 beginning in 2017 through 2029; interest varying from 4.31 percent to 5.63 percent, exclusive of expected U.S. Treasury subsidy; secured by revenues collected under Article IV, Section 30(b) of the Missouri Constitution.	280,930,000	300,000,000
Series A 2010 Federal Reimbursement State Road bonds, originally issued for \$128,865,000, to finance federally-eligible projects, including the new Mississippi River Bridge in St. Louis and the Safe and Sound bridge program, due in annual installments of \$2,745,000 to \$13,610,000 beginning in 2011 through 2022; interest varying from 1.50 percent to 5.00 percent; secured by revenues collected from federal highway reimbursements.	54,285,000	66,015,000
Series B 2010 Federal Reimbursement State Road bonds, originally issued for \$56,135,000, to finance federally-eligible projects, including the new Mississippi River Bridge in St. Louis and the Safe and Sound bridge program, due in annual installments of \$11,290,000 to \$15,425,000 beginning in 2022 through 2025; interest varying from 4.72 percent to 5.02 percent, exclusive of expected U.S. Treasury subsidy; secured by revenues collected from federal highway reimbursements.	56,135,000	56,135,000
Series C 2010 Refunding State Road bonds, originally issued for \$130,390,000, to advance refund certain portions of Series A 2001 through 2003 State Road bonds; due in annual installments of \$1,205,000 to \$31,145,000 beginning February 1, 2013 through 2023; interest varying from 3.00 percent to 5.00 percent; secured by revenues collected under Article IV, Section 30(b) of the Missouri Constitution.	65,770,000	79,085,000

Series A 2014 First Lien Refunding State Road bonds, originally issued for \$589,015,000, to advance refund certain portions of Series A & B 2006 First Lien State Road bonds; due in annual installments of \$18,810,000 to \$104,510,000 beginning May 1, 2017 through 2026; interest varying from 2.00 percent to 5.00 percent; secured by revenues collected under Article IV, Section 30(b) of the Missouri Constitution.

570,205,000 589,015,000

Series B 2014 Second Lien Refunding State Road bonds, originally issued for \$311,975,000, to advance refund certain portions of Series 2007 Second Lien State Road bonds; due in annual installments of \$3,130,000 to \$68,350,000 beginning May 1, 2018 through 2025; interest varying from 3.00 percent to 5.00 percent; secured by revenues collected under Article IV, Section 30(b) of the Missouri Constitution.

311,975,000 311,975,000
\$2,032,555,000 \$2,341,150,000

2. Tax Status of Bonds

Tax-Exempt issuances: The Series 2006 and 2010 Refunding bonds are Senior Bonds and would take priority in payment over other bonds. Refunding Series A 2014 bonds are First Lien bonds. The Series A 2007 bonds and Refunding Series B 2014 are Second Lien bonds. The Series A 2008, A 2009 and A 2010 bonds are liens on federal highway reimbursement revenues. As tax-exempt issuances, these bonds are subject to federal arbitrage regulations.

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

3. Bond Debt Maturity

Annual debt service requirements to maturity are indicated in the following schedule. The interest payments for the Build America Bonds are shown excluding the expected receipt of interest subsidy payments from the U.S. Treasury.

<u>Fiscal Year</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Due</u>
2018	\$ 200,185,000	\$ 102,049,985	\$ 302,234,985
2019	209,355,000	92,447,185	301,802,185
2020	170,340,000	82,413,197	252,753,197
2021	183,515,000	74,224,225	257,739,225
2022	196,330,000	65,170,404	261,500,404
2023-2027	779,565,000	185,404,952	964,969,952
2028-2032	250,015,000	49,044,339	299,059,339
2033-2037	<u>43,250,000</u>	<u>2,354,963</u>	<u>45,604,963</u>
	<u>\$2,032,555,000</u>	<u>\$653,109,250</u>	<u>\$2,685,664,250</u>

(B) Notes Issued

1. Notes Issued Detail

	<u>2017</u>	<u>2016</u>
County of St. Charles; to provide a location, needs and cost study of a river crossing on Highway 40 between St. Louis County and St. Charles County; principal due July 1, 2020; no interest will accrue.	\$644,499	\$644,499
	<u>\$644,499</u>	<u>\$644,499</u>

2. Notes Issued Debt Maturity

Annual debt service requirements to maturity for all notes issued are indicated in the following schedule. In addition to the notes described in Notes Issued Detail, the Commission is responsible for loan interest payments to make improvements to Highway 36, due in annual installments beginning in fiscal year 2011 through 2020, at an interest rate of 3.99 percent. The U.S. Highway 36 – Interstate 72 Corridor Transportation Development District is responsible for principal payments. See Note 15, Subsequent Events, for information on the prepayment of this note.

<u>Fiscal Year</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Due</u>
2018	\$ ---	\$382,894	\$ 382,894
2019	---	259,403	259,403
2020	---	155,065	155,065
2021	<u>\$644,499</u>	---	<u>644,499</u>
	<u>\$644,499</u>	<u>\$797,362</u>	<u>\$1,441,861</u>

(C) Capital Lease Obligations

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

	<u>2017</u>	<u>2016</u>
Equipment	\$169,258	\$179,617
Less: accumulated depreciation	<u>79,362</u>	<u>51,276</u>
Capital leased assets, net	<u>\$ 89,896</u>	<u>\$128,341</u>

The following schedule presents the future minimum lease payments under the capital leases and the present value of the future minimum lease payments as of June 30, 2017:

<u>Year Ending</u>	<u>Future Minimum Lease Payments</u>
2018	\$48,789
2019	40,381
2020	<u>877</u>
Total minimum lease payments	90,047
Less: amount representing interest	<u>1,515</u>
Present value of minimum lease payments	<u>\$88,532</u>

(D) Pollution Remediation Obligations

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

Note 10: Tax Revenues

Tax revenues for the fiscal years 2017 and 2016 were as follows:

	State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Nonmajor Funds	Total 2017
Fuel taxes	\$512,345,751	\$ 109,012	\$ ---	\$ 258,712	\$512,713,475
Sales taxes	<u>1,770,005</u>	<u>174,035,516</u>	<u>178,800,852</u>	<u>8,672,599</u>	<u>363,278,972</u>
Total tax revenue	<u>\$514,115,756</u>	<u>\$174,144,528</u>	<u>\$178,800,852</u>	<u>\$8,931,311</u>	<u>\$875,992,447</u>

	State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Nonmajor Funds	Total 2016
Fuel taxes	\$516,986,442	\$ 108,038	\$ ---	\$ 271,362	\$517,365,842
Sales taxes	<u>1,645,590</u>	<u>167,352,857</u>	<u>171,930,722</u>	<u>9,442,925</u>	<u>350,372,094</u>
Total tax revenue	<u>\$518,632,032</u>	<u>\$167,460,895</u>	<u>\$171,930,722</u>	<u>\$9,714,287</u>	<u>\$867,737,936</u>

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

- **Fuel taxes** are paid on the sale of gasoline, aviation fuel used in propelling aircraft with reciprocating engines and diesel fuel. The taxes are authorized by Sections 142.010 – 142.350, 155.080 and 155.090, and 142.362 – 142.621, RSMo. The tax rate on gasoline and diesel fuels is \$0.17 per gallon. The State receives 75.0 percent of the first \$0.11 and 70.0 percent of the next \$0.06. The remaining tax is distributed to cities and counties. In addition, the Department receives the entire tax on aviation fuel of \$0.09 per gallon.
- **Sales taxes** are paid on the purchase of any new or used motor vehicle or trailer, on vehicles purchased out of state and titled in Missouri and on the sale of a vehicle between individuals within Missouri. The taxes are authorized by Sections 144.070 and 144.440, RSMo. The general sales tax rate is 3.0 percent and Proposition C tax (Section 144.701, RSMo.) is 1.0 percent, for a total of 4.0 percent. The Department receives 75.0 percent of the motor vehicle sales voter-approved Constitutional Amendment 3 tax. The remainder is distributed to cities, counties and school districts. In addition, the Department receives sales tax on jet fuel, limited to a maximum of \$10.0 million annually.

Note 11: Interfund Transactions

State statute (226.200, RSMo.) requires the transfer of unspent monies in the Highway Fund to the State Road Fund on a monthly basis. Transfers for the years ended June 30, 2017 and 2016 were as follows:

	2017		2016	
	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Transfers Out</u>
State Highways and Transportation Department Fund	\$ ---	\$459,141,076	\$ ---	\$460,760,010
State Road Fund	459,141,076	---	460,974,437	---
Nonmajor Funds	---	---	---	214,427
Total transfers	<u>\$459,141,076</u>	<u>\$459,141,076</u>	<u>\$460,974,437</u>	<u>\$460,974,437</u>

The due to/from amounts in the Road Fund and non-major funds represent interfund services provided and used. Amounts receivable/payable as of June 30, 2017 and 2016 were as follows:

	2017		2016	
	<u>Receivable</u>	<u>Payable</u>	<u>Receivable</u>	<u>Payable</u>
State Road Fund	\$41,899	\$ ---	\$40,001	\$ ---
Nonmajor Funds	---	41,899	---	40,001
Total due to/from	<u>\$41,899</u>	<u>\$41,899</u>	<u>\$40,001</u>	<u>\$40,001</u>

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, 2017 and 2016. Consequently, this potential obligation is not included in the accompanying basic financial statements. Total reimbursements made by the Department were \$94,051 and \$110,309 for fiscal years 2017 and 2016, respectively.

(B) Construction Commitments

The State Road Fund had construction awards outstanding for both state and federal participating projects at June 30, 2017 and 2016 amounting to approximately \$643,137,852 and \$431,325,606, respectively. The federal portion of this total was \$539,726,481 and \$362,465,024, or approximately 83.92 percent and 84.04 percent, for 2017 and 2016, respectively.

(C) Loan Commitments

The State Transportation Assistance Revolving Fund had loan commitments at June 30, 2017, amounting to \$777,294 that were approved and executed, but not disbursed.

(D) 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, 2017 and 2016 amounted to \$2,510,943 and \$2,344,656, respectively. Future minimum lease payments for these leases are as follows:

Year ending:	<u>2017</u>	<u>2016</u>
2018	\$590,716	\$315,675
2019	14,014	88,919
2020	5,544	14,014
2021	5,544	5,544
2022	5,544	5,544
	<u>\$621,362</u>	<u>\$429,696</u>

(E) 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

MoDOT implemented the following GASB Statements with no impact to the financial statements:

- 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*;
- 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*;
- 77, *Tax Abatement Disclosures*;
- 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*;
- 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope for GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*.

MoDOT implemented GASB Statement 82, *Pension Issues – an Amendment of GASB Statements 67, 68 and 73*, in fiscal year 2016. This statement clarifies the definition of covered payroll and requires the presentation of covered payroll within the Required Supplementary Information.

Note 14: Restatement

The Department has restated the beginning balances in fiscal year 2016 to correct an error in the recording of capital assets in fiscal year 2015, specifically in infrastructure in progress. The restatement had no effect on the change in net position.

The impact of this restatement, which has been adjusted in the restated financial statements, is as follows for the year ended June 30, 2016.

<u>Financial Statement Line Item</u>	<u>As Originally Stated</u>	<u>Restatement</u>	<u>As Restated</u>
Net Position, beginning of year	\$26,562,987,179	\$41,575,733	\$26,604,562,912
Assets not being depreciated	\$ 4,020,166,765	\$41,575,733	\$ 4,061,742,498
Net investment in capital assets	\$27,429,188,867	\$41,575,733	\$27,470,764,600
Net position, end of year	\$27,004,991,287	\$41,575,733	\$27,046,567,020

Note 15: Subsequent Events

On December 31, 2009, the Commission entered into an agreement with the U.S. Highway 36-Interstate 72 Corridor-Transportation Development District to loan \$34.3 million to construct two additional lanes of approximately 52 miles of Route 36. The loan had an interest rate of 3.99 percent with principal and interest paid annually. The unpaid principal balance on the loan at the end of fiscal year 2017 was \$6.5 million with an anticipated maturity date of December 31, 2019. The U.S. Highway 36-Interstate 72 Corridor-Transportation Development District made a lump sum payment of \$6.5 million on July 31, 2017 to fulfill their loan obligation.

According to the agreement terms, the Department paid \$22,032 of corresponding interest to the Missouri Transportation Finance Corporation (MTFC) on July 31, 2017. The advanced payment by the U.S. Highway 36-Interstate 72 Corridor-Transportation Development District Department reduced future interest obligations of the Department by \$585,457, with the anticipated maturity date of December 31, 2019.



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Required Supplementary Information

Required Supplementary Information
Budgetary Comparison Schedules – State Highways
and Transportation Department Fund
Year Ended June 30, 2017
With Summarized Financial Information for 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances Between Final Budget and Actual</u>	
	<u>Original</u>	<u>Final</u>		<u>2017</u>	<u>2016</u>
Budgetary fund balance, beginning of year	\$ 15,066,603	\$ 15,066,603	\$ 15,066,603	\$ ---	\$ ---
Resources (inflows)					
Fuel taxes	481,670,661	481,670,661	510,840,621	29,169,960	42,347,201
License, fees and permits	196,857,269	196,857,269	197,713,643	856,374	10,043,041
Vehicle sales taxes	---	---	1,766,728	1,766,728	1,656,729
Interest	196,755	196,755	364,994	168,239	63,903
Intergovernmental/cost reimbursements/miscellaneous	<u>2,202,526</u>	<u>2,202,526</u>	<u>3,050,273</u>	<u>849,747</u>	<u>3,060,001</u>
Amount available for appropriation	<u>695,993,814</u>	<u>695,993,814</u>	<u>728,802,862</u>	<u>32,811,048</u>	<u>57,170,875</u>
Charges to appropriations (outflows)					
Appropriations spent by other state agencies	<u>278,947,904</u>	<u>278,947,904</u>	<u>261,491,083</u>	<u>17,456,821</u>	<u>24,606,604</u>
Total charges to appropriations	<u>278,947,904</u>	<u>278,947,904</u>	<u>261,491,083</u>	<u>17,456,821</u>	<u>24,606,604</u>
Transfers to State Road Fund	<u>(480,000,000)</u>	<u>(480,000,000)</u>	<u>(459,141,076)</u>	<u>20,858,924</u>	<u>67,239,990</u>
Budgetary fund balance, end of year	\$ <u>(62,956,090)</u>	\$ <u>(62,956,090)</u>	\$ <u>8,170,703</u>	\$ <u>71,126,793</u>	\$ <u>149,017,469</u>

Required Supplementary Information
Budgetary Comparison Schedules – State Road Fund
 Year Ended June 30, 2017
 With Summarized Financial Information for 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances Between Final Budget and Actual</u>	
	<u>Original</u>	<u>Final</u>		<u>2017</u>	<u>2016</u>
Budgetary fund balance, beginning of year	\$ 826,277,534	\$ 826,277,534	\$ 826,277,534	\$ ---	\$ ---
Resources (inflows)					
Fuel taxes	157,535	157,535	109,013	(48,522)	(45,779)
License, fees and permits	91,403,731	91,403,731	103,109,056	11,705,325	18,580,133
Vehicle sales taxes	171,274,600	171,274,600	174,997,058	3,722,458	5,680,942
Interest	4,636,355	4,636,355	5,343,279	706,924	24,603
Intergovernmental/cost reimbursements/miscellaneous	58,587,474	58,587,474	50,945,832	(7,641,642)	9,820,691
Federal government	<u>915,716,065</u>	<u>917,927,000</u>	<u>844,193,735</u>	<u>(73,733,265)</u>	<u>(57,341,892)</u>
Amount available for appropriation	<u>2,068,053,294</u>	<u>2,070,264,229</u>	<u>2,004,975,507</u>	<u>(65,288,722)</u>	<u>(23,281,302)</u>
Charges to appropriations (outflows)					
Administration					
Personal service	18,577,101	18,585,100	17,562,324	1,022,776	581,323
Fringe benefits	31,273,613	31,266,406	29,450,837	1,815,569	1,285,316
Expense and equipment	5,413,626	5,553,668	3,719,154	1,834,514	1,072,187
Maintenance					
Personal service	138,596,284	138,086,284	134,995,595	3,090,689	4,947,299
Fringe benefits	125,202,748	124,103,905	120,158,755	3,945,150	6,693,523
Expense and equipment	210,381,203	212,007,975	193,931,179	18,076,796	9,525,853
Construction					
Personal service	62,928,761	64,997,503	61,850,529	3,146,974	2,961,006
Fringe benefits	50,928,802	52,792,862	48,817,428	3,975,434	3,354,897
Expense and equipment	11,156,791	20,589,239	17,623,263	2,965,976	1,182,772
Contracts	849,629,268	854,733,025	805,384,486	49,348,539	139,092,407
Right of way purchase	30,000,000	30,000,000	5,429,471	24,570,529	941,738
Fleet, facilities and information systems					
Personal service	11,421,756	11,421,756	10,431,203	990,553	555,895
Fringe benefits	9,442,970	9,410,870	8,503,914	906,956	672,227
Expense and equipment	57,438,920	64,591,027	55,988,737	8,602,290	4,427,591
Multimodal operations					
Personal service	446,115	446,115	443,787	2,328	(7,291)
Fringe benefits	373,091	373,091	318,118	54,973	87,928
Expense and equipment	34,852	34,852	93,630	(58,778)	143,253
Program	176,000	176,000	176,293	(293)	1
Bond principal and interest payments	<u>123,627,120</u>	<u>237,031,715</u>	<u>236,844,266</u>	<u>187,449</u>	<u>77,984</u>
Total charges to appropriations	<u>1,737,049,021</u>	<u>1,876,201,393</u>	<u>1,751,722,969</u>	<u>124,478,424</u>	<u>177,595,909</u>
Transfers from Highway Fund	480,000,000	480,000,000	459,141,076	(20,858,924)	(67,239,990)
Transfers from Highway Safety Fund	---	---	---	---	(6,804,264)
Budgetary fund balance, end of year	<u>\$ 811,004,273</u>	<u>\$ 674,062,836</u>	<u>\$ 712,393,614</u>	<u>\$ 38,330,778</u>	<u>\$ 80,270,353</u>

Required Supplementary Information

Budget Basis to GAAP Reconciliations and Disclosure

Years Ended June 30, 2017 and 2016

The following are reconciliations of the differences between the State's budgetary basis and accounting principles generally accepted in the United States of America (GAAP) basis for 2017:

	<u>State Highways and Transportation Department Fund</u>	<u>State Road Fund</u>
Fund balance, budgetary basis	\$ 8,170,703	\$712,393,614
Receivables	108,102,334	107,895,467
Due from other funds	---	41,899
Inventories	---	38,789,753
Payables	(11,810,928)	(102,686,928)
Deposits	---	(1,691,290)
Unearned revenue	---	(5,587,783)
Deferred revenues	(721,293)	(23,242,236)
Change in fair value of investments	<u>(27,082)</u>	<u>(2,364,488)</u>
Fund balance, GAAP basis	<u>\$103,713,734</u>	<u>\$723,548,008</u>

The following are reconciliations of the differences between the State's budgetary basis and accounting principles generally accepted in the United States of America (GAAP) basis for 2016:

	<u>State Highways and Transportation Department Fund</u>	<u>State Road Fund</u>
Fund balance, budgetary basis	\$ 15,066,603	\$826,277,534
Receivables	106,027,980	100,799,796
Due from other funds	---	40,001
Inventories	---	39,614,030
Payables	(10,631,825)	(99,254,423)
Deposits	---	(1,444,038)
Unearned revenue	---	(20,492,786)
Deferred revenues	(1,400,916)	(17,724,896)
Change in fair value of investments	<u>15,244</u>	<u>843,926</u>
Fund balance, GAAP basis	<u>\$109,077,086</u>	<u>\$828,659,144</u>

Budgetary Principles and Presentation

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

All governmental funds reported by MoDOT have legally adopted annual budgets. The legal authority for approval of the Department's budget and amendments for the State Highways and Transportation Department Fund rests with the State Legislature. The Commission approves the State Road Fund budget and amendments. The fund level is the legal level of control for the State Road Fund. However, at any time, the Commission may approve the Department to spend more or less than the State Legislature or the fund level of the State Road Fund, which will drive the Department's budget to be higher or lower than the other legal limits.

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

Required Supplementary Information

Schedule of Proportionate Share of Net Pension Liability (NPL)*

<u>Actuarial Valuation Date</u>	<u>MoDOT's Proportion of NPL</u>	<u>MoDOT's Share of NPL</u>	<u>MoDOT's Covered Payroll</u>	<u>MoDOT's NPL as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</u>
6/30/2016	62.03%	\$1,097,719,514	\$212,224,044	517.25%	52.96%
6/30/2015	62.23	1,061,941,581	212,044,879	500.81	54.08
6/30/2014	63.79	1,079,844,816	213,845,536	504.96	53.63

*This schedule will ultimately present ten years of data when available.

Required Supplementary Information

Schedule of Pension Contributions

<u>Fiscal Year</u>	<u>Actuarially Determined Contributions</u>	<u>Actual Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as of Percentage of Covered Payroll</u>
2017	\$127,407,569	\$127,407,569	\$ ---	\$219,668,222	58.00%
2016	123,196,057	123,196,057	---	212,224,044	58.05
2015	124,597,572	124,597,572	---	212,044,881	58.76
2014	116,000,251	116,000,251	---	213,845,536	54.24
2013	107,190,383	107,190,383	---	210,507,429	50.92
2012	102,014,954	102,014,954	---	224,455,344	45.45
2011	99,109,317	99,109,317	---	251,164,672	39.46
2010	83,667,034	83,667,034	---	266,455,521	31.40
2009	82,112,149	82,112,149	---	267,292,152	30.72
2008	81,450,011	81,450,011	---	262,657,307	31.01

There were no changes to the plan's benefit terms or to assumptions used in the valuation for the plan year ended June 30, 2016.

Required Supplementary Information

Schedule of Funding Progress for Other Post-Employment Benefits*

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/1/2015	---	\$557,611,967	\$557,611,967	0%	\$212,244,044	263%
7/1/2013	---	602,620,999	602,620,999	0	213,845,536	282
7/1/2011	---	783,896,843	783,896,843	0	224,455,344	349
7/1/2009	---	798,601,629	798,601,629	0	266,455,521	300
7/1/2007	---	686,992,459	686,992,459	0	262,657,307	262

*This schedule will ultimately present ten years of data when available.

Actuarial valuations are performed biennially. The Department is the majority employer participating in the MoDOT and MSHP Medical and Life Insurance Plan. The Insurance Plan's total actuarial accrued liability is \$793.2 million.

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

Combining Financial Statements Nonmajor Governmental Funds

Combining Balance Sheets
Nonmajor Governmental Funds – Special Revenue
 June 30, 2017
 With Summarized Financial Information for 2016

	Multimodal Federal and State Fund	State Transportation Fund	Aviation Trust Fund	State Transportation Assistance Revolving Fund	MCS Federal Fund
Assets					
Cash and cash equivalents	\$ 2,021,872	\$4,276,393	\$8,552,995	\$3,087,220	\$130,036
State taxes and fees receivable	---	406,072	29,331	---	---
Federal government receivable	9,446,779	---	---	---	57,063
Miscellaneous receivables, net	2,650,593	---	14,080	15,654	---
Loans receivable	---	---	---	1,107,569	---
Total assets	<u>\$14,119,244</u>	<u>\$4,682,465</u>	<u>\$8,596,406</u>	<u>\$4,210,443</u>	<u>\$187,099</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$12,540,519	\$ 5,194	\$ 488,019	\$ 99,767	\$ 56,414
Accrued payroll	24,918	11,441	32,712	---	---
Unearned revenue	521,539	---	---	---	---
Due to other funds	9,559	4,382	13,561	---	---
Total liabilities	<u>13,096,535</u>	<u>21,017</u>	<u>534,292</u>	<u>99,767</u>	<u>56,414</u>
Deferred Inflows of Resources					
Deferred revenues	---	---	---	---	---
Total deferred inflows of resources	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Fund Balances					
Restricted – highways and transportation	<u>1,022,709</u>	<u>4,661,448</u>	<u>8,062,114</u>	<u>4,110,676</u>	<u>130,685</u>
Total fund balances	<u>1,022,709</u>	<u>4,661,448</u>	<u>8,062,114</u>	<u>4,110,676</u>	<u>130,685</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$14,119,244</u>	<u>\$4,682,465</u>	<u>\$8,596,406</u>	<u>\$4,210,443</u>	<u>\$187,099</u>

Grade Crossing Safety Fund	Railroad Expense Fund	Highway Safety Fund	Motorcycle Safety Fund	Total	
				2017	2016
\$2,380,198	\$584,415	\$ 214,878	\$237,082	\$21,485,089	\$22,072,948
97,272	---	---	---	532,675	562,254
---	---	1,747,843	---	11,251,685	6,673,683
175	---	---	---	2,680,502	1,213,028
---	---	---	---	1,107,569	1,041,426
<u>\$2,477,645</u>	<u>\$584,415</u>	<u>\$1,962,721</u>	<u>\$237,082</u>	<u>\$37,057,520</u>	<u>\$31,563,339</u>
\$ 32,939	\$ 8,122	\$1,653,239	\$ ---	\$14,884,213	\$ 8,874,887
---	25,848	21,753	---	116,672	114,307
---	---	---	---	521,539	621,091
---	14,397	---	---	41,899	40,001
<u>32,939</u>	<u>48,367</u>	<u>1,674,992</u>	<u>---</u>	<u>15,564,323</u>	<u>9,650,286</u>
38,312	---	---	---	38,312	57,207
<u>38,312</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>38,312</u>	<u>57,207</u>
<u>2,406,394</u>	<u>536,048</u>	<u>287,729</u>	<u>237,082</u>	<u>21,454,885</u>	<u>21,855,846</u>
<u>2,406,394</u>	<u>536,048</u>	<u>287,729</u>	<u>237,082</u>	<u>21,454,885</u>	<u>21,855,846</u>
<u>\$2,477,645</u>	<u>\$584,415</u>	<u>\$1,962,721</u>	<u>\$237,082</u>	<u>\$37,057,520</u>	<u>\$31,563,339</u>

Combining Statements of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds – Special Revenue

Year Ended June 30, 2017

With Summarized Financial Information for 2016

	<u>Multimodal Federal and State Fund</u>	<u>State Transportation Fund</u>	<u>Aviation Trust Fund</u>	<u>State Transportation Assistance Revolving Fund</u>	<u>MCS Federal Fund</u>
Revenues					
Fuel taxes	\$ ---	\$ ---	\$ 258,712	\$ ---	\$ ---
Sales taxes	---	4,767,255	3,905,344	---	---
Licenses, fees and permits	---	---	---	255	---
Intergovernmental/cost reimbursements/miscellaneous	1,641,373	323	860	---	53
Investment earnings	---	---	38,449	44,593	---
American Recovery and Reinvestment Act	6,577,367	---	---	---	---
State government	22,136,245	---	---	---	---
Federal government	<u>59,993,338</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>2,018,929</u>
Total revenues	<u>90,348,323</u>	<u>4,767,578</u>	<u>4,203,365</u>	<u>44,848</u>	<u>2,018,982</u>
Expenditures					
Current					
Maintenance	---	---	---	---	2,018,981
Multimodal operations	89,376,096	4,949,225	4,892,009	596	---
Capital outlay	<u>573,781</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total expenditures	<u>89,949,877</u>	<u>4,949,225</u>	<u>4,892,009</u>	<u>596</u>	<u>2,018,981</u>
Excess of revenues over (under) expenditures	<u>398,446</u>	<u>(181,647)</u>	<u>(688,644)</u>	<u>44,252</u>	<u>1</u>
Other Financing Sources (Uses)					
Capital asset sales	---	---	---	---	5,600
Transfers out	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total other financing sources (uses)	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>5,600</u>
Net Changes in Fund Balances	398,446	(181,647)	(688,644)	44,252	5,601
Fund Balances, beginning of year	<u>624,263</u>	<u>4,843,095</u>	<u>8,750,758</u>	<u>4,066,424</u>	<u>125,084</u>
Fund Balances, end of year	<u>\$ 1,022,709</u>	<u>\$4,661,448</u>	<u>\$8,062,114</u>	<u>\$4,110,676</u>	<u>\$ 130,685</u>

<u>Grade Crossing Safety Fund</u>	<u>Railroad Expense Fund</u>	<u>Highway Safety Fund</u>	<u>Motorcycle Safety Fund</u>	<u>Total</u>	
				<u>2017</u>	<u>2016</u>
\$ ---	\$ ---	\$ ---	\$ ---	\$ 258,712	\$ 271,362
---	---	---	---	8,672,599	9,442,925
1,316,865	810,359	---	304,507	2,431,986	2,085,554
14,431	63	1,649	---	1,658,752	1,857,031
---	---	---	---	83,042	126,162
---	---	---	---	6,577,367	5,280,694
---	---	---	---	22,136,245	14,216,345
---	---	<u>16,472,006</u>	---	<u>78,484,273</u>	<u>77,654,690</u>
<u>1,331,296</u>	<u>810,422</u>	<u>16,473,655</u>	<u>304,507</u>	<u>120,302,976</u>	<u>110,934,763</u>
---	---	16,474,066	293,892	18,786,939	18,665,396
1,297,314	833,590	---	---	101,348,830	93,768,563
---	---	---	---	573,781	902,663
<u>1,297,314</u>	<u>833,590</u>	<u>16,474,066</u>	<u>293,892</u>	<u>120,709,550</u>	<u>113,336,622</u>
<u>33,982</u>	<u>(23,168)</u>	<u>(411)</u>	<u>10,615</u>	<u>(406,574)</u>	<u>(2,401,859)</u>
---	---	13	---	5,613	4,708
---	---	---	---	---	(214,427)
---	---	<u>13</u>	---	<u>5,613</u>	<u>(209,719)</u>
33,982	(23,168)	(398)	10,615	(400,961)	(2,611,578)
<u>2,372,412</u>	<u>559,216</u>	<u>288,127</u>	<u>226,467</u>	<u>21,855,846</u>	<u>24,467,424</u>
<u>\$2,406,394</u>	<u>\$536,048</u>	<u>\$ 287,729</u>	<u>\$237,082</u>	<u>\$ 21,454,885</u>	<u>\$ 21,855,846</u>



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Combining Financial Statements Proprietary Funds

Combining Statements of Net Position

Proprietary Funds – Internal Service

June 30, 2017

With Summarized Financial Information for 2016

	MoDOT & MSHP Medical and Life Insurance Plan	MHTC Self Insurance Plan	Total	
			2017	2016
Assets				
Current assets				
Cash and cash equivalents	\$12,948,728	\$ 9,736,131	\$ 22,684,859	\$ 21,757,580
Investments	704,586	6,848,965	7,553,551	12,779,431
Restricted investments	100,000	---	100,000	100,000
Miscellaneous receivables	<u>2,441,141</u>	<u>439,528</u>	<u>2,880,669</u>	<u>2,998,511</u>
Total current assets	<u>16,194,455</u>	<u>17,024,624</u>	<u>33,219,079</u>	<u>37,635,522</u>
Noncurrent assets				
Investments	21,237,745	90,901,663	112,139,408	106,988,131
Restricted investments	---	200,000	200,000	200,000
Total noncurrent assets	<u>21,237,745</u>	<u>91,101,663</u>	<u>112,339,408</u>	<u>107,188,131</u>
Total assets	<u>37,432,200</u>	<u>108,126,287</u>	<u>145,558,487</u>	<u>144,823,653</u>
Liabilities				
Current liabilities				
Accounts payable	2,040,323	32,900	2,073,223	2,109,008
Unearned revenue	9,000,786	---	9,000,786	8,161,004
Pending self insurance claims	---	18,554,000	18,554,000	18,319,000
Incurred but not reported claims	<u>12,300,000</u>	<u>5,213,000</u>	<u>17,513,000</u>	<u>15,043,000</u>
Total current liabilities	<u>23,341,109</u>	<u>23,799,900</u>	<u>47,141,009</u>	<u>43,632,012</u>
Noncurrent liabilities				
Pending self insurance claims	---	45,911,362	45,911,362	52,156,358
Incurred but not reported claims	---	12,898,000	12,898,000	14,928,000
Total noncurrent liabilities	---	<u>58,809,362</u>	<u>58,809,362</u>	<u>67,084,358</u>
Total liabilities	<u>23,341,109</u>	<u>82,609,262</u>	<u>105,950,371</u>	<u>110,716,370</u>
Net Position				
Restricted net position	100,000	200,000	300,000	300,000
Unrestricted net position	<u>13,991,091</u>	<u>25,317,025</u>	<u>39,308,116</u>	<u>33,807,283</u>
Total net position	<u>\$14,091,091</u>	<u>\$ 25,517,025</u>	<u>\$ 39,608,116</u>	<u>\$ 34,107,283</u>

Combining Statements of Revenues, Expenses and Changes in Net Position

Proprietary Funds – Internal Service

Year Ended June 30, 2017

With Summarized Financial Information for 2016

	MoDOT & MSHP Medical and Life Insurance Plan	MHTC Self Insurance Plan	Total	
			2017	2016
Operating Revenues				
Self insurance premiums				
Highway workers' compensation	\$ ---	\$ 6,000,000	\$ 6,000,000	\$ 7,200,000
Highway patrol workers' compensation	---	2,400,000	2,400,000	2,352,989
Highway fleet vehicle liability	---	1,400,000	1,400,000	1,400,000
Highway general liability	---	10,500,000	10,500,000	12,500,000
Medical insurance premiums				
State	83,984,937	---	83,984,937	77,481,522
Member	44,802,994	---	44,802,994	41,988,794
Other	8,262,055	235,037	8,497,092	6,679,183
Total operating revenues	<u>137,049,986</u>	<u>20,535,037</u>	<u>157,585,023</u>	<u>149,602,488</u>
Operating Expenses				
Self insurance programs				
Highway workers' compensation	---	7,675,779	7,675,779	5,557,142
Highway patrol workers' compensation	---	2,288,997	2,288,997	2,155,211
Highway fleet vehicle liability	---	2,368,566	2,368,566	4,456,861
Highway general liability	---	(4,025,947)	(4,025,947)	8,423,544
Other	---	1,363,114	1,363,114	1,011,161
Medical and life insurance program				
Insurance premiums	7,225,156	---	7,225,156	7,146,757
Medical benefits	100,182,279	---	100,182,279	91,708,347
Prescription drug benefits	28,139,622	---	28,139,622	24,816,990
Professional fees	1,089,654	---	1,089,654	1,078,773
Administrative services	6,097,677	---	6,097,677	5,877,052
Total operating expenses	<u>142,734,388</u>	<u>9,670,509</u>	<u>152,404,897</u>	<u>152,231,838</u>
Operating income (loss)	<u>(5,684,402)</u>	<u>10,864,528</u>	<u>5,180,126</u>	<u>(2,629,350)</u>
Nonoperating Revenues				
Net appreciation and investment income	75,752	244,955	320,707	2,783,876
Total nonoperating revenues	<u>75,752</u>	<u>244,955</u>	<u>320,707</u>	<u>2,783,876</u>
Changes in Net Position	(5,608,650)	11,109,483	5,500,833	154,526
Net Position, beginning of year	<u>19,699,741</u>	<u>14,407,542</u>	<u>34,107,283</u>	<u>33,952,757</u>
Net Position, end of year	<u>\$ 14,091,091</u>	<u>\$ 25,517,025</u>	<u>\$ 39,608,116</u>	<u>\$ 34,107,283</u>

Combining Statements of Cash Flows

Proprietary Funds – Internal Service

Year Ended June 30, 2017

With Summarized Financial Information for 2016

	MoDOT & MSHP Medical and Life Insurance Plan	MHTC Self Insurance Plan	Total	
			2017	2016
Cash Flows From Operating Activities				
Receipts from interfund services provided	\$ 137,216,125	\$ 20,535,278	\$ 157,751,403	\$ 149,022,351
Payments for interfund services used	(132,207,275)	(16,377,391)	(148,584,666)	(138,522,021)
Payments to suppliers	<u>(7,223,116)</u>	<u>(1,363,114)</u>	<u>(8,586,230)</u>	<u>(7,592,042)</u>
Net cash provided by (used in) operating activities	<u>(2,214,266)</u>	<u>2,794,773</u>	<u>580,507</u>	<u>2,908,288</u>
Cash Flows From Investing Activities				
Proceeds from sale and maturities of investments	12,170,133	37,619,526	49,789,659	76,270,360
Purchases of investments	(6,703,665)	(45,055,564)	(51,759,229)	(71,542,538)
Interest received	505,902	1,931,650	2,437,552	2,436,767
Investment fees	<u>(23,833)</u>	<u>(97,377)</u>	<u>(121,210)</u>	<u>(118,033)</u>
Net cash provided by (used in) investing activities	<u>5,948,537</u>	<u>(5,601,765)</u>	<u>346,772</u>	<u>7,046,556</u>
Net increase (decrease) in cash and cash equivalents	3,734,271	(2,806,992)	927,279	9,954,844
Cash and Cash Equivalents, beginning of year	<u>9,214,457</u>	<u>12,543,123</u>	<u>21,757,580</u>	<u>11,802,736</u>
Cash and Cash Equivalents, end of year	<u>\$ 12,948,728</u>	<u>\$ 9,736,131</u>	<u>\$ 22,684,859</u>	<u>\$ 21,757,580</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating income (loss)	\$ (5,684,402)	\$ 10,864,528	\$ 5,180,126	\$ (2,629,350)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Receivables	166,139	241	166,380	(580,136)
Accounts and claims payable	2,464,215	(8,069,996)	(5,605,781)	5,568,488
Unearned revenue	<u>839,782</u>	<u>---</u>	<u>839,782</u>	<u>549,286</u>
Net cash provided by (used in) operating activities	<u>\$ (2,214,266)</u>	<u>\$ 2,794,773</u>	<u>\$ 580,507</u>	<u>\$ 2,908,288</u>
Noncash Items Impacting Recorded Assets				
Increase (decrease) in fair value of investments	<u>\$ (406,124)</u>	<u>\$ (1,638,050)</u>	<u>\$ (2,044,174)</u>	<u>\$ 535,175</u>

Combining Financial Statements Fiduciary Funds



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Combining Statements of Assets and Liabilities

Fiduciary Funds – Agency

June 30, 2017

With Summarized Financial Information for 2016

	<u>Local Fund</u>	<u>MCS Agency Fund</u>	<u>Total</u>	
			<u>2017</u>	<u>2016</u>
Assets				
Restricted cash and cash equivalents	\$35,194,260	\$4,721,160	\$39,915,420	\$38,381,651
Other	---	5,299	5,299	774
Total assets	<u>\$35,194,260</u>	<u>\$4,726,459</u>	<u>\$39,920,719</u>	<u>\$38,382,425</u>
Liabilities				
Due to other governments	\$ ---	\$4,726,459	\$ 4,726,459	\$ 4,474,615
Advances from other governments	35,194,260	---	35,194,260	33,907,810
Total liabilities	<u>\$35,194,260</u>	<u>\$4,726,459</u>	<u>\$39,920,719</u>	<u>\$38,382,425</u>

Combining Statements of Changes in Assets and Liabilities

Fiduciary Funds – Agency

Years ended June 30, 2017 and 2016

	2017			Ending Balance
	Beginning Balance	Additions	Deductions	
Local Fund				
Assets				
Restricted cash and cash equivalents	\$33,907,810	\$ 10,955,802	\$ 9,669,352	\$35,194,260
Total assets	<u>\$33,907,810</u>	<u>\$ 10,955,802</u>	<u>\$ 9,669,352</u>	<u>\$35,194,260</u>
Liabilities				
Advances from other governments	\$33,907,810	\$ 10,813,770	\$ 9,527,320	\$35,194,260
Total liabilities	<u>\$33,907,810</u>	<u>\$ 10,813,770</u>	<u>\$ 9,527,320</u>	<u>\$35,194,260</u>
 MCS Agency Fund				
Assets				
Restricted cash and cash equivalents	\$ 4,473,841	\$205,849,416	\$205,602,097	\$ 4,721,160
Other	774	49,153	44,628	5,299
Total assets	<u>\$ 4,474,615</u>	<u>\$205,898,569</u>	<u>\$205,646,725</u>	<u>\$ 4,726,459</u>
Liabilities				
Due to other governments	\$ 4,474,615	\$205,898,569	\$205,646,725	\$ 4,726,459
Total liabilities	<u>\$ 4,474,615</u>	<u>\$205,898,569</u>	<u>\$205,646,725</u>	<u>\$ 4,726,459</u>
 Totals				
Assets				
Restricted cash and cash equivalents	\$38,381,651	\$216,805,218	\$215,271,449	\$39,915,420
Other	774	49,153	44,628	5,299
Total assets	<u>\$38,382,425</u>	<u>\$216,854,371</u>	<u>\$215,316,077</u>	<u>\$39,920,719</u>
Liabilities				
Due to other governments	\$ 4,474,615	\$205,898,569	\$205,646,725	\$ 4,726,459
Advances from other governments	33,907,810	10,813,770	9,527,320	35,194,260
Total liabilities	<u>\$38,382,425</u>	<u>\$216,712,339</u>	<u>\$215,174,045</u>	<u>\$39,920,719</u>

2016

<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
\$54,355,809	\$ 3,327,830	\$ 23,775,829	\$33,907,810
<u>\$54,355,809</u>	<u>\$ 3,327,830</u>	<u>\$ 23,775,829</u>	<u>\$33,907,810</u>
\$54,355,809	\$ 2,889,846	\$ 23,337,845	\$33,907,810
<u>\$54,355,809</u>	<u>\$ 2,889,846</u>	<u>\$ 23,337,845</u>	<u>\$33,907,810</u>
\$10,764,063	\$207,203,236	\$213,493,458	\$ 4,473,841
1,674	28,623	29,523	774
<u>\$10,765,737</u>	<u>\$207,231,859</u>	<u>\$213,522,981</u>	<u>\$ 4,474,615</u>
\$10,765,737	\$207,231,859	\$213,522,981	\$ 4,474,615
<u>\$10,765,737</u>	<u>\$207,231,859</u>	<u>\$213,522,981</u>	<u>\$ 4,474,615</u>
\$65,119,872	\$210,531,066	\$237,269,287	\$38,381,651
1,674	28,623	29,523	774
<u>\$65,121,546</u>	<u>\$210,559,689</u>	<u>\$237,298,810</u>	<u>\$38,382,425</u>
\$10,765,737	\$207,231,859	\$213,522,981	\$ 4,474,615
54,355,809	2,889,846	23,337,845	33,907,810
<u>\$65,121,546</u>	<u>\$210,121,705</u>	<u>\$236,860,826</u>	<u>\$38,382,425</u>



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Budgetary Comparison
Schedules and
Reconciliations
Debt Service and Nonmajor
Governmental Funds

Budgetary Comparison Schedule and Reconciliation

Debt Service – State Road Bond Fund

Year Ended June 30, 2017

With Summarized Financial Information for 2016

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual	
			2017	2016
Budgetary fund balance, beginning of year	\$ 36,676,391	\$ 36,676,391	\$ ---	\$ ---
Resources (inflows)				
Vehicle sales taxes	178,265,400	179,788,359	1,522,959	7,427,768
Interest	<u>211,890</u>	<u>573,695</u>	<u>361,805</u>	<u>276,068</u>
Amount available for appropriation	<u>215,153,681</u>	<u>217,038,445</u>	<u>1,884,764</u>	<u>7,703,836</u>
Charges to appropriations (outflows)				
Bond principal and interest payments	<u>175,866,285</u>	<u>175,678,417</u>	<u>187,868</u>	<u>---</u>
Total charges to appropriations	<u>175,866,285</u>	<u>175,678,417</u>	<u>187,868</u>	<u>---</u>
Budgetary fund balance, end of year	<u>\$ 39,287,396</u>	<u>\$ 41,360,028</u>	<u>\$ 2,072,632</u>	<u>\$ 7,703,836</u>

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

Reconciliation to GAAP	Actual 2017
Budgetary fund balance, end of year	\$41,360,028
Receivables	15,305,923
Change in fair value of investments	<u>(137,713)</u>
GAAP basis fund balance, end of year	<u>\$56,528,238</u>

Budgetary Comparison Schedule and Reconciliation

Nonmajor Governmental – Multimodal Federal and State Fund

Year Ended June 30, 2017

With Summarized Financial Information for 2016

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual	
			2017	2016
Budgetary fund balance, beginning of year	\$ 1,958,023	\$ 1,958,023	\$ ---	\$ ---
Resources (inflows)				
State government	19,717,879	19,485,653	(232,227)	(5,390,824)
Intergovernmental/cost reimbursement/miscellaneous	---	1,541,868	1,541,868	2,228,634
American Recovery and Reinvestment Act	6,700,000	6,577,367	(122,633)	(6,898,460)
Federal government	<u>84,865,217</u>	<u>55,161,260</u>	<u>(29,703,957)</u>	<u>(4,438,548)</u>
Amount available for appropriation	<u>113,241,119</u>	<u>84,724,171</u>	<u>(28,516,949)</u>	<u>(14,499,198)</u>
Charges to appropriations (outflows)				
Multimodal operations				
Personal service	288,752	288,752	---	(8,755)
Fringe benefits	239,551	239,551	---	6,309
Expense and equipment	330,952	74,983	255,969	281,817
Program	<u>110,423,841</u>	<u>82,099,013</u>	<u>28,324,827</u>	<u>14,181,580</u>
Total charges to appropriations	<u>111,283,096</u>	<u>82,702,299</u>	<u>28,580,796</u>	<u>14,460,951</u>
Budgetary fund balance, end of year	<u>\$ 1,958,023</u>	<u>\$ 2,021,872</u>	<u>\$ 63,847</u>	<u>\$ (38,247)</u>

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

Reconciliation to GAAP	Actual 2017
Budgetary fund balance, end of year	\$ 2,021,872
Receivables	12,097,372
Payables	(12,565,437)
Unearned revenues	(521,539)
Due to other funds	<u>(9,559)</u>
GAAP basis fund balance, end of year	<u>\$ 1,022,709</u>

Budgetary Comparison Schedule and Reconciliation

Nonmajor Governmental - State Transportation Fund

Year Ended June 30, 2017

With Summarized Financial Information for 2016

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual	
			2017	2016
Budgetary fund balance, beginning of year	\$4,429,968	\$4,429,968	\$ ---	\$ ---
Resources (inflows)				
Reimbursements/miscellaneous	---	---	---	42,914
Sales taxes	<u>4,608,900</u>	<u>4,793,938</u>	<u>185,038</u>	<u>181,133</u>
Amount available for appropriation	<u>9,038,868</u>	<u>9,223,906</u>	<u>185,038</u>	<u>224,047</u>
Charges to appropriations (outflows)				
Multimodal operations				
Personal service	154,672	150,564	4,108	585
Fringe benefits	122,337	120,101	2,236	2,902
Expense and equipment	61,220	30,464	30,756	32,939
Program	<u>4,736,844</u>	<u>4,646,384</u>	<u>90,460</u>	<u>18,865</u>
Total charges to appropriations	<u>5,075,073</u>	<u>4,947,513</u>	<u>127,560</u>	<u>55,291</u>
Budgetary fund balance, end of year	<u>\$3,963,795</u>	<u>\$4,276,393</u>	<u>\$312,598</u>	<u>\$279,338</u>

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

Reconciliation to GAAP	Actual 2017
Budgetary fund balance, end of year	\$4,276,393
Receivables	406,072
Payables	(16,635)
Due to other funds	<u>(4,382)</u>
GAAP basis fund balance, end of year	<u>\$4,661,448</u>

Budgetary Comparison Schedule and Reconciliation

Nonmajor Governmental - Aviation Trust Fund

Year Ended June 30, 2017

With Summarized Financial Information for 2016

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual	
			2017	2016
Budgetary fund balance, beginning of year	\$ 9,067,763	\$ 9,067,763	\$ ---	\$ ---
Resources (inflows)				
Fuel taxes	258,054	255,414	(2,640)	53,857
Sales taxes	5,345,373	3,905,344	(1,440,029)	(1,750,043)
Interest	90,936	59,801	(31,135)	6,093
Intergovernmental/cost				
Reimbursements/miscellaneous	---	860	860	---
Amount available for appropriation	<u>14,762,126</u>	<u>13,289,182</u>	<u>(1,472,944)</u>	<u>(1,690,093)</u>
Charges to appropriations (outflows)				
Multimodal operations				
Personal service	498,228	477,421	20,807	31,709
Fringe benefits	391,698	349,132	42,566	19,312
Expense and equipment	147,922	134,478	13,444	3,349
Program	<u>7,500,000</u>	<u>3,757,203</u>	<u>3,742,797</u>	<u>3,920,601</u>
Total charges to appropriations	<u>8,537,848</u>	<u>4,718,234</u>	<u>3,819,614</u>	<u>3,974,971</u>
Budgetary fund balance, end of year	<u>\$ 6,224,278</u>	<u>\$ 8,570,948</u>	<u>\$ 2,346,670</u>	<u>\$ 2,284,878</u>

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

Reconciliation to GAAP	Actual 2017
Budgetary fund balance, end of year	\$8,570,948
Receivables	43,411
Payables	(520,731)
Due to other funds	(13,561)
Change in fair value of investments	<u>(17,953)</u>
GAAP basis fund balance, end of year	<u>\$8,062,114</u>

Budgetary Comparison Schedule and Reconciliation
Nonmajor Governmental – State Transportation Assistance Revolving Fund
Year Ended June 30, 2017
With Summarized Financial Information for 2016

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual	
			2017	2016
Budgetary fund balance, beginning of year	\$3,012,315	\$3,012,315	\$ ---	\$ ---
Resources (inflows)				
License fees, and permits	---	255	255	780
Interest	---	51,064	51,064	55,357
Intergovernmental/cost reimbursements/miscellaneous	<u>500,000</u>	<u>331,867</u>	<u>(168,133)</u>	<u>(176,831)</u>
Amount available for appropriation	<u>3,512,315</u>	<u>3,395,501</u>	<u>(116,814)</u>	<u>(120,694)</u>
Charges to appropriations (outflows)				
Multimodal operations				
Expense and equipment	596	596	---	---
Program	<u>599,404</u>	<u>301,205</u>	<u>298,199</u>	<u>499,006</u>
Total charges to appropriations	<u>600,000</u>	<u>301,801</u>	<u>298,199</u>	<u>499,006</u>
Budgetary fund balance, end of year	<u>\$2,912,315</u>	<u>\$3,093,700</u>	<u>\$ 181,385</u>	<u>\$ 378,312</u>

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

Reconciliation to GAAP	Actual 2017
Budgetary fund balance, end of year	\$3,093,700
Receivables	1,123,223
Payables	(99,767)
Change in fair value of investments	<u>(6,480)</u>
GAAP basis fund balance, end of year	<u>\$4,110,676</u>

Budgetary Comparison Schedule and Reconciliation

Nonmajor Governmental – MCS Federal Fund

Year Ended June 30, 2017

With Summarized Financial Information for 2016

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual	
			2017	2016
Budgetary fund balance, beginning of year	\$ 125,084	\$ 125,084	\$ ---	\$ ---
Resources (inflows)				
Intergovernmental/cost reimbursements/miscellaneous	---	5,653	5,653	4,726
Federal government	<u>1,999,725</u>	<u>1,975,824</u>	<u>(23,901)</u>	<u>(273,005)</u>
Amount available for appropriation	<u>2,124,809</u>	<u>2,106,561</u>	<u>(18,248)</u>	<u>(268,279)</u>
Charges to appropriations (outflows)				
Maintenance				
Program	<u>1,999,725</u>	<u>1,976,525</u>	<u>23,200</u>	<u>274,944</u>
Total charges to appropriations	<u>1,999,725</u>	<u>1,976,525</u>	<u>23,200</u>	<u>274,944</u>
Budgetary fund balance, end of year	\$ <u>125,084</u>	\$ <u>130,036</u>	\$ <u>4,952</u>	\$ <u>6,665</u>

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

	Actual 2017
Reconciliation to GAAP	
Budgetary fund balance, end of year	\$130,036
Receivables	57,063
Payables	<u>(56,414)</u>
GAAP basis fund balance, end of year	<u>\$130,685</u>

Budgetary Comparison Schedule and Reconciliation

Nonmajor Governmental – Grade Crossing Safety Fund

Year Ended June 30, 2017

With Summarized Financial Information for 2016

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual	
			2017	2016
Budgetary fund balance, beginning of year	\$2,426,967	\$2,426,967	\$ ---	\$ ---
Resources (inflows)				
License, fees and permits	1,585,316	1,360,093	(225,223)	12,994
Intergovernmental/cost reimbursements/miscellaneous	---	14,431	14,431	1,079
Amount available for appropriation	<u>4,012,283</u>	<u>3,801,491</u>	<u>(210,792)</u>	<u>14,073</u>
Charges to appropriations (outflows)				
Multimodal operations				
Expense and equipment	12,283	12,283	---	---
Program	4,000,000	1,409,010	2,590,990	1,224,725
Total charges to appropriations	<u>4,012,283</u>	<u>1,421,293</u>	<u>2,590,990</u>	<u>1,224,725</u>
Budgetary fund balance, end of year	\$ <u>---</u>	<u>\$2,380,198</u>	<u>\$2,380,198</u>	<u>\$1,238,798</u>

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

Reconciliation to GAAP	Actual 2017
Budgetary fund balance, end of year	\$2,380,198
Receivables	97,447
Payables	(32,939)
Deferred revenues	<u>(38,312)</u>
GAAP basis fund balance, end of year	<u>\$2,406,394</u>

Budgetary Comparison Schedule and Reconciliation

Nonmajor Governmental – Railroad Expense Fund

Year Ended June 30, 2017

With Summarized Financial Information for 2016

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual	
			2017	2016
Budgetary fund balance, beginning of year	\$ 602,881	\$ 602,881	\$ ---	\$ ---
Resources (inflows)				
License, fees and permits	651,007	810,422	159,415	(708,834)
Amount available for appropriation	<u>1,253,888</u>	<u>1,413,303</u>	<u>159,415</u>	<u>(708,834)</u>
Charges to appropriations (outflows)				
Multimodal operations				
Personal service	400,204	368,507	31,697	45,367
Fringe benefits	325,221	288,951	36,270	54,115
Expense and equipment	205,920	171,430	34,490	38,397
Total charges to appropriations	<u>931,345</u>	<u>828,888</u>	<u>102,457</u>	<u>137,879</u>
Budgetary fund balance, end of year	\$ <u>322,543</u>	\$ <u>584,415</u>	\$ <u>261,872</u>	\$ <u>(570,955)</u>

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

Reconciliation to GAAP	Actual 2017
Budgetary fund balance, end of year	\$584,415
Payables	(33,970)
Due to other funds	<u>(14,397)</u>
GAAP basis fund balance, end of year	<u>\$536,048</u>

Budgetary Comparison Schedule and Reconciliation

Nonmajor Governmental – Highway Safety Fund

Year Ended June 30, 2017

With Summarized Financial Information for 2016

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual	
			2017	2016
Budgetary fund balance, beginning of year	\$ 226,825	\$ 226,825	\$ ---	\$ ---
Resources (inflows)				
Intergovernmental/cost reimbursements/miscellaneous	---	1,661	1,661	3,066
Federal government	<u>22,790,867</u>	<u>16,769,188</u>	<u>(6,021,679)</u>	<u>(2,386,860)</u>
Amount available for appropriation	<u>23,017,692</u>	<u>16,997,674</u>	<u>(6,020,018)</u>	<u>(2,383,794)</u>
Charges to appropriations (outflows)				
Maintenance				
Personal service	295,526	256,937	38,589	31,885
Fringe benefits	240,013	206,929	33,084	40,626
Expense and equipment	57,428	54,393	3,035	---
Program	<u>22,424,725</u>	<u>16,264,537</u>	<u>6,160,188</u>	<u>2,525,516</u>
Total charges to appropriations	<u>23,017,692</u>	<u>16,782,796</u>	<u>6,234,896</u>	<u>2,598,027</u>
Transfers to Road Fund	---	---	---	6,804,264
Budgetary fund balance, end of year	<u>\$ ---</u>	<u>\$ 214,878</u>	<u>\$ 214,878</u>	<u>\$ 7,018,497</u>

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

Reconciliation to GAAP	Actual 2017
Budgetary fund balance, end of year	\$ 214,878
Receivables	1,747,843
Payables	<u>(1,674,992)</u>
GAAP basis fund balance, end of year	<u>\$ 287,729</u>

Budgetary Comparison Schedule and Reconciliation

Nonmajor Governmental – Motorcycle Safety Fund

Year Ended June 30, 2017

With Summarized Financial Information for 2016

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual	
			2017	2016
Budgetary fund balance, beginning of year	\$226,467	\$226,467	\$ ---	\$ ---
Resources (inflows)				
License, fees and permits	<u>308,167</u>	<u>304,507</u>	<u>(3,660)</u>	<u>(10,423)</u>
Amount available for appropriation	<u>534,634</u>	<u>530,974</u>	<u>(3,660)</u>	<u>(10,423)</u>
Charges to appropriations (outflows)				
Maintenance				
Expense and equipment	3,035	3,035	---	---
Program	<u>425,000</u>	<u>290,857</u>	<u>134,143</u>	<u>136,105</u>
Total charges to appropriations	<u>428,035</u>	<u>293,892</u>	<u>134,143</u>	<u>136,105</u>
Budgetary fund balance, end of year	<u>\$106,599</u>	<u>\$237,082</u>	<u>\$130,483</u>	<u>\$125,682</u>

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

Reconciliation to GAAP	Actual 2017
Budgetary fund balance, end of year	<u>\$237,082</u>
GAAP basis fund balance, end of year	<u>\$237,082</u>



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Statistical Section



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Index and Overview Statistical Section

Financial Trends

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

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These schedules are intended to assist in understanding the environment in which the Department's financial activities take place.

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Operating Information

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

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Sources:

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

Note:

The objective of this statistical section is to provide users with historical perspective by presenting information for multiple years. Schedules originate with the year that the Department began tracking the information, the tracking process or data collection system changed, or it became administratively feasible to report retroactively.



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Financial Trends

Net Position – Government-wide

Years Ended June 30

(Amounts in Thousands)

<u>Year</u>	<u>Net Investment in Capital Assets</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
2017	\$27,978,519	\$ 300	\$ (489,615)	\$27,489,204
2016	27,470,765	300	(424,498)	27,046,567
2015	27,079,459	300	(475,196)	26,604,563
2014	26,636,056	782,346	---	27,418,402
2013	26,077,114	875,904	---	26,953,018
2012	25,383,369	1,027,111	---	26,410,480
2011	24,603,720	1,390,363	---	25,994,083
2010	24,396,695	985,705	---	25,382,400
2009	24,461,090	678,643	---	25,139,733
2008	23,945,040	1,061,821	---	25,006,861

Notes:

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

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

Amounts for 2015 include restatement of beginning balances due to the implementation of GASB 68, *Accounting and Financial Reporting for Pensions*, and to correct errors related to infrastructure in progress, infrastructure and infrastructure depreciation.

Amounts for fiscal years 2015 and 2016 were restated to correct errors related to infrastructure in progress.

Financial Trends

Changes in Net Position – Government-wide

Years Ended June 30

(Amounts in Thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Transportation Program Expenses				
Administration	\$ 24,255	\$ 25,374	\$ 24,672	\$ 32,791
Fleet, facilities and information systems	28,961	18,088	29,865	32,790
Maintenance	345,807	328,987	329,098	420,000
Construction	210,252	258,846	274,462	194,552
Multimodal operations	100,952	93,500	84,259	89,148
Interest	93,643	104,190	112,690	129,873
Other state agencies	234,614	225,148	226,370	208,610
Self insurance	9,671	21,604	21,376	19,407
Medical and life insurance	123,668	111,561	106,453	97,483
Pension obligations	87,675	78,196	91,858	---
Other post-employment benefit obligations	43,615	44,005	50,179	50,586
Depreciation	<u>512,940</u>	<u>474,320</u>	<u>454,219</u>	<u>442,734</u>
Total transportation program expenses	<u>1,816,053</u>	<u>1,783,819</u>	<u>1,805,501</u>	<u>1,717,974</u>
Transportation Program Revenues				
Charges for services				
Licenses, fees and permits	304,982	310,073	290,319	290,153
Member insurance premiums	44,803	41,989	39,870	38,169
Other	<u>74,825</u>	<u>68,200</u>	<u>55,454</u>	<u>85,389</u>
Total charges for services	424,610	420,262	385,643	413,711
Federal government				
American Recovery and Reinvestment Act	19,450	18,160	14,628	28,765
Operating	78,484	77,468	82,521	87,531
Capital	<u>847,191</u>	<u>826,329</u>	<u>763,952</u>	<u>839,912</u>
Total federal government	<u>945,125</u>	<u>921,957</u>	<u>861,101</u>	<u>956,208</u>
Total transportation program revenues	<u>1,369,735</u>	<u>1,342,219</u>	<u>1,246,744</u>	<u>1,369,919</u>
Net expense of transportation program	<u>(446,318)</u>	<u>(441,600)</u>	<u>(558,757)</u>	<u>(348,055)</u>
General Revenues				
Fuel taxes	512,713	517,366	493,076	489,984
Sales and use taxes	363,279	350,372	335,420	311,761
Unrestricted investment earnings	3,854	9,101	10,569	13,755
State appropriations	22,136	14,216	15,010	14,347
Gain (loss) on sale of capital assets	<u>(13,028)</u>	<u>(7,451)</u>	<u>(15,212)</u>	<u>(16,408)</u>
Total general revenues	<u>888,954</u>	<u>883,604</u>	<u>838,863</u>	<u>813,439</u>
Changes in Net Position	<u>\$ 442,636</u>	<u>\$ 442,004</u>	<u>\$ 280,106</u>	<u>\$ 465,384</u>

Notes:

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

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

Amounts for 2015 include restatements to correct errors related to infrastructure in progress, infrastructure and infrastructure depreciation.

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 32,244	\$ 30,040	\$ 33,168	\$ 33,648	\$ 34,834	\$ 33,645
34,905	37,268	44,866	55,543	54,464	56,721
398,274	389,803	412,469	433,729	424,327	406,374
222,767	321,048	318,551	268,009	257,943	240,821
89,184	68,282	64,873	110,151	85,999	74,128
136,493	140,710	147,720	138,106	106,538	102,344
199,660	214,696	198,814	177,646	174,587	178,319
15,336	13,894	29,222	31,967	19,210	32,103
94,695	97,137	94,472	90,644	89,774	87,710
---	---	---	---	---	---
75,152	75,896	79,025	83,132	65,804	69,731
<u>413,382</u>	<u>323,238</u>	<u>747,674</u>	<u>876,501</u>	<u>751,246</u>	<u>746,456</u>
<u>1,712,092</u>	<u>1,712,012</u>	<u>2,170,854</u>	<u>2,299,076</u>	<u>2,064,726</u>	<u>2,028,352</u>
283,022	284,677	274,673	284,337	290,399	291,843
37,328	35,636	32,591	30,868	29,047	26,534
<u>108,043</u>	<u>131,371</u>	<u>150,871</u>	<u>108,214</u>	<u>160,013</u>	<u>86,719</u>
428,393	451,684	458,135	423,419	479,459	405,096
49,912	99,266	248,894	298,421	28,279	---
87,689	73,930	57,953	84,212	76,569	62,179
<u>892,031</u>	<u>860,754</u>	<u>1,228,181</u>	<u>974,391</u>	<u>833,839</u>	<u>907,956</u>
<u>1,029,632</u>	<u>1,033,950</u>	<u>1,535,028</u>	<u>1,357,024</u>	<u>938,687</u>	<u>970,135</u>
<u>1,485,025</u>	<u>1,485,634</u>	<u>1,993,163</u>	<u>1,780,443</u>	<u>1,418,146</u>	<u>1,375,231</u>
<u>(254,067)</u>	<u>(226,378)</u>	<u>(177,691)</u>	<u>(518,633)</u>	<u>(646,580)</u>	<u>(653,121)</u>
486,529	496,608	499,416	503,488	499,506	514,908
304,163	291,279	269,336	250,432	233,810	272,039
(1,157)	13,309	13,950	12,123	27,607	51,581
11,630	11,130	11,132	12,111	16,634	13,257
<u>(4,560)</u>	<u>(3,223)</u>	<u>(4,460)</u>	<u>(16,854)</u>	<u>(1,928)</u>	<u>3,115</u>
<u>796,605</u>	<u>809,103</u>	<u>789,374</u>	<u>761,300</u>	<u>775,629</u>	<u>854,900</u>
<u>\$ 542,538</u>	<u>\$ 582,725</u>	<u>\$ 611,683</u>	<u>\$ 242,667</u>	<u>\$ 129,049</u>	<u>\$ 201,779</u>

Financial Trends

Changes in Fund Balances – Governmental Funds

Years Ended June 30

(Amounts in Thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Revenues				
Fuel taxes	\$ 512,714	\$ 517,366	\$ 493,076	\$ 489,984
Sales and use taxes	363,279	350,372	335,420	311,761
Licenses, fees and permits	305,001	310,073	290,319	290,158
Intergovernmental/cost reimbursements/miscellaneous	63,372	67,565	51,017	84,753
Investment earnings	3,565	6,359	8,655	11,679
American Recovery and Reinvestment Act	19,449	18,160	14,758	28,635
State government	22,136	14,216	15,010	14,346
Federal government	<u>923,970</u>	<u>907,421</u>	<u>841,855</u>	<u>926,170</u>
Total revenues	<u>2,213,486</u>	<u>2,191,532</u>	<u>2,050,110</u>	<u>2,157,486</u>
Expenditures				
Administration	50,824	51,365	50,713	48,547
Fleet, facilities and information systems	38,272	38,744	38,980	35,904
Maintenance	456,464	435,964	434,328	450,577
Construction	278,781	296,946	327,776	216,563
Multimodal operations	102,144	94,647	85,363	89,332
Capital outlay	711,180	690,878	714,888	849,897
Debt service - principal	308,650	175,103	188,913	178,903
Debt service - interest	117,312	125,274	128,536	148,936
Other state agencies	<u>262,666</u>	<u>251,143</u>	<u>251,408</u>	<u>233,470</u>
Total expenditures	<u>2,326,293</u>	<u>2,160,064</u>	<u>2,220,905</u>	<u>2,252,129</u>
Excess of revenues over (under) expenditures	(112,807)	31,468	(170,795)	(94,643)
Other Financing Sources (Uses)				
Notes issued	---	---	3,619	13,240
Bonds issued	---	---	---	---
Refunding bonds issued	---	---	---	900,990
Refunding bonds escrow payment	---	---	---	(1,082,245)
Bond interest rate swap	---	---	---	---
Premium on bonds	---	---	---	185,693
Discount on bonds	---	---	---	---
Capital leases issued	17	114	18	(2,044)
Refinancing capital leases issued	---	---	---	---
Capital lease termination payment	---	---	---	---
Capital asset sales	5,442	11,889	5,422	7,488
Transfers in	459,141	460,974	460,003	476,745
Transfers out	<u>(459,141)</u>	<u>(460,974)</u>	<u>(460,003)</u>	<u>(476,745)</u>
Total other financing sources (uses)	<u>5,459</u>	<u>12,003</u>	<u>9,059</u>	<u>23,122</u>
Net Changes in Fund Balances	\$ <u>(107,348)</u>	\$ <u>43,471</u>	\$ <u>(161,736)</u>	\$ <u>(71,521)</u>
Debt service as a percentage of noncapital expenditures				
	26%	20%	21%	23%
Debt service as a percentage of total revenues				
	19%	14%	15%	15%

Notes:

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.

Some amounts have been recategorized for comparability and implementation of GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in fiscal year 2011.

Amounts for 2015 include restatements of capital outlay and construction expenses related to adjustments made to infrastructure.

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 486,529	\$ 496,608	\$ 499,416	\$ 503,488	\$ 499,506	\$ 514,908
304,163	291,279	269,336	251,343	234,599	270,339
283,022	284,614	274,709	284,909	290,925	290,709
138,732	138,629	131,809	128,160	139,105	80,668
(1,149)	11,011	11,548	8,957	23,417	46,890
49,912	99,265	248,834	298,333	28,279	---
11,630	11,131	11,132	12,111	16,634	13,257
<u>985,071</u>	<u>928,718</u>	<u>1,283,838</u>	<u>1,059,348</u>	<u>909,634</u>	<u>970,135</u>
<u>2,257,910</u>	<u>2,261,255</u>	<u>2,730,622</u>	<u>2,546,649</u>	<u>2,142,099</u>	<u>2,186,906</u>
46,936	46,636	48,833	49,247	49,224	46,822
38,058	41,133	49,110	59,586	56,986	58,933
454,740	440,357	450,103	471,740	466,143	433,653
241,931	354,259	338,482	293,021	273,099	264,693
89,404	68,481	65,112	110,412	86,202	74,303
956,489	1,112,769	1,249,787	1,405,741	1,307,318	1,143,496
165,332	143,582	166,854	102,261	103,123	88,097
150,721	155,534	162,911	146,006	115,468	109,730
<u>226,683</u>	<u>240,086</u>	<u>223,667</u>	<u>201,472</u>	<u>197,248</u>	<u>199,237</u>
<u>2,370,294</u>	<u>2,602,837</u>	<u>2,754,859</u>	<u>2,839,486</u>	<u>2,654,811</u>	<u>2,418,964</u>
(112,384)	(341,582)	(24,237)	(292,837)	(512,712)	(232,058)
9,493	9,097	10,095	10,910	1,856	4,539
---	---	---	1,085,000	142,735	526,800
---	---	130,390	---	---	---
---	---	(150,477)	---	---	---
---	---	---	---	---	(11,118)
---	---	20,972	30,631	2,835	27,808
---	---	---	---	---	(170)
116	12	4,869	3,284	581	763
---	---	---	---	---	22,985
---	---	---	---	---	(22,559)
13,301	10,591	9,358	7,252	6,830	8,705
511,732	496,854	515,181	536,864	527,110	574,864
<u>(511,732)</u>	<u>(496,854)</u>	<u>(515,181)</u>	<u>(536,864)</u>	<u>527,110</u>	<u>(574,864)</u>
<u>22,910</u>	<u>19,700</u>	<u>25,207</u>	<u>1,137,077</u>	<u>54,837</u>	<u>57,753</u>
\$ <u>(89,474)</u>	\$ <u>(321,882)</u>	\$ <u>970</u>	\$ <u>(844,240)</u>	\$ <u>(357,875)</u>	\$ <u>325,695</u>
22%	20%	22%	17%	16%	16%
14%	13%	12%	10%	10%	9%

Financial Trends

Fund Balances – Governmental Funds

Years Ended June 30

(Amounts in Thousands)

<u>Year</u>	<u>Nonspendable - Inventories</u>	<u>Restricted - Highways and Transportation</u>	<u>Unassigned</u>	<u>Total</u>
2017	\$38,790	\$ 866,455	\$ ---	\$ 905,245
2016	39,614	972,979	---	1,012,593
2015	37,574	931,548	---	969,122
2014	29,135	1,103,299	(1,576)	1,130,858
2013	34,841	1,167,773	(234)	1,202,380
2012	45,790	1,248,963	(2,899)	1,291,854
2011	46,731	1,567,005	---	1,613,736
2010	43,711	1,569,055	---	1,612,766
2009	47,693	1,210,523	(489,690)	768,526
2008	42,443	1,083,957	---	1,126,400

Notes:

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

Financial Trends

Expenditures of Federal Awards

Years Ended June 30

(Amounts in Thousands)

<u>Year</u>	<u>Roads and Bridges</u>	<u>Multimodal</u>	<u>Motor Carriers</u>	<u>Highway Safety</u>	<u>Total</u>
2016	\$ 823,800	\$63,045	\$4,413	\$17,170	\$ 908,428
2015	761,537	56,573	3,925	35,039	857,074
2014	843,571	65,095	3,374	31,199	943,239
2013	912,736	61,776	3,225	40,381	1,018,118
2012	940,436	44,769	2,838	24,523	1,012,566
2011	1,459,615	43,409	1,576	18,517	1,523,117
2010	1,244,642	69,158	1,701	21,925	1,337,426
2009	858,715	52,741	1,207	25,377	938,040
2008	909,643	46,440	1,410	17,208	974,701
2007	800,933	47,658	1,327	34,637	884,555

Source:

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

Notes:

Expenditures include State Emergency Management Agency amounts.

Fiscal year 2017 data is not yet available.

Revenue Capacity Revenue Base – State Motor Fuel Taxes

Years Ended June 30

(Amounts in Thousands)

<u>Year</u>	<u>Gallons</u>	<u>Net State Receipts</u>	<u>Distribution</u>		
			<u>Cities</u>	<u>Counties</u>	<u>MoDOT</u>
2017	4,129,221	\$699,355	\$105,590	\$82,815	\$510,950
2016	4,107,558	697,580	104,130	81,663	511,787
2015	4,009,046	680,045	103,909	81,487	494,649
2014	3,925,826	667,361	100,077	78,484	488,800
2013	3,919,121	666,106	99,433	77,980	488,693
2012	3,976,007	676,601	100,994	79,206	496,401
2011	4,033,033	685,447	103,065	80,851	501,531
2010	4,032,237	684,164	102,113	80,085	501,966
2009	4,002,068	680,862	101,685	79,750	499,427
2008	4,182,599	710,246	106,357	83,418	520,471

Source:

MoDOT Financial Services Division

Notes:

Amounts are provided on a cash basis.

Dollar amounts are shown net of motor fuel tax refunds.

Revenue Capacity

Revenue Rates – State Motor Fuel Taxes

Years Ended June 30

(Cents per Gallon)

<u>Year</u>	<u>Total Fuel Tax Rate</u>	<u>Local Governments</u>	<u>MoDOT</u>
2017	17.00	4.55	12.45
2016	17.00	4.55	12.45
2015	17.00	4.55	12.45
2014	17.00	4.55	12.45
2013	17.00	4.55	12.45
2012	17.00	4.55	12.45
2011	17.00	4.55	12.45
2010	17.00	4.55	12.45
2009	17.00	4.55	12.45
2008	17.00	4.55	12.45

Source:

MoDOT Financial Services Division

Note:

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

Revenue Capacity Principal Revenue Suppliers – State Motor Fuel Taxes

Year Ended June 30

(Amounts in Thousands)

	<u>2017</u>	<u>2008</u>
Gallons from top ten suppliers	3,592,978	3,425,897
Net revenue from top ten suppliers	\$ 610,806	\$ 582,402
Net revenue from all suppliers	\$ 699,355	\$ 710,246
Percentage from top ten suppliers	87%	82%

Sources:

Net revenue from top ten suppliers: Missouri Department of Revenue

Net revenue from all suppliers: MoDOT Financial Services Division

Remainder of information is extrapolated

Notes:

Top ten supplier information is released by the Department of Revenue only in the aggregate. Information on individual suppliers is not available. There are 115 total suppliers.



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Debt Capacity Ratios of Outstanding Debt

Years Ended June 30

(Amounts in Thousands Except Per Capita)

<u>Debt Outstanding at June 30</u>				
<u>Year</u>	<u>Road Bonds</u>	<u>Notes Issued</u>	<u>Capital Leases</u>	<u>Total</u>
2017	\$2,032,555	\$ 644	\$ 89	\$2,033,288
2016	2,341,150	644	127	2,341,921
2015	2,509,620	7,230	60	2,516,910
2014	2,679,170	22,923	93	2,702,186
2013	2,918,000	26,404	2,269	2,946,673
2012	3,071,525	28,405	2,466	3,102,396
2011	3,204,715	23,678	8,476	3,236,869
2010	3,352,640	32,707	14,322	3,399,669
2009	2,355,925	27,164	19,646	2,402,735
2008	2,298,080	34,042	28,443	2,360,565

Sources:

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

Population: United States Department of Commerce, Census Bureau

Notes:

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

<u>Ratio of Debt to Income</u>		<u>Ratio of Debt to Population</u>	
<u>Personal Income</u>	<u>Percentage of Personal Income</u>	<u>Population</u>	<u>Per Capita</u>
\$268,379,000	0.76%	6,093	\$334
263,751,000	0.89	6,084	385
255,748,000	0.98	6,064	415
238,095,000	1.13	6,044	447
223,049,000	1.32	6,022	490
229,986,000	1.35	6,011	516
217,486,000	1.49	6,012	538
213,238,000	1.59	5,987	568
205,288,000	1.17	5,912	406
198,757,000	1.19	5,878	402

Debt Capacity Pledged Revenue Coverage Related to Revenue Bonds

Years Ended June 30

(Amounts in Thousands Except Coverage)

<u>Year</u>	<u>Senior Bond Revenues (1)</u>	<u>Operating Expenses (2)</u>	<u>Senior Net Pledged Revenues Available</u>	<u>Senior Lien Bonds</u>		
				<u>Principal</u>	<u>Interest</u>	<u>Coverage</u>
2017	\$973,349	\$388,116	\$585,233	\$54,545	\$16,534	8.23
2016	968,300	372,800	595,500	51,965	19,090	8.38
2015	934,340	373,739	560,601	50,395	21,555	7.79
2014	914,514	348,537	565,977	47,815	23,877	7.89
2013	937,165	333,327	603,838	44,255	25,467	8.66
2012	935,399	342,240	593,159	31,790	26,868	10.11
2011	929,143	324,416	604,727	56,795	28,443	7.09
2010	916,929	281,320	635,609	41,280	32,386	8.63
2009	906,977	279,971	627,006	39,540	34,339	8.49
2008	965,169	279,823	685,346	38,005	36,118	9.25

<u>Year</u>	<u>Federal Reimbursement Revenues (5)</u>	<u>Expenses</u>	<u>Federal Reimbursement Bonds Net Pledged Revenues</u>	<u>Federal Reimbursement</u>		
				<u>Principal</u>	<u>Interest (6)</u>	<u>Coverage</u>
2017	\$ 699,433	\$ ---	\$ 699,433	\$38,795	\$28,374	10.41
2016	692,366	---	692,366	37,325	29,840	10.31
2015	624,417	---	624,417	36,000	31,203	9.29
2014	708,726	---	708,726	34,825	32,453	10.53
2013	771,710	---	771,710	33,450	33,161	11.59
2012	719,532	---	719,532	32,725	33,889	10.80
2011	1,226,128	---	1,226,128	30,595	36,026	18.40
2010	749,825	---	749,825	---	19,476	38.50
2009	712,574	---	712,574	---	2,596	274.44
2008	---	---	---	---	---	---

Sources:

MoDOT Financial Services Division

Notes:

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

(2) Operating Expenses consist of retirement benefit costs, the cost of enforcement of motor vehicle laws and the cost of collection of taxes and fees. The cost of collection reflects actual expenditures and does not reflect any Missouri Department of Revenue refunds associated with spending over the three percent cap during previous years.

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

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

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

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

First, Second, Third Lien Revenues (3)	First, Second, Third Lien Net Pledged Revenues (4)	First Lien			Second Lien			Third Lien		
		Principal	Interest	Coverage	Principal	Interest	Coverage	Principal	Interest	Coverage
\$179,788	\$693,943	\$18,810	\$29,009	14.51	\$59,550	\$19,721	5.46	\$19,070	\$10,279	4.44
170,460	694,905	22,520	30,039	13.22	56,660	22,507	5.28	---	10,276	4.89
162,858	651,509	53,940	30,044	7.76	13,555	21,768	5.46	15,660	10,308	4.48
149,793	644,078	52,330	38,643	7.08	12,055	25,316	5.02	15,025	10,352	4.19
113,443	647,559	50,805	41,111	7.05	10,605	25,798	5.05	14,410	9,974	4.24
106,451	640,952	49,385	43,432	6.91	5,465	26,024	5.16	13,825	9,989	4.33
100,945	620,434	48,025	45,721	6.62	1,600	26,088	5.11	---	10,048	4.72
93,744	655,687	41,725	47,609	7.34	5,280	26,299	5.42	---	4,785	5.22
91,013	644,140	35,575	49,140	7.60	9,775	26,690	5.32	---	668	5.29
84,476	695,699	24,510	50,204	9.31	---	16,978	7.59	---	1,654	7.45

Demographic and Economic Information Population, Personal Income and Unemployment Rate

Years Ended December 31

(Amounts in Thousands)

<u>Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2016	6,093	\$268,379,000	\$44	4.0%
2015	6,084	263,751,000	43	3.9
2014	6,064	255,748,000	42	5.1
2013	6,044	238,095,000	39	7.4
2012	6,022	223,049,000	39	7.6
2011	6,011	229,986,000	38	7.7
2010	6,012	217,486,000	36	9.2
2009	5,988	213,238,000	36	9.2
2008	5,912	205,288,000	35	6.0
2007	5,878	198,757,000	34	5.1

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)

	2016			2007		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage</u>
Trade, transportation and utilities	549	1	19%	562	1	20%
Education and health services	459	2	16	391	3	14
Government	446	3	16	453	2	16
Professional and business services	387	4	14	341	4	12
Leisure and hospitality	295	5	10	273	6	10
Manufacturing	260	6	9	299	5	11
Financial activities	174	7	6	166	7	6
Construction, natural resources and mining	124	8	4	149	8	5
Other services	116	9	4	120	9	4
Information	<u>51</u>	10	<u>2</u>	<u>65</u>	10	<u>2</u>
Total	<u>2,861</u>		<u>100%</u>	<u>2,819</u>		<u>100%</u>

Source:

United States Department of Labor, Bureau of Labor Statistics

Note:

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

Demographic and Economic Information Licensed Drivers with Population Data

Years Ended June 30

(Amounts in Thousands)

<u>Year</u>	<u>Licensed Drivers</u>	<u>Change in Licensed Drivers</u>	<u>Population</u>	<u>Change in Population</u>
2016	4,250	37	6,084	20
2015	4,213	(82)	6,064	20
2014	4,295	15	6,044	22
2013	4,280	(8)	6,022	11
2012	4,288	11	6,011	(1)
2011	4,277	31	6,012	24
2010	4,246	28	5,988	76
2009	4,218	21	5,912	34
2008	4,197	35	5,878	40
2007	4,162	22	5,838	50

Sources:

Licensed Drivers: Missouri Department of Revenue for federal reporting

Population: United States Department of Commerce, Census Bureau

Notes:

Fiscal year 2017 licensed drivers' data is not yet available.

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

Demographic and Economic Information

Vehicle Registrations with Fuel Tax Receipts

Years Ended June 30

(Amounts in Thousands Except Fuel Tax Receipts per Registration)

<u>Fiscal Year</u>	<u>Registrations</u>	<u>Percentage Change in Registrations</u>	<u>Net State Fuel Tax Receipts</u>	<u>Percentage Change in Fuel Tax Receipts</u>	<u>Fuel Tax Receipts per Registration</u>
2016	6,795	1.6%	\$697,580	2.6%	103
2015	6,689	4.7	680,045	2.6	104
2014	6,390	(6.1)	667,361	1.9	106
2013	6,807	2.2	666,106	0.2	98
2012	6,659	8.7	676,601	(2.8)	100
2011	6,124	(8.5)	685,447	0.2	112
2010	6,691	10.5	684,164	0.5	102
2009	6,057	1.6	680,862	(4.1)	112
2008	5,961	(0.6)	710,246	0.9	119
2007	5,997	(0.7)	704,071	(0.5)	117

Sources:

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

Fuel Tax Receipts: MoDOT Financial Services Division, cash basis

Note:

Fiscal year 2017 registrations data is not yet available.

Operating Information

Demand and Level of Service Indicators

Years Ended December 31

<u>Year</u>	<u>Daily Vehicle Miles Traveled (Amounts in Thousands)</u>			<u>Population (Amounts in Thousands)</u>	<u>Average Daily Miles Per Capita</u>
	<u>State Highways</u>	<u>Non-State Highways</u>	<u>Total Public Highways</u>		
2016	139,361	64,807	204,169	6,093	33.5
2015	136,129	60,849	196,978	6,084	32.4
2014	134,056	60,293	194,349	6,064	32.1
2013	131,064	58,871	189,935	6,044	31.4
2012	130,518	56,887	187,405	6,022	31.1
2011	129,512	58,948	188,460	6,011	31.4
2010	130,628	62,879	193,507	6,012	32.2
2009	130,047	59,257	189,304	5,988	31.6
2008	130,703	55,834	186,537	5,912	31.6
2007	134,149	55,303	189,452	5,878	32.2

Sources:

Daily Vehicle Miles Traveled: MoDOT Transportation Planning Division

Population: United States Department of Commerce, Census Bureau



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Operating Information

Demand and Level of Service Indicators

Years Ended June 30

<u>Year</u>	<u>Freight Tonnage By Mode (Amounts In Thousands) (1) (2)</u>				<u>Travel Information by Mode</u>		
	<u>Port (4)</u>	<u>Motor Carrier</u>	<u>Aviation</u>	<u>Rail</u>	<u>Number of Transit Passengers</u>	<u>Number of River Runner Rail Passengers</u>	<u>Number of Airline Passengers (Amounts in Millions) (2)</u>
2017	n/a-cy	n/a-cy	n/a-cy	n/a-cy	n/a-src	127,100	n/a-cy
2016	40,000	462,000	186	352,000	59,100,000	172,000	n/a-src
2015	37,000	485,000	186	397,000	62,800,000	185,600	11.9
2014	39,000	485,000	196	431,000	63,100,000	189,200	11.9
2013	35,000	464,000	198	420,000	62,500,000	197,000	11.6
2012	30,000	409,000	195	438,000	63,400,000	193,000	11.6
2011	33,000	400,000	197	449,000	58,600,000	191,000	11.7
2010	33,000	398,000	182	441,000	56,300,000	165,000	11.5
2009	24,000	368,000	190	416,000	68,400,000	153,000	11.5
2008	26,000	361,000	240	412,000	68,600,000	138,000	13.0

Source:

MoDOT Tracker – Measures of Departmental Performance

Notes:

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

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

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

<u>Road and Bridge Projects</u>		<u>Safety</u>		
<u>Percent of Programmed Project Cost As Compared To Final Project Cost (3)</u>	<u>Percent of Projects Completed on Time</u>	<u>Number of Fatalities from Traffic Crashes (2) (4)</u>	<u>Number of Serious Injuries from Traffic Crashes (2) (4)</u>	<u>Percent of Stripes on Major Roads In Good Condition (2)</u>
(0.50)%	68%	n/a-cy	n/a-cy	n/a-cy
(2.65)	68	949	4,698	89.8%
(5.56)	67	870	4,402	53.8
(7.70)	73	766	4,657	83.0
(12.47)	80	757	4,938	92.1
(10.43)	75	826	5,506	96.4
(15.37)	74	786	5,643	92.4
(11.48)	79	821	6,096	91.3
0.31	67	878	6,540	91.0
(2.57)	71	960	6,931	96.4

Operating Information
Capital Asset Indicators ⁽¹⁾
 Years Ended December 31

<u>Year</u>	<u>Centerline Miles</u>	<u>Percentage of Major Highways In Good Condition</u>	<u>Number of Bridges in Poor Condition (2)</u>
2016	33,856	90.1%	n/a-src
2015	33,873	90.4	1,898
2014	33,892	89.2	1,914
2013	33,890	89.7	1,966
2012	33,885	88.5	2,081
2011	33,845	88.1	2,208
2010	33,702	85.8	2,486
2009	33,639	86.5	2,679
2008	33,676	83.4	2,838
2007	33,685	78.0	2,844

Sources:

MoDOT Tracker – Measures of Departmental Performance

Centerline miles provided by Transportation Planning Division

Notes:

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

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

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

Operating Information

Capital Asset Indicators

Years Ended December 31

<u>Functional Classification</u>	<u>Total Public Centerline Miles</u>									
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Rural										
Interstate	842	842	842	841	867	723	722	722	722	722
Freeway/expressway	1,020	926	920	923	878	967	953	2	2	---
Principal arterial	1,958	2,029	2,043	2,037	2,103	2,157	2,171	3,115	3,116	3,117
Minor arterial	3,935	3,959	3,953	3,964	3,962	3,959	3,944	3,948	3,927	3,927
Major collector	16,138	16,137	16,134	16,164	16,191	16,181	16,185	16,182	16,211	16,216
Minor collector	5,940	5,943	5,946	5,953	5,961	5,954	5,944	5,948	5,961	5,966
Local	925	927	923	934	965	963	935	885	875	869
Urban										
Interstate	538	538	538	538	512	482	459	459	459	459
Freeway/expressway	476	468	461	446	434	455	470	398	397	399
Principal arterial	646	654	689	708	719	730	730	803	808	811
Minor arterial	591	597	582	571	565	549	527	526	516	513
Major collector	520	523	517	485	446	445	414	410	437	442
Minor collector	22	22	23	14	2	---	---	---	---	---
Local	305	308	321	312	280	280	248	241	245	244
Total centerline miles	<u>33,856</u>	<u>33,873</u>	<u>33,892</u>	<u>33,890</u>	<u>33,885</u>	<u>33,845</u>	<u>33,702</u>	<u>33,639</u>	<u>33,676</u>	<u>33,685</u>
Statewide Composite										
Interstate	1,379	1,380	1,380	1,379	1,379	1,206	1,181	1,181	1,181	1,181
Freeway/expressway	1,496	1,394	1,381	1,369	1,312	1,421	1,423	400	399	399
Arterial	7,130	7,239	7,267	7,280	7,349	7,394	7,372	8,392	8,367	8,368
Collector	22,621	22,625	22,620	22,616	22,600	22,580	22,542	22,540	22,609	22,624
Local	1,230	1,235	1,244	1,246	1,245	1,244	1,184	1,126	1,120	1,113
Total centerline miles	<u>33,856</u>	<u>33,873</u>	<u>33,892</u>	<u>33,890</u>	<u>33,885</u>	<u>33,845</u>	<u>33,702</u>	<u>33,639</u>	<u>33,676</u>	<u>33,685</u>

Source:

MoDOT Transportation Planning Division

Operating Information

Employee Full-Time Equivalents (FTE)

Years Ended June 30

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
District offices	4,597	4,493	4,610	4,653	4,501	4,685	5,183	5,541	5,512
Central office	<u>755</u>	<u>763</u>	<u>771</u>	<u>765</u>	<u>765</u>	<u>886</u>	<u>1,028</u>	<u>1,096</u>	<u>1,124</u>
Total	<u>5,352</u>	<u>5,256</u>	<u>5,381</u>	<u>5,418</u>	<u>5,266</u>	<u>5,571</u>	<u>6,211</u>	<u>6,637</u>	<u>6,636</u>

Source:

State of Missouri payroll reporting system

Note:

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

Other Information



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Missouri Department of Transportation (the Department), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated September 28, 2017.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance And Other Matters

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

Purpose Of This Report

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

RubinBrown LLP

September 28, 2017