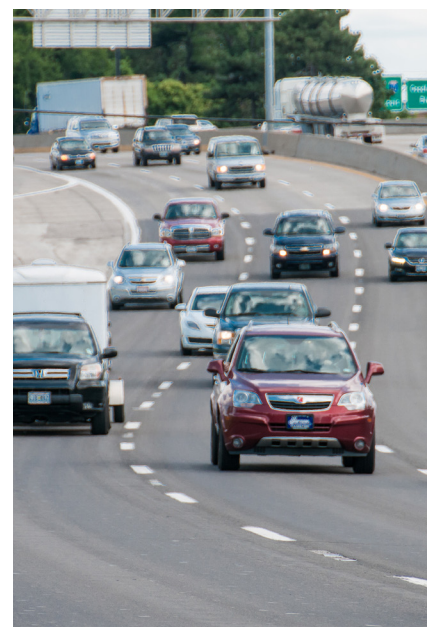


# Comprehensive Annual Financial Report



For fiscal years ended  
**June 30, 2018 and 2017**



Missouri Transportation  
Finance Corporation

a Component Unit of the State of Missouri

# **Comprehensive Annual Financial Report**

for fiscal years ended  
**June 30, 2018 and 2017**

Gregg C. Smith, President  
Patrick K. McKenna, MoDOT Director  
and Brenda Morris, CPA, Treasurer

Prepared by the Financial Services Division  
Missouri Department of Transportation

Missouri Transportation Finance Corporation  
P.O. Box 270  
Jefferson City, MO 65102  
573-526-8106



**Missouri Transportation  
Finance Corporation**  
a Component Unit of the State of Missouri

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# Introductory Section

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August 24, 2018

Board of Directors  
Missouri Transportation Finance Corporation  
Jefferson City, Missouri

The Missouri Transportation Finance Corporation (MTFC) is pleased to submit the Comprehensive Annual Financial Report (CAFR) of the MTFC for the fiscal year ended June 30, 2018.

The Transportation Equity Act of the Twenty-first Century (TEA-21) Cooperative Agreement between the Federal Highway Administration, the Federal Transit Administration and the Federal Railroad Administration, agencies of the United States Department of Transportation, the Missouri Highways and Transportation Commission (MHTC) and the MTFC requires the MTFC to have an annual independent financial and compliance audit. In fulfillment of this requirement, the MTFC prepared this CAFR and contracted with the independent auditing firm of Williams-Keepers LLC to audit the financial statements.

Generally accepted accounting principles (GAAP) require management to provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MTFC's MD&A can be found on page 19, immediately following the report of the independent auditors.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the MTFC. 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 MTFC's net position and changes in net position. All disclosures necessary to enable the reader to gain an understanding of the MTFC's financial activities have been included.

### **Profile of the MTFC**

The MTFC, incorporated in August 1996 as a not-for-profit corporation, derived its authority to form and operate from the TEA-21. The Cooperative Agreement provided the original capitalization for the entity, a mixture of federal and state funds, to administer a program focused on funding Missouri highways and transportation projects by offering financing options such as low interest direct loans to private and public entities. An eight member Board of Directors administers the MTFC and is responsible for the direction of the entity, including approval of all loans.

### **Internal Control**

The MTFC assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. The MTFC believes the corporation's internal control provides reasonable assurance that the financial statements are free from any material misstatement.

### **Economic Outlook**

In December 2015, Congress passed the Fixing America's Surface Transportation (FAST) Act, which is a five-year, \$305 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 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.

From fiscal year 2017 to 2018, state revenues designated for transportation increased from \$1,153.2 million to \$1,176.7 million, or 2.0 percent. Motor fuel taxes of \$517.7 million were collected in fiscal year 2018, which is an increase of 1.3 percent compared to fiscal year 2017. Fiscal year 2018 motor fuel tax collections are slightly less than fiscal year 2008 when collections were \$520.5 million. Motor vehicle sales taxes grew by 1.6 percent, while motor vehicle and driver licensing fees increased 3.9 percent from fiscal year 2017 to fiscal year 2018.

### **Future of MTFC**

MoDOT's popular Cost Share Program, which sets aside monies for which local entities could compete to accomplish transportation projects that were a local priority, was suspended by the MHTC in January 2014. The program allowed local priority projects to be completed with a mixture of local funds and monies from the Cost Share Program.



The local entities would often accelerate their project using a MTFC loan. The suspension of the Cost Share Program was a major reason fewer loans were applied for and approved in fiscal years 2014 and 2015. For fiscal years 2016 and 2017, loan activity increased as entities looked for ways to finance their projects.

In January 2017, the MHTC approved re-activating the Cost Share Program in fiscal year 2018. The Cost Share Committee will meet approximately 3 times a year to select Cost Share projects. As the funds for the Cost Share Program become committed and the availability of funds is pushed to future years, the expectation is the number of loan applications will increase to accelerate those funds.

In November 2018, Missourians will have a chance to vote on a 10 cent motor fuel tax increase that will be dedicated for the enforcement of motor vehicle laws by the Missouri State Highway Patrol. Cities and Counties will also receive additional revenues if this ballot measure passes, which could result in more local entities seeking financing for road and bridge projects through MTFC loans.

The MTFC's net position has increased over the last three years primarily as a result of income derived from interest earned on loans and investments. The growth in net position is expected to remain steady.

#### Initiatives

MoDOT's Financial Services staff is responsible for marketing MTFC loans as a transportation project funding option. They accomplish this activity by:

- Maintaining information about the MTFC on the Partnership Development Website;
- Attending and presenting at meetings throughout the state to educate partners; and
- Preparing newsletters to communicate activity to potential customers.

There were no new financial policies that significantly impacted the financial statements for the fiscal year ended June 30, 2018.

#### Awards

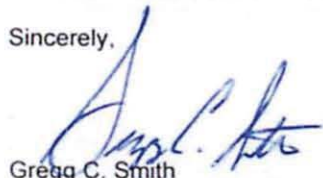
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the MTFC for its CAFR for the fiscal year ended June 30, 2017. This was the tenth consecutive year the MTFC received this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for a certificate.

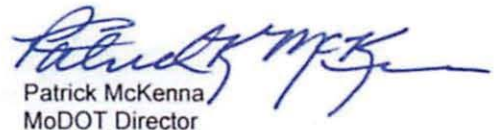
#### Acknowledgements

The timely preparation of this report was achieved by the dedicated service of MoDOT's Financial Services Division staff whom are responsible for MTFC administrative activities. We would like to express appreciation to members of the staff who assisted and contributed to this report.

Sincerely,



Gregg C. Smith  
MTFC President/ MHTC Commissioner



Patrick McKenna  
MoDOT Director



Brenda Morris, CPA  
Treasurer



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Missouri Transportation  
Finance Corporation**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

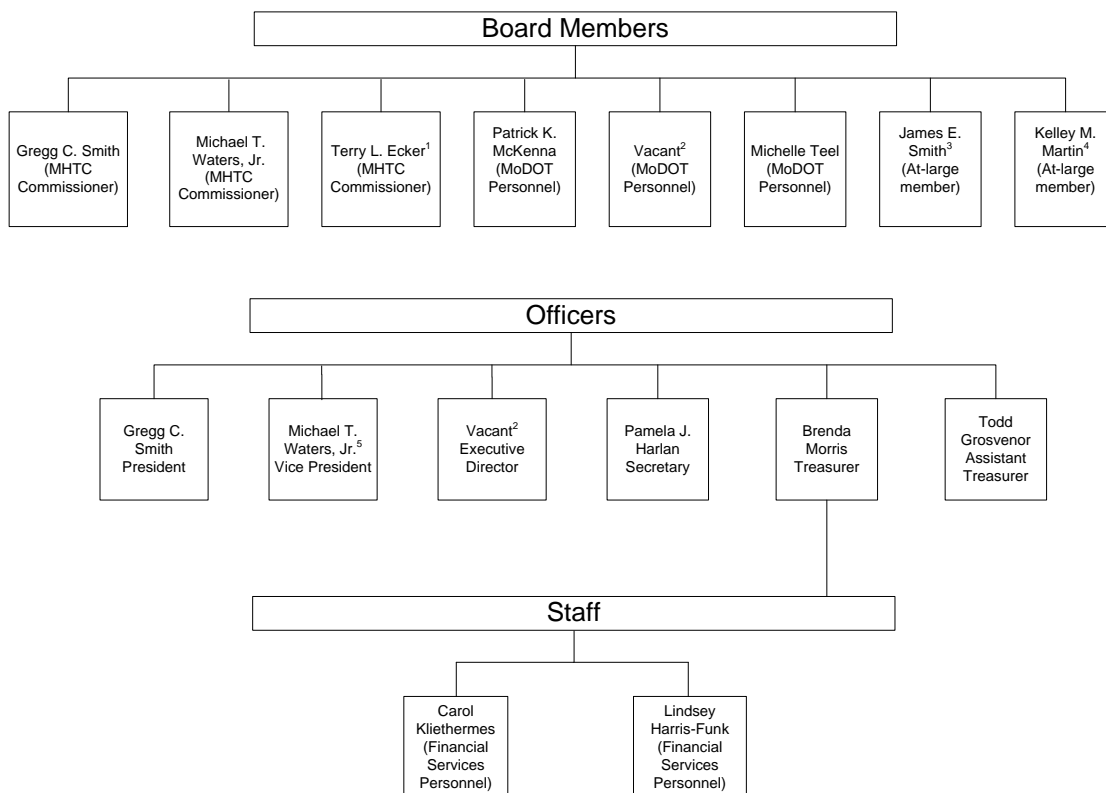
*Christopher P. Morrell*

Executive Director/CEO

# Organizational Chart

June 30, 2018

## Missouri Transportation Finance Corporation (MTFC) Organizational Chart



<sup>1</sup> On January 4, 2018, Commissioner Terry L. Ecker was elected to the MTFC Board of Directors.

<sup>2</sup> On April 1, 2018, Roberta Broeker retired from MoDOT. As of June 30, 2018, a replacement had not been appointed to serve as the Executive Director.

<sup>3</sup> On June 7, 2017, the MHTC elected James E. Smith to the MTFC Board of Directors as an at-large member for a two-year term beginning July 1, 2017 and expiring June 30, 2019.

<sup>4</sup> On June 6, 2018, Kelly Martin was re-elected to the MTFC Board of Directors beginning July 1, 2018 and expiring June 30, 2020.

<sup>5</sup> On May 2, 2018, Michael T. Waters, Jr. was elected as MTFC Vice President.

MoDOT – Missouri Department of Transportation

MHTC – Missouri Highways and Transportation Commission



# Principal Officials

Fiscal Year 2018

<b><u>MTFC Title</u></b>	<b><u>Name</u></b>
President	Gregg C. Smith, MHTC Commissioner
Vice President	Michael T. Waters, Jr., MHTC Commissioner
Executive Director	Vacant
Secretary	Pamela J. Harlan, MHTC Secretary
Treasurer	Brenda Morris, MoDOT Financial Services Director
Assistant Treasurer	Todd Grosvenor, MoDOT Assistant Financial Services Director

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# Financial Section

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Missouri Transportation Finance Corporation  
Jefferson City, Missouri

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Missouri Transportation Finance Corporation (the Corporation), a component unit of the State of Missouri, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Corporation'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 U.S. generally accepted accounting principles; 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards 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 auditor's 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 opinion.



## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Corporation as of June 30, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

## ***Other Matters***

### ***Required Supplementary Information***

U.S. generally accepted accounting principles require the management's discussion and analysis on pages 19 through 22 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 U.S. generally accepted auditing standards, 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.

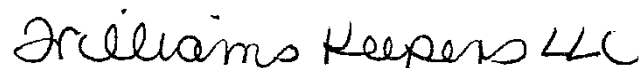
### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corporation's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have 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 them.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2018, on our consideration of the Corporation'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 Corporation's internal control over financial reporting and compliance.



August 24, 2018

# Management's Discussion and Analysis

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# Management's Discussion and Analysis

The following section of our annual financial report presents our discussion and analysis of the MTFC's financial performance during the year. It is intended to provide an objective and easily readable analysis of the MTFC's financial activities based on currently known facts, decisions and conditions. Readers should consider the information presented here in conjunction with the information presented in the financial statements and notes, which follow this section.

## FINANCIAL HIGHLIGHTS

- During fiscal year 2018, the MTFC approved one loan totaling \$500,000. By comparison, in fiscal year 2017, the MTFC approved five loans totaling \$34.5 million. In fiscal year 2016, the MTFC approved six loans totaling \$6.6 million. The decrease in loan activity is in part due to the suspension of MoDOT's Cost Share Program by the Missouri Highways and Transportation Commission (MHTC) in January 2014. This popular program set aside monies for which local entities could compete to accomplish transportation projects that were a local priority. The local entities would often accelerate their project using a MTFC loan. Loan activity for the MTFC lags behind the actions taken related to the MHTC's Cost Share Program.
- Loan disbursements totaling \$14.5 million were made to three entities in fiscal year 2018. In fiscal year 2017, loan disbursements totaling \$6.0 million were made to three entities and in fiscal year 2016, loan disbursements totaling \$3.0 million were made to six entities.
- In fiscal years 2018 and 2016, no entities declined their approved loans. During fiscal year 2017, one entity declined their approved loan totaling \$13.2 million. During fiscal years 2018, 2017 and 2016, no entities requested loan reductions.
- The MTFC's net loans receivable decreased \$3.3 million and \$5.2 million from fiscal year 2017 to 2018 and from fiscal year 2016 to 2017, respectively, as loan repayments exceeded loan disbursements.
- Operating income decreased by \$313,000 from fiscal year 2017 to 2018 and \$60,000 from fiscal year 2016 to 2017. The decrease in operating income is due to the reduction of interest income on loans as the loan receivable balance continues to decline.
- Total nonoperating revenues increased \$230,000, 64.6 percent, from fiscal year 2017 to 2018, due to an increase in investment earnings. From fiscal year 2016 to 2017, total nonoperating revenues decreased \$252,000, 41.4 percent, for the same reason.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the MTFC's basic financial statements, which are comprised of two components: 1) financial statements and 2) notes to the financial statements.

**Financial Statements** report information about the MTFC through accounting methods used by private-sector companies, the economic resources measurement focus and accrual basis of accounting. These statements provide short- and long-term information about the financial status of the MTFC.

The *Statements of Net Position* include all MTFC assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the MTFC is improving or deteriorating.

The *Statements of Revenues, Expenses and Changes in Net Position* account for all revenues and expenses of the MTFC 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 this statement for some items that will result in cash flows in future fiscal periods.

The *Statements of Cash Flows* provide readers the sources and uses of cash and the changes in the cash balance during the year.

**Notes to the Financial Statements** provide additional information and discuss particular accounts in more detail. The Notes are essential to a full understanding of the data provided in the financial statements.

## FINANCIAL ANALYSIS

### MTFC Net Position June 30, 2018, 2017 and 2016 (dollars in thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Assets</b>			
Cash and investments	\$ 83,050	\$ 77,976	\$ 71,110
Interest receivable on loans and investments	412	727	781
Loans receivable, net	<u>24,824</u>	<u>28,092</u>	<u>33,327</u>
<b>Total assets</b>	<u>108,286</u>	<u>106,795</u>	<u>105,218</u>
<b>Liabilities</b>			
Accounts payable	<u>1</u>	<u>3</u>	<u>2</u>
<b>Net Position</b>			
Restricted for lending purposes	77,807	77,221	76,865
Unrestricted net position	<u>30,478</u>	<u>29,571</u>	<u>28,351</u>
<b>Total net position</b>	<u>\$108,285</u>	<u>\$106,792</u>	<u>\$105,216</u>

### Assets

Cash and investments increased \$5.1 million from June 30, 2017 to June 30, 2018, and \$6.9 million between June 30, 2016 and June 30, 2017. At June 30, 2018, net loans receivable were \$3.3 million less than at June 30, 2017. Net loans receivable at June 30, 2017 were \$5.2 million less than the prior year. Correspondingly, the loan interest receivable declined from fiscal year end to fiscal year end as the loan receivable balance decreased. In fiscal year 2018, loan repayments of \$17.8 million exceeded loan disbursements of \$14.5 million. In fiscal year 2017, loan repayments of \$11.2 million exceeded loan disbursements of \$6.0 million.

### Net Position

Net position increased \$1.5 million in fiscal year 2018 and \$1.6 million in fiscal year 2017. The primary reason for the net position increase at June 30, 2018 is \$936,000 in loan interest and total nonoperating revenues of \$586,000. At June 30, 2017, net position increased \$1.6 million as a result of loan interest of \$1.2 million and total nonoperating revenues of \$356,000. Net position restricted for lending purposes includes federal grants received to capitalize the MTFC, the required state transportation funding match and the accumulated net investment earnings (loss).

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**MTFC Changes in Net Position**  
**Years ended June 30, 2018, 2017 and 2016**  
**(dollars in thousands)**


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	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Operating Revenues</b>			
Interest income on loans	\$ 936	\$ 1,205	\$ 1,310
Other income	<u>1</u>	<u>52</u>	<u>8</u>
<b>Total operating revenues</b>	<u>937</u>	<u>1,257</u>	<u>1,318</u>
<b>Operating Expenses</b>			
Administrative fees	20	28	29
Other operating expenses	<u>10</u>	<u>9</u>	<u>9</u>
<b>Total operating expenses</b>	<u>30</u>	<u>37</u>	<u>38</u>
<b>Operating Income</b>	<u>907</u>	<u>1,220</u>	<u>1,280</u>
<b>Nonoperating Revenues (Expenses)</b>			
Investment earnings	645	408	662
Nonoperating expenses	<u>(59)</u>	<u>(52)</u>	<u>(54)</u>
<b>Total nonoperating revenues (expenses)</b>	<u>586</u>	<u>356</u>	<u>608</u>
<b>Change in net position</b>	1,493	1,576	1,888
Net position at beginning of year	<u>106,792</u>	<u>105,216</u>	<u>103,328</u>
<b>Net position at end of year</b>	<u>\$108,285</u>	<u>\$106,792</u>	<u>\$105,216</u>

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**Revenues**

In fiscal years 2018, 2017 and 2016, the primary source of income was interest earned on loans. In fiscal year 2018, interest income on loans recognized as operating revenue decreased \$269,000 compared to fiscal year 2017 and decreased \$105,000 in fiscal year 2017 compared to fiscal year 2016. The decrease in interest earned on loans is consistent with the decrease in the average loans receivable balance. The average loans receivable balance was \$29.8 million in fiscal year 2018 compared to \$32.6 million in fiscal year 2017 and \$34.2 million in fiscal year 2016. Program fees, included in other income in the schedule above, are received at the time applications are submitted and are calculated based upon a percentage of the requested loan amount. In fiscal year 2018, program fees decreased to \$1,000 compared to fiscal year 2017 and 2016, which were \$52,000 and \$8,000, respectively.

Nonoperating revenue is recognized on investments. The primary reason for the increase of nonoperating revenue in fiscal year 2018 is the increase of investment earnings.

**Expenses**

In fiscal year 2018, administrative fees totaled \$20,000, a decrease of \$8,000 from fiscal year 2017. Administrative fees in fiscal year 2017 decreased \$1,000 from fiscal year 2016. The administrative fees decrease from fiscal years is due to the number of loan applications in the respective years. The other operating expenses increased \$1,000 from fiscal year 2017 to 2018 as a result of increased professional fees from the audit and remained unchanged from fiscal year 2016 to 2017.

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## **ECONOMIC AND OTHER FACTORS**

For fiscal year 2018, loan activity decreased. While several entities inquired about the loan program, few requested a loan. Entities either determined they could not afford the project they desired, chose to delay the project or they identified other means for financing it. In January 2017, the MHTC re-activated its popular Cost Share program. The Missouri Department of Transportation sets aside monies for which local entities can compete to accomplish transportation projects on the state system that are a local priority. These projects are completed with a mixture of local funds and monies from the Cost Share Program. MTFC loan activity will lag behind the actions taken related to the MHTC's Cost Share Program. Prior to the suspension of the Cost Share Program in January 2014, local entities would often accelerate the Cost Share projects selected using a MTFC loan. The suspension of the Cost Share Program is a major reason for the lower number of loans applied for and approved in fiscal year 2018.

In November 2018, Missourians will have a chance to vote on a 10 cent motor fuel tax increase that will be dedicated for the enforcement of motor vehicle laws by the Missouri State Highway Patrol. Cities and Counties will also receive additional revenues if this ballot measure passes, which could result in more local entities seeking financing for road and bridge projects through MTFC loans.

The MTFC's net position has increased over the last three years primarily as a result of income derived from interest earned on loans and investments. The growth in net position is expected to remain steady.

## **CONTACTING THE MTFC**

This financial report is designed to provide the Missouri Transportation Finance Corporation's interested parties, including citizens, taxpayers, customers, potential investors and creditors, with a general overview of the MTFC's finances and to demonstrate the MTFC's accountability for the money it receives. Questions about this report or requests for additional financial information should be addressed to Missouri Transportation Finance Corporation, P.O. Box 270, Jefferson City, Missouri 65102.

# Financial Statements

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# Statements of Net Position

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 11,983,905	\$ 25,613,657
Investments	26,432,427	27,501,810
Interest receivable on loans	172,618	583,880
Interest receivable on investments	239,760	143,073
Loans receivable, net	<u>2,966,705</u>	<u>5,423,510</u>
Total current assets	<u>41,795,415</u>	<u>59,265,930</u>
Noncurrent assets		
Investments	44,634,066	24,860,133
Loans receivable, net	<u>21,856,839</u>	<u>22,668,741</u>
Total noncurrent assets	<u>66,490,905</u>	<u>47,528,874</u>
<b>Total Assets</b>	<u>108,286,320</u>	<u>106,794,804</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable	<u>940</u>	<u>3,150</u>
Total current liabilities	<u>940</u>	<u>3,150</u>
<b>Total Liabilities</b>	<u>940</u>	<u>3,150</u>
<b>Net Position</b>		
Restricted for lending purposes	77,807,045	77,220,770
Unrestricted net position	<u>30,478,335</u>	<u>29,570,884</u>
<b>Total Net Position</b>	<u>\$108,285,380</u>	<u>\$106,791,654</u>

# Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Operating Revenues</b>		
Interest income on loans	\$ 936,268	\$ 1,204,792
Program fees	<u>750</u>	<u>51,819</u>
<b>Total Operating Revenues</b>	<u>937,018</u>	<u>1,256,611</u>
<b>Operating Expenses</b>		
Administrative fees	20,017	27,795
Professional fees	9,100	8,900
Other	<u>450</u>	<u>489</u>
<b>Total Operating Expenses</b>	<u>29,567</u>	<u>37,184</u>
<b>Operating Income</b>	<u>907,451</u>	<u>1,219,427</u>
<b>Nonoperating Revenue (Expenses)</b>		
Investment earnings (loss)	645,641	407,643
Investment fees	<u>(59,366)</u>	<u>(51,491)</u>
<b>Net Nonoperating Revenues (Expenses)</b>	<u>586,275</u>	<u>356,152</u>
<b>Change in net position</b>	1,493,726	1,575,579
<b>Net Position, beginning of year</b>	<u>106,791,654</u>	<u>105,216,075</u>
<b>Net Position, end of year</b>	<u>\$108,285,380</u>	<u>\$106,791,654</u>

# Statements of Cash Flows

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Cash Flows From Operating Activities</b>		
Fees received for services	\$ 750	\$ 51,819
Payments for administrative services	(22,227)	(26,258)
Other payments	(9,550)	(9,389)
Net cash provided by (used in) operating activities	<u>(31,027)</u>	<u>16,172</u>
<b>Cash Flows From Investing Activities</b>		
Interest received	1,150,303	933,959
Principal received	17,764,672	11,192,631
Sale of investments	37,966,975	43,267,108
Interest received on loans	1,347,530	1,212,225
Loan disbursements	(14,495,965)	(5,958,118)
Purchase of investments	(57,272,874)	(41,973,195)
Investment fees	(59,366)	(51,491)
Net cash provided by (used in) investing activities	<u>(13,598,725)</u>	<u>8,623,119</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(13,629,752)	8,639,291
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>25,613,657</u>	<u>16,974,366</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 11,983,905</u>	<u>\$ 25,613,657</u>
<b>Reconciliation of Operating Income to Net Cash Provided by (used in) Operating Activities</b>		
Operating income	\$ 907,451	\$ 1,219,427
Interest income on loans	(936,268)	(1,204,792)
Adjustments to operating cash flows for net change in accounts payable	(2,210)	1,537
<b>Net Cash Provided by (used in) Operating Activities</b>	<u>\$ (31,027)</u>	<u>\$ 16,172</u>
<b>Noncash Items Impacting Recorded Assets</b>		
Increase (decrease) in fair value of investments	<u>\$ (601,349)</u>	<u>\$ (479,954)</u>

# Notes to the Financial Statements

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# Notes to the Financial Statements

## Note 1: Summary of Significant Accounting Policies

The Missouri Transportation Finance Corporation (MTFC) was created by the Missouri Highways and Transportation Commission (MHTC), under Missouri Nonprofit Corporation Law Act, Chapter 355 of the Revised Statutes of Missouri (RSMo), on August 23, 1996. The entity administers a program, in conformity with federal transportation laws, to provide financing and other assistance to public and private entities for highway and transportation projects in the state of Missouri.

### **(A) Reporting Entity**

The MTFC is a discretely presented component unit of the state of Missouri. The MHTC has authority to remove any board member for cause, and therefore, may impose its will on the MTFC. The accompanying basic financial statements include only those operations related to the MTFC.

### **(B) Basis of Accounting**

MTFC accounts for its activities as an Enterprise Fund, a type of Proprietary Fund. Proprietary Funds are used to account for ongoing activities that are similar to activities found in the private sector. The measurement focus is upon determination of net income. In reporting its financial activity, the MTFC applies all applicable Governmental Accounting Standards Board (GASB) pronouncements. The accrual basis of accounting is utilized under which revenues are recognized when earned and expenses are recorded when liabilities are incurred. In applying the accrual concept to federal grant revenues and contributions, the legal and contractual requirements of the individual programs are used for guidance.

### **(C) Cash, Cash Equivalents and Investments**

Cash and cash equivalents include cash and overnight repurchase agreements. Investments are reported at fair value. MTFC requires that securities underlying overnight repurchase agreements must have a fair value of at least 100 percent of the cost of the agreement. The fair values of the repurchase agreements are determined daily.

### **(D) Loans Receivable**

Program loans are made and collected to fulfill the MTFC's responsibility to provide financing and other assistance to public and private entities for highway and transportation projects in the state of Missouri. Management has determined, based on prior experience and collateral pledged on the loans, that an allowance for uncollectible loans is not necessary.

### **(E) Net Position**

Equity is categorized in the statements of net position as restricted and unrestricted. Restricted net position is legally restricted by outside parties or by law through constitutional provisions or enabling legislation. In general, restricted net position is composed of the original federal and state grant funds provided to establish the loan program and net investment income earned on those funds not currently loaned. When both restricted and unrestricted resources are available for use, generally it is the MTFC's policy to use restricted resources first for program loans to provide financing and other assistance to public and private entities for highway and transportation projects in the state of Missouri. Unrestricted resources are used for operating expenses and loans as needed.

## **(F) Classification of Operating and Nonoperating Revenues and Expenses**

The MTFC has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, including interest income on program loans made to entities as provided by federal transportation laws and program fees.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, including federal, state and local grants and contracts. Investment earnings are also classified as nonoperating revenue.

Operating expenses: Operating expenses primarily include administrative fees and professional services. The administrative fees are reimbursements to the Missouri Department of Transportation for personal service costs related to the support of the MTFC.

Nonoperating expenses: Nonoperating expenses consist of investment fees.

## **(G) Use of Estimates**

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

## **(H) Income Taxes**

The MTFC submitted a request for ruling to the Internal Revenue Service (IRS). In response to that request, the IRS ruled the income of the MTFC is excludable from gross income for federal income tax purposes under Section 115 of the Code. The MTFC is required to file an annual income tax return on Form 1120.

## **Note 2: Cash and Investments**

### **(A) Deposits**

The carrying amounts of deposits and repurchase agreements of the MTFC at June 30, 2018 and 2017 were \$11,983,905 and \$25,613,657, respectively. The bank balances were covered by federal depository insurance and by collateral held by a third-party bank under a joint custody agreement.

### **(B) Investments**

The MTFC's investment policy is approved by the Board. This policy supports the MTFC's conservative and prudent approach to investment management. The policy also addresses authorized financial dealers and institutions, internal controls, suitable and authorized investments, collateralization, diversification of the portfolio, maximum maturities, performance standards and reporting requirements.

The policy allows funds to be invested in time deposits, linked deposits, certificates of deposit, commercial paper, bankers' acceptances, repurchase and reverse repurchase agreements and United States Treasury and federal agency securities. The MTFC's investments are reported at fair value. At June 30, 2018 and 2017, the MTFC had \$71,066,493 and \$52,361,943, respectively, of unregistered government sponsored securities for which a financial institution's trust department holds the securities in the MTFC's name.

The MTFC has categorized 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. As defined by generally accepted accounting principles, 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. Level 3 inputs are significant unobservable inputs.

At June 30, 2018, the MTFC's investments have the following ratings, fair value measurements and maturities:

Investment by Type	Rating		Fair Value Measurements	Investment Maturities		
	Moody's	Standard and Poor's	Level 2	Less than 1 year	1-3 years	4-5 years
Repurchase agreements	Aaa	AA+	\$11,982,592	\$11,982,592	\$ ---	\$ ---
Government agency obligations	Aaa	AA+	53,759,233	21,269,494	25,463,796	7,025,943
U.S. agency obligations	Aaa	AA+	17,307,260	5,162,933	8,520,954	3,623,373
			<u>\$83,049,085</u>	<u>\$38,415,019</u>	<u>\$33,984,750</u>	<u>\$10,649,316</u>

At June 30, 2017, the MTFC's investments have the following ratings, fair value measurements and maturities:

Investment by Type	Rating		Fair Value Measurements	Investment Maturities		
	Moody's	Standard and Poor's	Level 2	Less than 1 year	1-3 years	4-5 years
Repurchase agreements	Aaa	AA+	\$25,612,885	\$25,612,885	\$ ---	\$ ---
Government agency obligations	Aaa	AA+	37,868,811	23,233,142	11,117,619	3,518,050
U.S. agency obligations	Aaa	AA+	14,493,131	4,268,667	9,417,728	806,736
			<u>\$77,974,827</u>	<u>\$53,114,694</u>	<u>\$20,535,347</u>	<u>\$ 4,324,786</u>

Investment earnings consisted of the following for the years ended June 30, 2018 and 2017:

	2018	2017
Interest income on deposits	\$ 224,071	\$ 139,343
Interest income on investments	1,022,919	748,254
Net appreciation (depreciation) in fair value of investments	(601,349)	(479,954)
Total investment earnings (loss)	<u>\$ 645,641</u>	<u>\$ 407,643</u>

### (C) Interest Rate Risk

Interest rate risk is the risk that the fair value of securities in the portfolio will fall due to changes in general interest rates. The MTFC policy states interest rate risk will be managed by the following objectives:

**Safety:** The investment portfolio is developed to avoid the need to sell securities on the open market prior to maturity, with securities scheduled to mature to meet cash requirements for ongoing operations.

**Liquidity:** The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so the securities mature concurrent with cash needs to meet anticipated demands (static liquidity).

**Yield:** The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs.

### (D) Credit Risk

The MTFC minimizes credit risk by limiting investments to the safest types of securities as defined in Note 2: Cash and Investments, Section (B) Investments.

### (E) Concentration of Credit Risk

The MTFC diversifies its investments to minimize the risk of loss resulting from over-concentration of assets in a specific maturity, issuer or class of securities. The asset allocation is periodically reviewed by management.

### (F) Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the MTFC will not be able to recover collateralized securities in the possession of an outside party. The MTFC's policy is to collateralize demand deposits and repurchase agreements with securities held by the financial institution's agent in the MTFC's name. The MTFC policy also states security transactions are settled "delivery versus payment." This means payment is made simultaneously with the receipt of the security. These securities are delivered to the MTFC's safekeeping bank.

## Note 3: Loans Receivable

Loans are entered into to provide financing for highway and transportation projects. Future revenues primarily secure public entity loans. Irrevocable letters of credit or designated funds secure loans for private entities. The receivable balance as of June 30, 2018 and 2017 consists of the following:

(amounts in thousands)

<u>Customer and Project Description</u>	<u>Loan Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>2018</u>	<u>2017</u>
<b>Principal and Interest Paid Semi-annually</b>					
<b>City of Columbia</b> Finance the city's portion of the cost share project to construct improvements on Route 740, also known as Stadium Boulevard. The project consists of widening Route 740 from a five-lane undivided roadway to a six-lane divided roadway.	03/01/12	03/01/22	3.92%	\$ 3,608	\$ 4,426
<b>City of Holts Summit</b> Finance the city's project to widen Halifax Road to reduce a slight curve, install curb, gutter and sewer for drainage and construct a pedestrian sidewalk.	04/15/16	12/31/25	2.26	396	444
<b>City of Warrenton</b> Finance the city's project to construct a new I-70 interchange and extend Route MM to the north across I-70 to the North Outer Road.	12/01/16	03/01/35	2.64	13,321	1,850



(amounts in thousands)

<u>Customer and Project Description</u>	<u>Loan Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>2018</u>	<u>2017</u>
<b>Principal and Interest Paid Annually</b>					
<b>City of St. Louis</b> Construct Gateway Transportation Center to consolidate urban buses, intercity buses, light rail passenger, commercial space and parking.	10/26/07	01/31/18	4.20%	\$ ---	\$ 530
<b>City of Kansas City</b> Construct a single point urban interchange in conjunction with the kclCON project.	12/21/07	11/19/17	4.20	---	1,467
<b>U.S. Highway 36 – Interstate 72 Corridor – Transportation Development District*</b> Construct two additional lanes of approximately 52 miles on Route 36.	12/31/09	12/31/19	3.99	---	6,501
<b>City of St. Clair</b> Finance the city's portion of a cost share project to relocate the I-44 North Outer Road at Route 47.	10/03/11	10/01/21	2.93	718	885
<b>City of Kirksville*</b> Accelerate the MHTC's portion and finance the city's portion of a cost share project to improve access and pedestrian facilities along Route 63.	12/01/11	12/01/18	2.92	---	62
<b>City of Poplar Bluff</b> Accelerate the MHTC's portion and finance the city's portion of a cost share project to improve the interchange at Route 67 and Oak Grove Road and the intersection at Business Route 67 and Oak Grove Road.	03/01/12	03/01/22	4.15	1,828	2,272
<b>Barton County</b> Finance the county's portion of a cost share project to improve Route 71 at 30 <sup>th</sup> Road and First Street.	08/01/12	08/01/22	2.17	280	332
<b>City of O'Fallon</b> Construct Crusher Street extension and improve Elaine Drive.	11/01/12	11/01/22	2.69	1,621	1,921
<b>Christian County*</b> Finance the county's portion of a cost share project to construct a diverging diamond interchange at Route 65 and Route CC.	10/01/13	08/01/23	3.64	---	1,180
<b>Village of Innsbrook</b> Construct shoulders on Route F.	10/01/13	08/15/23	2.29	125	144
<b>City of Owensville</b> Finance the city's portion of a cost share project to improve Route 28 inside the city limits.	03/03/14	06/30/18	1.61	---	106

(continued)

(amounts in thousands)

<u>Customer and Project Description</u>	<u>Loan Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>2018</u>	<u>2017</u>
<b>Principal and Interest Paid Annually (continued)</b>					
<b>City of Waynesville</b> Finance the city's portion of a cost share project to improve Route 17 inside the city limits.	10/01/14	06/30/24	2.28%	\$ 489	\$ 564
<b>Port Authority of Kansas City*</b> Finance the port's project to rehabilitate and construct railroad tracks, remove a scale and provide a new connection to the Union Pacific mainline.	10/19/15	07/31/22	2.68	---	129
<b>City of Cape Girardeau*</b> Finance the city's project to replace a city bridge on South Sprigg Street.	12/01/15	09/01/25	3.26	---	3,532
<b>City of Park Hills</b> Finance the city's project to improve East Main Street from View Street to Strauss Street and Strauss Street from East Main Street to St. Joe Drive.	06/15/16	08/31/24	3.26	162	183
<b>City of Park Hills</b> Finance the city's project to extend Fairgrounds Drive to a proposed trailhead serving the St. Joe State Park.	06/15/16	10/31/24	3.26	686	495
<b>City of Cottleville</b> Finance the city's cost apportionment project to widen Route N to three lanes with a center turn lane, add shoulders and a shared-use path.	06/15/16	07/30/26	2.57	770	843
<b>City of Republic</b> Finance a portion of the city's project to improve East Hines Street and North Oakwood Avenue by widening to three lanes, installing left-turn lanes and constructing curbs, gutters and a pedestrian sidewalk.	08/31/17	03/01/27	3.01	594	---
<b>City of Sunrise Beach**</b> Finance the city's portion of the cost share project to widen Route 5 to three lanes from Route F to the city of Laurie.	07/01/15	08/31/30	2.55	<u>226</u>	<u>226</u>
<b>Total</b>				<u>\$24,824</u>	<u>\$28,092</u>

\* Entity paid off loan prior to maturity date.

\*\*City of Sunrise Beach MTFC loan agreement specifies interest only payments annually until August 31, 2021; after which, principal and interest shall be paid annually.

**Annual loans receivable to maturity are indicated in the following schedule.**  
(amounts in thousands)

<u>Fiscal Year</u>	<u>Principal</u>
2019	\$ 2,967
2020	2,975
2021	3,074
2022	3,060
2023	1,573
2024-2028	5,148
2029-2033	4,498
2034-2035	<u>1,529</u>
Total principal	<u>\$24,824</u>

**Loans receivable are included in the accompanying statements of net position, as follows:**  
(amounts in thousands)

	<u>2018</u>	<u>2017</u>
Current loans receivable	\$ 2,967	\$ 5,424
Noncurrent loans receivable	<u>21,857</u>	<u>22,668</u>
Total loans receivable	<u>\$24,824</u>	<u>\$28,092</u>

#### **Note 4: Administrative Expenses**

Administrative expenses and accounts payable represent reimbursements to the Missouri Department of Transportation (MoDOT) for personnel and administrative costs.

#### **Note 5: Restricted Net Position**

The MTFC received money from federal grants, which is restricted for lending purposes only. Those grants required a state transportation funding match, which, with net investment earnings (loss), is also restricted for lending purposes. Restricted net position increased due to the net investment gain for the year ended June 30, 2018, included in net nonoperating revenues (expenses).

(amounts in thousands)

	<u>2018</u>	<u>2017</u>
Federal grant	\$ 49,410	\$ 49,410
State grant	10,250	10,250
Cumulative net investment earnings	<u>18,147</u>	<u>17,561</u>
Total restricted net position available for lending purposes	<u>\$ 77,807</u>	<u>\$ 77,221</u>

#### **Note 6: Risk Management**

The MTFC is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets. The MTFC does not carry commercial insurance but takes additional internal control steps to ensure safekeeping of assets. The State's Legal Expense Fund covers all state employees for the risks of errors and omissions. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. No liabilities of loss related to torts were reported at June 30, 2018 or 2017. The MTFC has had no settlements in the last three years.



## Note 7: Loan Commitments and Loans Approved

At June 30, 2018, the MTFC had loan commitments totaling \$5.5 million that were approved and executed, but not disbursed.

(amounts in thousands)

<u>Customer and Project Description</u>	<u>Approved Date</u>	<u>Executed Date</u>	<u>Projected Disbursement Date</u>	<u>Interest Rate</u>	<u>Amount</u>
<b>Principal and Interest Paid Semi-annually</b>					
<b>City of Wentzville</b> Finance the city's project to construct a new I-70 interchange west of the existing Wentzville Parkway.	10/11/16	03/02/17	01/02/19	1.00%	\$5,000
<b>City of Clinton</b> Finance the city's portion of a Cost Share project to relocate the Gaines Drive and Route 13 intersection, widen Gaines Drive, add a curb and gutter and extend Gaines Drive to Route 52.	10/04/17	06/20/18	01/15/19	3.00	<u>500</u>
<b>Total loan commitments*</b>					<u>\$5,500</u>

\*Unrestricted and restricted net assets are sufficient to meet loan commitments and loans approved.

## **Note 8: Accounting Pronouncements**

GASB Statements implemented during the current fiscal year that had no financial impact on the MTFC financial statements include:

- 86, Certain Debt Extinguishment Issues;
- 85, Omnibus 2017;
- 82, Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73;
- 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

GASB Statements that will be implemented in future fiscal years that will not affect the MTFC financial statements include:

- 89, Accounting for Interest Cost Incurred before the End of a Construction Period;
- 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements;
- 87, Leases;
- 84, Fiduciary Activities;
- 83, Certain Asset Retirement Obligations.

# Statistical Section

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# Index

## Statistical Section

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# Financial Trends

## Changes in Net Position

Years Ended June 30  
(amounts in thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Operating Revenues</b>				
Interest income on loans	\$ 936	\$1,205	\$1,310	\$1,570
Program fees	<u>1</u>	<u>52</u>	<u>8</u>	<u>2</u>
<b>Total Operating Revenues</b>	<u>937</u>	<u>1,257</u>	<u>1,318</u>	<u>1,572</u>
<b>Operating Expenses</b>				
Administrative fees	20	28	29	23
Professional fees	9	9	9	9
Travel and training	1	---	---	---
Other	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
<b>Total Operating Expenses</b>	<u>30</u>	<u>37</u>	<u>38</u>	<u>32</u>
<b>Operating Income</b>	<u>907</u>	<u>1,220</u>	<u>1,280</u>	<u>1,540</u>
<b>Nonoperating Revenues (Expenses)</b>				
Investment earnings (loss)	645	408	662	449
Investment fees	<u>(59)</u>	<u>(52)</u>	<u>(54)</u>	<u>(44)</u>
<b>Net Nonoperating Revenues (Expenses)</b>	<u>586</u>	<u>356</u>	<u>608</u>	<u>405</u>
<b>Change in Net Position</b>	<u>\$1,493</u>	<u>\$1,576</u>	<u>\$1,888</u>	<u>\$1,945</u>

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<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$2,005	\$2,632	\$2,523	\$2,580	\$2,056	\$ 844
<u>2</u>	<u>2</u>	<u>37</u>	<u>16</u>	<u>29</u>	<u>43</u>
<u>2,007</u>	<u>2,634</u>	<u>2,560</u>	<u>2,596</u>	<u>2,085</u>	<u>887</u>
21	27	36	17	49	48
9	10	10	10	11	10
---	---	---	---	---	---
<u>---</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>3</u>
<u>30</u>	<u>39</u>	<u>48</u>	<u>29</u>	<u>62</u>	<u>61</u>
<u>1,977</u>	<u>2,595</u>	<u>2,512</u>	<u>2,567</u>	<u>2,023</u>	<u>826</u>
326	(99)	111	158	375	1,967
<u>(24)</u>	<u>(9)</u>	<u>(14)</u>	<u>(14)</u>	<u>(35)</u>	<u>(64)</u>
<u>302</u>	<u>(108)</u>	<u>97</u>	<u>144</u>	<u>340</u>	<u>1,903</u>
<u>\$2,279</u>	<u>\$2,487</u>	<u>\$2,609</u>	<u>\$2,711</u>	<u>\$2,363</u>	<u>\$2,729</u>

# Financial Trends

## Net Position

Years Ended June 30  
(amounts in thousands)

<u>Fiscal Year</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
2018	\$ 77,807	\$ 30,478	\$ 108,285
2017	77,221	29,571	106,792
2016	76,865	28,351	105,216
2015	76,257	27,071	103,328
2014	75,852	25,531	101,383
2013	75,550	23,554	99,104
2012	75,658	20,959	96,617
2011	75,562	18,446	94,008
2010	75,417	15,880	91,297
2009	75,077	13,857	88,934

Amounts for 2009 through 2012 include restatements of restricted and unrestricted net position to meet the definition of restricted net position. These restatements had no effect on total net position.

# Revenue Capacity Average Fair Value of Investments and Average Yields on Investments Held on Behalf of the MTFC

Years Ended June 30  
(amounts in thousands)

<u>Fiscal Year</u>	<u>Average Monthly Fair Value of Investments</u>	<u>Average Monthly Yield on Investments</u>
2018	\$60,852	1.56%
2017	51,090	1.08
2016	54,332	1.18
2015	45,066	0.91
2014	23,717	0.82
2013	8,816	1.25
2012	11,910	1.92
2011	13,604	2.30
2010	28,196	2.86
2009	57,105	3.35

Source: Investment summary of funds held at MTFC calculated by Missouri Department of Transportation, Financial Services staff.

## Revenue Capacity

### Net Loans Receivable by Fiscal Year

Years Ended June 30  
(amounts in thousands)

<u>Fiscal Year</u>	<u>Net Loans Receivable</u>	<u>Weighted Average Interest Rate</u>
2018	\$ 24,824	2.96%
2017	28,092	3.51
2016	33,327	3.72
2015	37,547	3.81
2014	54,290	3.45
2013	75,230	3.15
2012	76,956	3.59
2011	63,659	3.68
2010	74,889	3.77
2009	28,276	4.25

*Source:* Weighted average interest rate calculated by Missouri Department of Transportation, Financial Services staff.

# Demographic and Economic Information

## Population, Personal Income and

## Unemployment Rate – State of Missouri

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>
2017	6,114	\$269,858,887	\$44	3.3%
2016	6,093	268,379,357	44	4.0
2015	6,084	263,751,344	43	3.9
2014	6,064	255,747,928	42	5.1
2013	6,044	238,095,204	39	7.4
2012	6,022	233,049,000	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

*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 – State of Missouri

Years Ended December 31  
(amounts in thousands)

	<u>2017</u>			<u>2008</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage</u>
Trade, transportation and utilities	556	1	19%	545	1	20%
Education and health services	469	2	16	402	3	14
Government	443	3	16	460	2	16
Professional and business services	393	4	14	333	4	12
Leisure and hospitality	297	5	10	270	6	10
Manufacturing	270	6	9	278	5	11
Financial activities	174	7	6	165	7	6
Construction, natural resources and mining	126	8	4	135	8	5
Other services	116	9	4	119	9	4
Information	<u>52</u>	10	<u>2</u>	<u>65</u>	10	<u>2</u>
<b>Total</b>	<u>2,896</u>		<u>100%</u>	<u>2,772</u>		<u>100%</u>

Source: United States Department of Labor, Bureau of Labor Statistics

## Operating Information

### Approved Loans by Fiscal Year

Years Ended June 30

(dollar amounts in thousands)

<u>Fiscal Year</u>	<u>Number of Loans Approved</u>	<u>Total Approved Loan Amount</u>
2018	1	\$ 500
2017	5	34,546
2016	6	6,567
2015	1	226
2014	---	---
2013	2	1,546
2012	11	34,458
2011	4	10,791
2010	6	15,658
2009	11	23,724

*Source:* Missouri Department of Transportation, Financial Services database

Not all loans approved by the MTFC board are executed or disbursed.



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# 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**

Board of Directors  
Missouri Transportation Finance Corporation  
Jefferson City, Missouri

We have audited, in accordance with U.S. generally accepted auditing standards 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 business-type activities of the Missouri Transportation Finance Corporation (the Corporation), a component unit of the State of Missouri, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated August 24, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Corporation'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Corporation'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 Corporation's financial statements are free from 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 Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Williams Keepers LLC*

August 24, 2018