NEW ISSUE
BOOK-ENTRY ONLY

RATINGS: Moody's: Aa1
S&P Global Ratings: AA+
Fitch: AA+
See "RATINGS"

In the opinion of Gilmore & Bell, P.C. and Bushyhead LLC, Co-Bond Counsel and Disclosure Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the ***"Code"****), (1) the interest on the Series B 2019 Bonds is excludable from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax and (2) the interest on the Series B 2019 Bonds is exempt from income taxation by the State of Missouri. The Series B 2019 Bonds have not been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. See* ***"TAX MATTERS"*** *in this Official Statement and the Form of Co-Bond Counsel and Disclosure Counsel attached hereto as* ***Appendix E****.*

$178,370,000
MISSOURI HIGHWAYS AND TRANSPORTATION COMMISSION
THIRD LIEN STATE ROAD BONDS, SERIES B 2019

Maturities, Amounts, Interest Rates, Prices, Yields and CUSIP Numbers are shown on the Inside of the Front Cover

The Third Lien State Road Bonds, Series B 2019 (the "**Series B 2019 Bonds**") are being issued by the Missouri Highways and Transportation Commission (the "**Commission**") pursuant to the Constitution of the State of Missouri (the "**State**"), and the Master Bond Indenture (as defined herein) between the Commission and BOKF, N.A., as successor Bond Trustee, for the purpose of (i) paying the costs of construction and reconstruction of the State Highway System (herein defined) and (ii) paying the costs related to the issuance of the Series B 2019 Bonds. The Commission is established by the Missouri Constitution and is in charge of the Missouri Department of Transportation with authority over (1) the State Highway System and (2) all other transportation programs and facilities as provided by law. Pursuant to a Financing Agreement entered into between the Commission and the Office of Administration of the State of Missouri, the Office of Administration will request that the Governor's budget submitted to the General Assembly of the State for each fiscal year include a deposit into the State Road Fund of amounts sufficient to pay principal and interest coming due on the Series B 2019 Bonds in such fiscal year.

The Series B 2019 Bonds are issuable only as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("**DTC**"), New York, New York, which will act as securities depository for the Series B 2019 Bonds. Purchases of beneficial interests in the Series B 2019 Bonds will be made in book-entry form, in denominations of $5,000 or any integral multiple thereof. See "**SERIES B 2019 BONDS - Book-Entry System**." The Series B 2019 Bonds will be dated as of their date of delivery and interest on the bonds will be payable May 1 and November 1, beginning on November 1, 2020.

The Series B 2019 Bonds are not subject to redemption prior to maturity. See "**SERIES B 2019 BONDS – No Redemption**."

The Master Bond Indenture provides for the issuance of separate series of State Road Bonds (herein defined) of the Commission payable from State Road Fund Revenues (herein defined) and State Road Bond Fund Revenues (herein defined) as provided in the Missouri Constitution, and Additional Transportation Revenues (herein defined), if any, from time to time designated by the Commission (collectively, the **"Pledged Revenues"**). The Master Bond Indenture provides for the issuance of bonds secured by the Pledged Revenues in four levels of priority: First Lien Bonds, Second Lien Bonds, Third Lien Bonds, and Subordinated Bonds (together, the **"Amendment 3 Bonds"**). The Amendment 3 Bonds issued under the Master Bond Indenture are junior and subordinate in payment to the Senior Bonds (herein defined) with respect to the State Road Fund Revenues (herein defined), but not with respect to other Pledged Revenues. The Series B 2019 Bonds constitute Third Lien Bonds under the Master Bond Indenture and will be secured with payment from Pledged Revenues on a subordinate basis to the Senior Bonds, First Lien Bonds and Second Lien Bonds now outstanding or hereafter issued from time to time under the Master Bond Indenture and on a parity basis with any other Third Lien Bonds now outstanding or hereafter issued from time to time under the Master Bond Indenture.

THE SERIES B 2019 BONDS ARE STATE ROAD BONDS OF THE COMMISSION PAYABLE SOLELY FROM PLEDGED REVENUES. THE OWNERS OF THE SERIES B 2019 BONDS MAY NOT LOOK TO ANY GENERAL OR OTHER FUND OF THE STATE, THE COMMISSION, OR THE OFFICE OF ADMINISTRATION FOR PAYMENT. THE SERIES B 2019 BONDS ARE NOT GENERAL OBLIGATIONS OF THE STATE, THE COMMISSION, OR THE OFFICE OF ADMINISTRATION, AND NEITHER THE STATE, THE COMMISSION, NOR THE OFFICE OF ADMINISTRATION IS OBLIGATED TO LEVY ANY TAX FOR THEIR PAYMENT.

The Series B 2019 Bonds are offered when, as and if issued by the Commission, subject to the approval of legality by Gilmore & Bell, P.C., Kansas City, Missouri and Bushyhead LLC, Lee's Summit, Missouri, Co-Bond Counsel and Disclosure Counsel, and certain other conditions. Certain matters relating to this Official Statement will be passed upon for the Commission by Gilmore & Bell, P.C. and Bushyhead LLC, Co-Bond Counsel and Disclosure Counsel. Certain legal matters will be passed upon for the Commission by the Office of the Commission's Chief Counsel and for the Office of Administration by its General Counsel. It is expected that the Series B 2019 Bonds will be available for delivery at DTC in New York, New York, on or about December 11, 2019.

BofA Securities

The date of this Official Statement is November 13, 2019

MATURITIES, AMOUNTS, INTEREST RATES, PRICES, YIELDS AND CUSIP NUMBERS

$178,370,000
MISSOURI HIGHWAYS AND TRANSPORTATION COMMISSION
THIRD LIEN STATE ROAD BONDS,
SERIES B 2019

Dated: Date of Initial Delivery **Due: November 1, as shown below**

Maturity (Nov 1)	Principal Amount	Interest Rate	Price	Yield	CUSIP Number[1]
2020	$34,010,000	5.00%	103.421%	1.120%	60636WSJ5
2021	37,285,000	5.00	107.211	1.130	60636WSK2
2022	19,335,000	5.00	110.937	1.140	60636WSL0
2023	20,325,000	5.00	114.559	1.160	60636WSM8
2024	21,365,000	5.00	117.937	1.210	60636WSN6
2025	22,450,000	5.00	121.098	1.270	60636WSP1
2026	23,600,000	5.00	123.932	1.350	60636WSQ9

[1] CUSIP data is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Capital IQ, a subsidiary of The McGraw-Hill Companies, Inc, and is included solely for the convenience of the Owners of the Series B 2019 Bonds. Neither the Commission nor the Underwriter is responsible for the selection or correctness of the CUSIP numbers set forth above.

REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the Commission or the State to give any information or to make any representations concerning the offering of the Series B 2019 Bonds except those contained in this Official Statement. If anyone gives any other information or makes any other representation, you should not rely on it. The information contained in this Official Statement has been obtained from the Commission or the State and other sources believed to be reliable, but is not guaranteed as to accuracy or completeness. You should not interpret the delivery of this Official Statement or any sale of Series B 2019 Bonds as an indication that there has been no change in the affairs of the Commission or the State or in matters affecting the Series B 2019 Bonds since the date of this Official Statement, and you should be aware that information in this Official Statement may change after the date of this Official Statement. This Official Statement is not an offer to sell or a solicitation of an offer to buy Series B 2019 Bonds in any circumstances or in any jurisdiction in which the offer or solicitation is unlawful.

References to web site addresses presented in this Official Statement are for information purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not made part of, this Official Statement.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN, OR OTHERWISE AFFECT THE PRICE OF THE SERIES B 2019 BONDS.

THE SERIES B 2019 BONDS HAVE NOT BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933 AND THE MASTER BOND INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, IN RELIANCE UPON EXEMPTIONS CONTAINED IN THOSE ACTS. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE SERIES B 2019 BONDS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

This Official Statement contains statements that are "*forward-looking statements*" as defined in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. When used in this Official Statement, the words "*estimate*," "*intend*," "*expect*" and similar expressions are intended to identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS, INCLUDING THOSE SET FORTH UNDER "**RISK FACTORS AND INVESTMENT CONSIDERATIONS**" WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. NEITHER THE COMMISSION NOR ANY OTHER PARTY PLANS TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN THEIR EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES UPON WHICH SUCH STATEMENTS ARE BASED OCCUR.

MISSOURI HIGHWAYS AND TRANSPORTATION COMMISSION

Michael B. Pace, West Plains, *Chairman*
Gregg C. Smith, Clinton, *Vice Chairman*
Michael T. Waters, Jr., Orrick
John W. Briscoe, New London
Robert G. Brinkmann, Saint Albans
Terry L. Ecker, Elmo

Pamela J. Harlan, *Secretary to the Commission*

MISSOURI DEPARTMENT OF TRANSPORTATION

Patrick K. McKenna, *Director*

Ed Hassinger, *Deputy Director and Chief Engineer*

Brenda Morris, *Chief Financial Officer*

Rich Tiemeyer, *Chief Counsel*

FINANCIAL ADVISOR

PFM Financial Advisors LLC
Des Moines, Iowa

CO-BOND AND DISCLOSURE COUNSEL

Gilmore & Bell, P.C.
Kansas City, Missouri

Bushyhead LLC
Lee's Summit, Missouri

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OFFICIAL STATEMENT

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MISSOURI HIGHWAYS AND TRANSPORTATION COMMISSION
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INTRODUCTION

The following introductory statement is subject in all respects to more complete information contained elsewhere in this Official Statement. The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed to be a determination of relevance, materiality or relative importance, and this Official Statement, including the cover page and the Appendices, must be considered in its entirety. All capitalized terms used in this Official Statement that are not otherwise defined herein have the meanings given to them in ***Appendix C****.*

Official Statement

This Official Statement furnishes information relating to (i) the Missouri Highways and Transportation Commission (the "**Commission**") and the Missouri Department of Transportation ("**MoDOT**"), (ii) the Commission's $178,370,000 Third Lien State Road Bonds, Series B 2019 (the "**Series B 2019 Bonds**"), and (iii) the Missouri State Highway System (as defined herein), including certain construction and reconstruction costs of which are being financed by the proceeds of the Series B 2019 Bonds.

Commission and MoDOT

The Commission is created by Article IV, Section 29 of the Missouri Constitution which, together with Chapters 226 and 227 of the Revised Statutes of Missouri, as amended (the "**State Transportation Statutes**"), grant the Commission authority over MoDOT and the State Highway System (as herein defined), as well as all State transportation programs and facilities as provided by law, including aviation, railroads, mass transportation, ports and waterborne commerce.

The State Transportation Statutes and the Missouri Constitution further vest the Commission with all powers necessary or proper to enable it to carry out all of the purposes of the State Transportation Statutes and the Missouri Constitution, including the power to appoint and supervise the Director and other officers of MoDOT, through which it exercises and performs its constitutional and statutory authorities and duties.

State Highway Act

Article IV, Sections 29 through 34 of the Missouri Constitution (together with the State Transportation Statutes, the "**State Highway Act**") authorize the Commission to issue state road bonds (the "**State Road Bonds**") to finance or refinance the construction or reconstruction of the State Highway System.

Amendment 3

On November 2, 2004, Missouri voters approved amendments to Article IV, Sections 29, 30(a), 30(b), 30(c) and 30(d) of the Missouri Constitution ("**Amendment 3**") which relate to the authority of the Commission to issue State Road Bonds and to pledge certain revenues to secure the payment of such State Road Bonds issued after July 1, 2005. Amendment 3 created a new fund known as the "**State Road Bond Fund**" in the State treasury and provides for the deposit into the State Road Bond Fund of a portion of the Sales Tax on Motor Vehicles (herein defined) that was previously deposited into the State's general revenue fund (the "**State Road Bond Fund Revenues**") and the pledge of such State Road Bond Fund Revenues in addition to State Road Fund Revenues to secure State Road Bonds ("**Amendment 3 Bonds**"). Amendment 3 authorized the Commission to issue State Road Bonds secured by both the State Road Bond Fund Revenues established pursuant to Amendment 3 and, on a subordinate lien basis, the State Road Fund Revenues that secure the Senior Bonds (defined below). The Commission has issued Amendment 3 Bonds pursuant to a Master Bond Indenture dated as of July 1, 2005, between the Commission and BOKF, N.A., as successor bond trustee (the "**Bond Trustee**"), which has been supplemented from time to time, including as supplemented by Supplemental Bond Trust Indenture No. 7 dated as of December 1, 2019, between the Commission and the Bond Trustee (as supplemented, the "**Master Bond Indenture**"). See "**SECURITY AND SOURCES OF PAYMENT OF THE SERIES B 2019 BONDS**" and "**PLEDGED REVENUES.**"

In addition, under Amendment 3 the authority of the Commission to issue State Road Bonds is not subject to the statutory provisions of the State Transportation Statutes which had limited the amount of bonds that could be issued and required approval of a feasibility plan by the General Assembly as a condition precedent to the issuance of bonds by the Commission.

Outstanding Obligations of the Commission

The Commission has the following obligations currently outstanding:

Senior Master Indenture and Senior Bonds. Pursuant to a Master Bond Indenture dated as of December 1, 2000, as amended, between the Commission and BOKF, N.A., as successor bond trustee (the "**Senior Master Indenture**"), the Commission has outstanding the following bonds (the "**Senior Bonds**"):

Senior Bonds	Original Principal Amount	Principal Amount Outstanding as of November 1, 2019
Senior Lien Refunding State Road Bonds, Series C 2010 (the "**Series C 2010 Bonds**")	$130,390,000	$65,770,000

The Senior Bonds are senior and prior in payment from the State Road Fund Revenues to the Amendment 3 Bonds, including the Series B 2019 Bonds, and the Federal Reimbursement State Road Bonds (defined below). No additional bonds may be issued as Senior Bonds under the Senior Master Indenture other than bonds issued to refund outstanding Senior Bonds.

The Master Bond Indenture and Amendment 3 Bonds. Pursuant to the Master Bond Indenture, the Commission has outstanding the following bonds (collectively, the "**Amendment 3 Bonds**"):

Amendment 3 Bonds	Original Principal Amount	Principal Amount Outstanding as of November 1, 2019
Third Lien State Road Bonds (Build America Bonds) Series C 2009 (the "**Series C 2009 Bonds**")	$300,000,000	$241,145,000
First Lien Refunding State Road Bonds, Series A 2014 (the "**Series A 2014 Bonds**")	$589,015,000	529,265,000
Second Lien Refunding State Road Bonds, Series B 2014 (the "**Series B 2014 Bonds**")	$311,975,000	185,520,000
	Total	**$955,930,000**

The Master Bond Indenture provides for the issuance of separate series of Amendment 3 Bonds payable solely from (i) the State Road Fund Revenues available after payment of the Senior Bonds, (ii) the State Road Bond Fund Revenues, and (iii) the Additional Transportation Revenues (the "**Pledged Revenues**"). Pursuant to the conditions set forth in the Master Bond Indenture, the Commission may issue additional Amendment 3 Bonds secured by Pledged Revenues. The Amendment 3 Bonds are not secured by a lien on the Federal Highway Reimbursement Revenues pledged for repayment of the Federal Reimbursement Bonds.

Federal Reimbursement Master Bond Indenture and Federal Reimbursement Bonds. Pursuant to a Master Bond Indenture dated as of December 1, 2008 between the Commission and BOKF, N.A., as successor bond trustee (the "**Federal Reimbursement Master Indenture**"), the Commission has outstanding the following bonds (the "**Federal Reimbursement Bonds**"):

Federal Reimbursement Bonds	Original Principal Amount	Principal Amount Outstanding as of November 1, 2019
Taxable Federal Reimbursement State Road Bonds (Build America Bonds) Series B 2009 (the "**Series B 2009 Bonds**")	$404,375,000	$404,375,000
Tax Exempt Federal Reimbursement State Road Bonds Series A 2010 (the "**Series A 2010 Bonds**")	$128,865,000	29,505,000
Taxable Federal Reimbursement State Road Bonds (Build America Bonds), Series B 2010 (the "**Series B 2010 Bonds**")	$56,135,000	56,135,000
Federal Reimbursement Refunding State Road Bonds, Series A 2019 (the "**Series A 2019 Bonds**")	$102,705,000	102,705,000
	Total	**$592,720,000**

Federal Reimbursement Bonds are payable from (a) Federal Highway Reimbursement Revenues (defined below), (b) State Road Fund Revenues available after payment of the Senior Bonds and the Amendment 3 Bonds, (c) State Road Bond Fund Revenues available after payment of Amendment 3 Bonds, and (d) additional transportation revenues designated under the Federal Reimbursement Master Indenture. "**Federal Highway Reimbursement Revenues**" means all revenues and funds deposited into the State Road Fund received by or on behalf of or available to the Commission pursuant to Federal Aid Authorization which represent a federal reimbursement to the Commission for funds advanced by the Commission for any eligible road and bridge project, which stand appropriated to the payment of Federal Reimbursement State Road Bonds and other purposes of the Commission. The Federal Reimbursement State Road Bonds have a first lien on the Federal Highway Reimbursement Revenues.

In addition to the obligations shown above, the Commission has outstanding certain notes, leases, and other obligations as shown under "**THE COMMISSION AND MODOT – Long-term Debt of the Commission**." The Commission [has entered into] a loan agreement with the Missouri Transportation Finance Corporation (the "**Transportation Finance Corporation Loan**,") as described further under "**PLAN OF FINANCE – Concurrent Resolution No. 14 and the Bridge Projects**."

The Master Bond Indenture and Amendment 3 Bonds

Since the effective date of Amendment 3, the Commission has issued State Road Bonds (other than Senior Bonds issued to refund previously issued Senior Bonds and Federal Reimbursement Bonds) under the Master Bond Indenture. The Master Bond Indenture provides for the issuance of separate series of Amendment 3 Bonds payable solely from, Pledged Revenues, which consist of (i) the State Road Fund Revenues available after payment of the Senior Bonds, (ii) the State Road Bond Fund Revenues, and (iii) any additional moneys, revenues or receipts designated by the Commission to be pledged to the payment of the Amendment 3 Bonds. The Amendment 3 Bonds issued under the Master Bond Indenture are junior and subordinate in payment to the Senior Bonds with respect to the State Road Fund Revenues.

The Master Bond Indenture authorizes the issuance of Amendment 3 Bonds in four levels of priority: First Lien Bonds (the "**First Lien Bonds**"), Second Lien Bonds (the "**Second Lien Bonds**"), Third Lien Bonds (the "**Third Lien Bonds**"), and Subordinated Bonds (the "**Subordinated Bonds**"). No Subordinated Bonds have been issued under the Master Bond Indenture.

Pursuant to the conditions set forth in the Master Bond Indenture, the Commission may issue additional Amendment 3 Bonds secured by the Pledged Revenues. See "**ADDITIONAL BONDS AND OTHER INDEBTEDNESS**."

The Financing Agreement

Senate Substitute No. 2 for Senate Concurrent Resolution No. 14 (**"Concurrent Resolution No. 14"**) adopted by the General Assembly of the State of Missouri (the **"General Assembly"**) during its 2019 legislative session and signed by the Governor on June 10, 2019, authorizes and directs the Office of Administration of the State of Missouri (the **"Office of Administration"**) to execute and deliver a financing agreement with the Commission to provide funds appropriated on an annual basis from the State's General Revenue Fund moneys to the State Road Fund for payment of debt service on state road bonds issued by the Commission to pay up to $301 million in project costs for the planning, designing, construction, reconstruction, rehabilitation, and significant repair of 215 bridges on the State Highway System as selected by the Commission in its Statewide Transportation Improvement Program (the "**STIP**") for fiscal years 2020 to 2024. See **"PLAN OF FINANCE."** The Commission expects to issue additional Amendment 3 Bonds in 2021 to provide the remaining amount of project costs authorized under Concurrent Resolution No. 14 (the **"Planned Series 2021 Bonds"**).

Pursuant to a Financing Agreement entered into between the Commission and the Office of Administration dated as of December 1, 2019 (the **"Financing Agreement"**), the Office of Administration will request that the Governor's budget submitted to the General Assembly of the State of Missouri for each fiscal year include a request for an appropriation of General Revenue Fund moneys for deposit into the State Road Fund of amounts sufficient to pay principal and interest coming due on the Series B 2019 Bonds in such fiscal year. Such deposits to the State Road Fund will be made in any fiscal year, however, only if and to the extent the General Assembly appropriates funds for such fiscal year for deposit into the State Road Fund. If, as and when such funds are deposited into the State Road Fund, such funds shall constitute State Road Fund Revenues and Pledged Revenues under the Master Bond Indenture. The Financing Agreement will not be assigned to the Bond Trustee or otherwise constitute part of the Trust Estate established under the Master

Bond Indenture. The Commission and the Office of Administration anticipate entering into a substantially similar financing agreement in connection with the Planned Series 2021 Bonds.

THE OBLIGATIONS OF THE OFFICE OF ADMINISTRATION UNDER THE FINANCING AGREEMENT ARE SUBJECT TO ANNUAL APPROPRIATIONS BY THE GENERAL ASSEMBLY. THE OBLIGATIONS OF THE OFFICE OF ADMINISTRATION WITH RESPECT TO THE FINANCING AGREEMENT SHALL NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OR OF ANY AGENCY OR POLITICAL SUBDIVISION OF THE STATE WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION OR STATUTORY DEBT LIMITATION AND SHALL NOT, DIRECTLY, INDIRECTLY OR CONTINGENTLY, OBLIGATE THE GENERAL ASSEMBLY, THE OFFICE OF ADMINISTRATION, OR THE STATE TO LEVY ANY FORM OF TAXATION THEREFOR OR TO MAKE ANY PAYMENTS BEYOND THOSE WHICH ARE SPECIFICALLY SET FORTH IN THE FINANCING AGREEMENT.

Series B 2019 Bonds

The Series B 2019 Bonds are being issued by the Commission pursuant to the Master Bond Indenture for the purpose of paying (i) the costs of construction and reconstruction of the State Highway System and (ii) the costs related to the issuance of the Series B 2019 Bonds. Descriptions of the State Highway System, the intended use of the proceeds of the Series B 2019 Bonds and the estimated sources and uses of funds in connection with the issuance of the Series B 2019 Bonds, and the Series B 2019 Bonds are contained under the captions "**THE COMMISSION AND MODOT – State Highway System**," "**PLAN OF FINANCE**," and "**SERIES B 2019 BONDS**," respectively, in this Official Statement. All references to the Series B 2019 Bonds are qualified in their entirety by the definitive forms of the Series B 2019 Bonds and the provisions with respect to the Series B 2019 Bonds included in the Master Bond Indenture. Certain constitutional and statutory provisions relating to the Commission, State Road Fund Revenues and State Road Bond Fund Revenues are contained in **Appendix D** to this Official Statement.

Security and Sources of Payment for the Series B 2019 Bonds

The Master Bond Indenture provides for the issuance of separate series of State Road Bonds of the Commission payable solely from the Pledged Revenues.

The Series B 2019 Bonds constitute a series of Third Lien Bonds under the Master Bond Indenture and will be secured with respect to payment out of Pledged Revenues on a parity basis with any other Third Lien Bonds (currently outstanding in the principal amount of $241,145,000) and any other Third Lien Bonds hereafter issued from time to time under the Master Bond Indenture, on a subordinate basis to the outstanding First Lien Bonds (currently outstanding in the principal amount of $529,265,000), the Second Lien Bonds (currently outstanding in the principal amount of $185,520,000) and any other First Lien Bonds or Second Lien Bonds hereafter issued from time to time under the Master Bond Indenture, and on a senior basis to the Federal Reimbursement Bonds and any Subordinated Bonds issued in the future. The Commission may make equal provision for paying additional Third Lien Bonds and the interest thereon out of the Pledged Revenues and may likewise provide for the creation of reasonable debt service accounts for the payment of such additional bonds of any lien and the interest thereon out of the Pledged Revenues. See "**ADDITIONAL BONDS AND OTHER INDEBTEDNESS**."

"**State Road Fund Revenues**" consist of all State revenue derived from highway users as an incident to their use or right to use the highways of the State and which are required by the Missouri Constitution to be credited to the State Road Fund, and any other moneys, revenues or receipts to be deposited to the credit of the State Road Fund pursuant to state law. State Road Fund Revenue includes all State license fees and taxes upon motor vehicles, trailers and motor fuels and upon the manufacture, receipt, storage, distribution, sale or use thereof (except a portion of the sales tax on motor vehicles and trailers and all property taxes), less certain costs, refunds and allocations required to be paid from such State revenue. See "**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES B 2019 BONDS – Pledge of the Trust Estate**" and "**PLEDGED REVENUES**." Under the Missouri Constitution, State Road Fund Revenues stand appropriated without legislative action for the following purposes: *first*, to the payment of the principal and interest on any outstanding State Road Bonds, which is defined as any bonds or refunding bonds issued by the Commission to finance or refinance the construction or reconstruction of the State Highway System; and *second*, any balance in excess of the amount which the Commission deems necessary to meet the payment of the principal and interest of any State Road Bonds for the next succeeding 12 months shall be credited to the State Road Fund and expended in the sole discretion of and under the supervision and direction of the Commission for specified purposes relating to the improvement and maintenance of the state system of highways, including for such purposes and contingencies relating to the construction and maintenance of state highways and bridges as the Commission may deem necessary and proper. Pursuant to the Senior Master Indenture, the Commission will maintain in the State Road Fund the amount necessary to meet the payment of the principal and interest of any Senior Bonds for the next succeeding 12 months before spending any State Road Fund Revenues for the other permitted uses. The Commission has not directed the maintenance of a reserve in the State Road Fund for payment of the Amendment 3 Bonds. Deposits made to the State Road Fund by the Office of Administration pursuant to the Financing Agreement will constitute State Road Fund Revenues.

"**State Road Bond Fund Revenues**" consist of the proceeds of the state sales tax on all motor vehicles, trailers, motorcycles, mopeds and motortricycles, less certain costs, refunds and allocations required to be paid from such State revenue, which are required by the Missouri Constitution to be credited to the State Road Bond Fund and which may be appropriated by the General Assembly of the State to the payment of State Road Bonds, and any other moneys, revenues or receipts to be deposited to the credit of the State Road Bond Fund pursuant to state law, available to be pledged to the payment of State Road Bonds. State Road Bond Fund Revenues are dedicated to and may only be used to fund the repayment of bonds issued by the Commission to fund the construction and reconstruction of the State Highway System or to fund refunding bonds, except that the portion of the moneys in the State Road Bond Fund which the Commissioner of Administration of the State and the Commission each certify is not needed to make payments upon said bonds or to maintain an adequate reserve for making future payments upon said bonds may be appropriated to the State Road Fund. Neither Commissioner of Administration nor the Commission have directed the maintenance of a reserve in the State Road Bond Fund for payment of the Amendment 3 Bonds. Moneys deposited in the State Road Bond Fund may only be withdrawn, and only become State Road Bond Fund Revenues, by appropriation by the General Assembly of the State pursuant to the Missouri Constitution.

"**Additional Transportation Revenues**" consist of all moneys, revenues or receipts designated by the Commission to be pledged to the payment of the Amendment 3 Bonds as Pledged Revenues, except as otherwise limited by the Master Bond Indenture. The Commission issued the Series C 2009 Bonds as "Build America Bonds," and elected to receive the credit payments allowable to issuers of qualified Build America Bonds pursuant to the Internal Revenue Code of 1986, as amended (the "**Code**"). Under current law, a cash subsidy payment is to be paid by the United States Treasury directly to any electing issuer of qualified Build America Bonds in an amount equal to 35% of the interest payable by such issuer on its qualifying Build America Bonds on each interest payment date (which has been reduced to 5.9% for federal fiscal year 2020 as a result of sequestration cuts), provided that certain requirements are continuously satisfied by such issuer. The credit payments described in the foregoing sentence are referred to in the Master Bond Indenture and herein as "**Interest Subsidy Payments**". The Commission has pledged the Interest Subsidy Payments as Additional Transportation Revenues as first lien security under the Master Bond Indenture.

The Master Bond Indenture permits the issuance of additional series of First Lien, Second Lien, Third Lien, and Subordinated Bonds subject to the terms and conditions set forth in the Master Bond Indenture. No Subordinated Bonds have been issued under the Master Bond Indenture.

THE SERIES B 2019 BONDS ARE STATE ROAD BONDS OF THE COMMISSION PAYABLE SOLELY FROM PLEDGED REVENUES. THE OWNERS OF THE SERIES B 2019 BONDS MAY NOT LOOK TO ANY GENERAL OR OTHER FUND OF THE STATE, THE COMMISSION, OR THE OFFICE OF ADMINISTRATION FOR PAYMENT. THE SERIES B 2019 BONDS ARE NOT GENERAL OBLIGATIONS OF THE STATE, THE COMMISSION, OR THE OFFICE OF ADMINISTRATION, AND NEITHER THE STATE, THE COMMISSION, NOR THE OFFICE OF ADMINISTRATION IS OBLIGATED TO LEVY ANY TAX FOR THEIR PAYMENT.

See "**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES B 2019 BONDS**" and "**PLEDGED REVENUES**."

State Highway System

The Commission, through its general supervision and control over MoDOT, is responsible for the construction, reconstruction and repair of the State Highway System that consists of a statewide connected system of public roads, highways and bridges that are acquired, constructed, reconstructed, improved and maintained in whole or in part by the aid of State moneys, and moneys appropriated by the United States government, so far as such supervision is consistent with the acts of Congress relating thereto, or any highways included by authority of law in the state highway system (the "**State Highway System**"). See "**THE COMMISSION AND MODOT – State Highway System**."

Financial Information

The Comprehensive Annual Financial Report of MoDOT as of and for the fiscal year ended June 30, 2019, which has been audited by BKD LLP, Springfield, Missouri, independent auditors, to the extent and for the period indicated in their report, is included in **Appendix A** to this Official Statement. The basic financial statements of MoDOT include the activities and accounts of the Commission. BKD has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. BKD also has not performed any procedures relating to this Official Statement.

Financial information regarding State Road Fund Revenues and State Road Bond Fund Revenues is set forth under "**PLEDGED REVENUES**" in this Official Statement.

The Comprehensive Annual Financial Report of the State of Missouri as of and for the fiscal year ended June 30, 2018, is included in **Appendix B** to this Official Statement. The General Purpose Financial Statements as of and for the year ended June 30, 2018 included in **Appendix B** were audited by Nicole R. Galloway, State Auditor of the State of Missouri, based in part on the reports of other auditors. Such report states that, based on a legal interpretation by the State's Director of Revenue, the State Auditor was not allowed access to tax returns and related source documents for income taxes, the source of approximately 28% of the State's governmental activity revenues and 33% of the State's General Fund revenues, and could not therefore conduct appropriate audit tests as to the income tax revenue. Such report is qualified accordingly.

Continuing Disclosure

The Commission and BOKF, N.A., as dissemination agent, will enter into a Continuing Disclosure Agreement dated as of December 1, 2019 (the "**Commission Continuing Disclosure Agreement**") in accordance with Rule 15c2-12 (the "**Rule**") promulgated by the Securities and Exchange Commission, pursuant to which the Commission will agree to provide disclosure of certain financial and operating information on an ongoing basis. The State will execute and deliver a Continuing Disclosure Undertaking dated as of December 1, 2019 (the "**State Continuing Disclosure Undertaking**," and together with the Commission Continuing Disclosure Agreement, the "**Continuing Disclosure Undertakings**") in accordance with the Rule, pursuant to which the State will agree to provide disclosure of certain information on an ongoing basis.

See "**CONTINUING DISCLOSURE**" for a description of the Commission's and the State's respective compliance history with previous continuing disclosure undertakings. The forms of the Continuing Disclosure Undertakings are included in **Appendix C** to this Official Statement.

Definitions, Summaries of Documents and Additional Information

Definitions of certain words and terms used in this Official Statement and summaries of the Master Bond Indenture, the Financing Agreement, and the forms of the Continuing Disclosure Undertakings are included in this Official Statement in **Appendix C** to this Official Statement. Such definitions and summaries do not purport to be comprehensive or definitive. All references herein to such documents are qualified in their entirety by reference to the definitive forms of such documents, copies of which may be viewed at the offices of the Commission, 105 West Capitol Avenue, Jefferson City, Missouri 65102, telephone (888) 275-6636. Copies of such documents will be provided to any prospective purchaser requesting the same upon payment of the cost of complying with such request.

SERIES B 2019 BONDS

The following is a summary of certain terms and provisions of the Series B 2019 Bonds. Reference is hereby made to the Series B 2019 Bonds and the provisions with respect to the Series B 2019 Bonds in the Master Bond Indenture for the detailed terms and provisions thereof.

Authority

The Series B 2019 Bonds are being issued and secured pursuant to the authority contained in Article IV, Section 30(b) of the Missouri Constitution. Certain constitutional and statutory provisions relating to the Commission, the State Road Fund Revenues and the State Road Bond Fund Revenues are contained in **Appendix D** to this Official Statement.

General

The Master Bond Indenture provides for the issuance of separate series of State Road Bonds of the Commission payable solely from Pledged Revenues, which consist of (i) State Road Fund Revenues available after payment of the Senior Bonds, (ii) State Road Bond Fund Revenues, and (iii) any Additional Transportation Revenues pledged as Pledged Revenues pursuant to the Master Bond Indenture as security for the payment of Amendment 3 Bonds. The Master Bond Indenture provides for the issuance of State Road Bonds secured by the Pledged Revenues in four levels of priority: First Lien Bonds, Second Lien Bonds, Third Lien Bonds, and Subordinated Bonds. The Amendment 3 Bonds issued under the Master Bond Indenture are junior and subordinate in payment to the Senior Bonds with respect to the State Road Fund Revenues, but not with respect to any other Pledged Revenues.

The Series B 2019 Bonds constitute a series of Third Lien Bonds under the Master Bond Indenture and will be secured with respect to payment out of Pledged Revenues (i) on a parity basis with any other Third Lien Bonds (currently outstanding in the principal amount of $241,145,000 and any other Third Lien Bonds hereafter issued from time to time under the Master Bond Indenture, (ii) on a subordinate basis to the First Lien Bonds (currently outstanding in the principal amount of $529,265,000), the Second Lien Bonds (currently outstanding in the principal amount of $185,520,000) and any other First Lien Bonds or Second Lien Bonds hereafter issued from time to time under the Master Bond Indenture, and (iii) on a senior basis to the Federal Reimbursement Bonds and any Subordinated Bonds issued in the future. The Commission may make equal provision for paying additional Third Lien Bonds and the interest thereon out of the Pledged Revenues and may likewise provide for the creation of reasonable debt service accounts for the payment of such additional bonds of any lien and the interest thereon out of the Pledged Revenues. See **"ADDITIONAL BONDS AND OTHER INDEBTEDNESS."**

The Series B 2019 Bonds will be issuable as fully registered Series B 2019 Bonds, without coupons, in denominations of $5,000 or any integral multiple thereof. The Series B 2019 Bonds will be dated their date of delivery and will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. The Series B 2019 Bonds will bear interest at the rates per annum set forth on the inside cover page of this Official Statement, which will be payable May 1 and November 1 in each year, beginning on November 1, 2020.

The Series B 2019 Bonds, when issued, will be registered in the name of Cede & Co., as nominee for DTC. Payment of the principal of and interest on each Bond will be made, and notices and other communications to Bondholders will be given, directly to DTC or its nominee, Cede & Co., by the Bond Trustee. If the Series B 2019 Bonds are not in a book-entry system, payment of principal of and interest on the Series B 2019 Bonds will be made and such notices and communications will be given as described in the Master Bond Indenture. See "**Book-Entry System**" below.

Registration, Transfer and Exchange

Any Series B 2019 Bond may be transferred or exchanged only upon the Bond Register upon surrender thereof to the Bond Trustee duly endorsed for transfer or accompanied by an assignment duly executed by the owner or the owner's attorney or legal representative in such form as shall be satisfactory to the Bond Trustee. Upon any such transfer, the Commission will execute and the Bond Trustee will authenticate and deliver in exchange for such Series B 2019 Bond a new fully registered Series B 2019 Bond or Bonds, registered in the name of the transferee, of any denomination or denominations authorized by the Master Bond Indenture. Any Series B 2019 Bond, upon surrender thereof at the principal corporate trust office of the Bond Trustee, together with an assignment duly executed by the owner or the owner's attorney or legal representative in such form as shall be satisfactory to the Bond Trustee, may, at the option of the owner thereof, be exchanged for Series B 2019 Bonds of the same maturity, of any denomination or denominations authorized by the Master Bond Indenture, bearing interest at the same rate, and registered in the name of the owner.

The Commission or the Bond Trustee may make a charge against each owner requesting a transfer or exchange of Series B 2019 Bonds for every such transfer or exchange of Series B 2019 Bonds sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such transfer or exchange, and such charge shall be paid before any such new Bond shall be delivered. The Commission or the Bond Trustee may levy a charge against an owner sufficient to reimburse it for any governmental charge required to be paid in the event the owner fails to provide a correct taxpayer identification number to the Bond Trustee. Such charge may be deducted from amounts otherwise due to such owner.

No Redemption

The Series B 2019 Bonds are not subject to optional redemption prior to maturity.

Payment and Discharge

When the principal of and interest on all the Series B 2019 Bonds have been paid in accordance with their terms or provision has been made for such payment, as provided in the Master Bond Indenture, the Series B 2019 Bonds will no longer be Outstanding under the Master Bond Indenture and will cease to be entitled to any lien, benefit or security of the Master Bond Indenture.

Series B 2019 Bonds shall be deemed to be paid within the meaning of the Master Bond Indenture when payment of the principal on such Series B 2019 Bonds, plus interest thereon to the due date thereof, either (1) has been made or caused to be made in accordance with the terms of the Master Bond Indenture, or (2) provision therefor has been made by depositing with the Bond Trustee, in trust and irrevocably setting aside exclusively for such payment, (a) moneys sufficient to make such payment or (b) non-callable Government Obligations maturing as to principal and interest in such amounts and at such times as will ensure the availability of sufficient moneys to make such payment. The Series B 2019 Bonds may be defeased in advance of their maturity dates only with cash or Government Obligations, subject to receipt by the Bond Trustee of (1) a verification report prepared by independent certified public accountants, or other verification agent, satisfactory to the Bond Trustee and the Commission, and (2) an Opinion of Bond Counsel addressed and delivered to the Bond Trustee and the Commission to the effect that the payment of the principal and interest on all of the Series B 2019 Bonds then Outstanding and any and all other amounts required to be paid under the provisions of the Master Bond Indenture has been provided for in the manner set forth in the Master Bond Indenture and to the effect that so providing for the payment of the Series B 2019 Bonds will not cause the interest on any tax-exempt Amendment 3 Bonds to be included in gross income for federal income tax purposes, notwithstanding the satisfaction and discharge of the Master Bond Indenture.

Additional Bonds

The Master Bond Indenture provides that the Commission may issue additional Amendment 3 Bonds thereunder from time to time, in separate series, subject to the terms and conditions set forth therein. See "**ADDITIONAL BONDS AND OTHER INDEBTEDNESS**."

The issuance of additional Amendment 3 Bonds will be subject to, among other things, market conditions, the projected availability of adequate future revenues to provide necessary debt service coverage and any necessary approvals by the Commission.

Book-Entry System

General. Ownership interests in the Series B 2019 Bonds will be available to purchasers only through a book-entry system (the "**Book-Entry System**") maintained by The Depository Trust Company ("**DTC**"), New York, New York, which will act as securities depository for the Series B 2019 Bonds. The Series B 2019 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. Initially, one fully registered Series B 2019 Bond certificate will be issued for each maturity of the Series B 2019 Bonds, in the aggregate principal amount of each maturity of the Series B 2019 Bonds. The following discussion will not apply to any Series B 2019 Bonds issued in certificate form due to the discontinuance of the DTC Book-Entry System, as described below.

So long as Cede & Co., as nominee of DTC, is the registered owner of the Series B 2019 Bonds, the Beneficial Owners of the Series B 2019 Bonds will not receive or have the right to receive physical delivery of the Series B 2019 Bonds, and references herein to the Bondholders or registered owners of the Series B 2019 Bonds mean Cede & Co. and not the Beneficial Owners of the Series B 2019 Bonds.

DTC and its Participants. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book–entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The preceding link to DTC is provided for general information only, and the information accessible through the link is not incorporated by reference into this Official Statement.

Purchase of Ownership Interests. Purchases of Series B 2019 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series B 2019 Bonds on DTC's records. The ownership interest of each actual purchaser of Series B 2019 Bonds ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series B 2019 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series B 2019 Bonds, except in the event that use of the book-entry system for the Series B 2019 Bonds is discontinued.

Transfers. To facilitate subsequent transfers, all Series B 2019 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series B 2019 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series B 2019 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series B 2019 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series B 2019 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series B 2019 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Series B 2019 Bonds documents. For example, Beneficial Owners of Series B 2019 Bonds may wish to ascertain that the nominee holding the Series B 2019 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption. Redemption notices shall be sent to DTC. If less than all of the Series B 2019 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series B 2019 Bonds to be redeemed.

Voting. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series B 2019 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Commission as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series B 2019 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of Principal and Interest. Principal, premium, if any, and interest payments on the Series B 2019 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Commission or the Bond Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "*street name*," and will be the responsibility of such Participant and not of DTC (or its nominee), the Bond Trustee or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest on the Series B 2019 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Commission or the Bond Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Continuation of Book-Entry Only System. DTC may discontinue providing its services as depository with respect to the Series B 2019 Bonds at any time by giving reasonable notice to the Commission or the Bond Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series B 2019 Bond certificates are required to be printed and delivered. The use of the system of book-entry transfers through DTC (or a successor depository) may be discontinued as described in the Master Bond Indenture. In that event, Series B 2019 Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Commission believes to be reliable, but the Commission takes no responsibility for the accuracy thereof, and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the DTC Participants, as the case may be.

The Commission and the Bond Trustee will not have any responsibility or obligations to any Direct Participants or Indirect Participants or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or any such Direct Participant or Indirect Participant; (ii) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of, premium, if any, or interest on the Series B 2019 Bonds; (iii) the delivery by any such Direct Participant or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Master Bond Indenture to be given to Bondholders; (iv) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series B 2019 Bonds; or (v) any consent given or other action taken by DTC as a Bondholder.

PLAN OF FINANCE

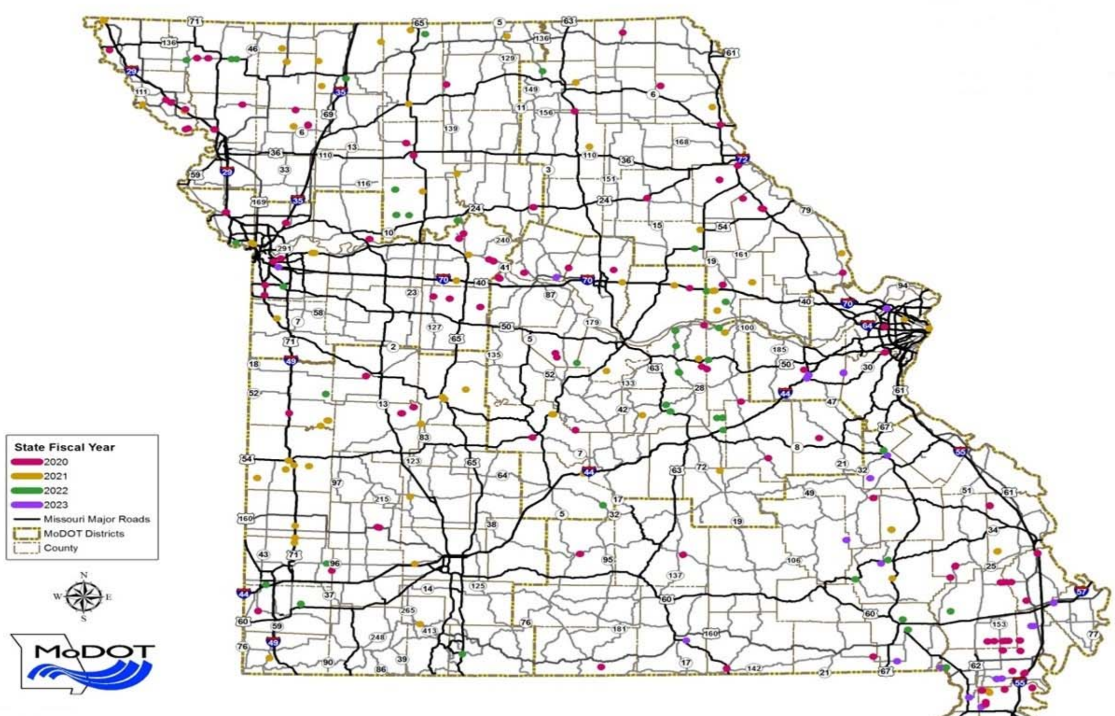
General

The Series B 2019 Bonds are being issued by the Commission pursuant to the Master Bond Indenture for the purpose of paying (i) the costs of construction and reconstruction of the State Highway System and (ii) the costs related to the issuance of the Series B 2019 Bonds. The Commission plans to use proceeds of the Series B 2019 Bonds to repair or replace 215 State Highway System bridges, in accordance with Concurrent Resolution No. 14 and the Financing Agreement. The State's fiscal year 2020 budget also included the transfer of $50 million from the State's General Revenue Fund to the State Road Fund to pay for bridge repair and replacement projects included in the STIP for fiscal years 2020 to 2024, which the Commission anticipates will fund approximately 45 State bridge projects.

Concurrent Resolution No. 14 and the Bridge Projects

Concurrent Resolution No. 14 authorized and directed the Office of Administration to execute and deliver a financing agreement with the Commission to provide funds appropriated on an annual basis from the State's General Revenue Fund moneys to the State Road Fund for payment of debt service on State Road Bonds issued by the Commission to pay up to $301 million in project costs for the planning, design, construction, reconstruction, rehabilitation, and significant repair of 215 bridges on the State Highway System identified in the STIP. Concurrent Resolution No. 14 expressed the support of the General Assembly for the issuance of State Road Bonds payable over a term not to exceed seven years with payment beginning no earlier than July 1, 2020.

The map below shows the locations of the 215 bridges expected to be improved with proceeds of the Series B 2019 Bonds and the Planned Series 2021 Bonds.



The effectiveness of Concurrent Resolution No. 14 was contingent on the acceptance by the Commission of a grant from the federal government for road and bridge purposes. The Commission was awarded an $81.2 million Infrastructure for Rebuilding America grant (the "**INFRA Grant**") in July 2019, for a project to complete two upgrades along I-70, including construction of a new bridge at Rocheport to replace an existing 60-year old bridge near the end of its service life (the "**I-70 Upgrades**"). In addition, on October 2, 2019, the Commission approved a loan agreement between the Commission and the Missouri Transportation Finance Corporation (the "**Transportation Finance Corporation Loan**,") pursuant to which the Commission will borrow $62,500,000, to be used as additional funds for the I-70 Upgrades. The Transportation Finance Corporation Loan satisfied a condition of the receipt of the INFRA Grant by providing necessary matching funds for the I-70 Upgrades.

Proceeds of the Transportation Finance Corporation Loan are expected to be drawn in three annual installments in the amount of $24,395,890, $24,828,085, and $13,276,025, with the first draw occurring during the Commission's fiscal year 2023. Amounts outstanding under the Transportation Finance Corporation Loan will bear interest at a rate of 1.06%. Principal payments on the Transportation Finance Corporation Loan are expected to be approximately $9 million per year, with a final payment August 1, 2029.

Sources and Uses of Funds

The following is a summary of the anticipated sources and uses of funds in connection with the issuance of the Series B 2019 Bonds.

Sources of Funds:	
Principal amount of the Series B 2019 Bonds	$178,370,000
Original issue premium	23,142,582
Total Sources of Funds	$201,512,582
Uses of Funds:	
Deposit to the State Road Fund	$201,000,000
Costs of Issuance(1)	512,582
Total Uses of Funds	$ 201,512,582

(1) Includes underwriter's discount and other financing costs.

DEBT SERVICE REQUIREMENTS ON STATE ROAD BONDS

The following table sets forth the annual Debt Service Requirements on the Outstanding State Road Bonds during each State fiscal year ending June 30:

Fiscal Year	Outstanding Senior Bonds Total Debt Service	Outstanding First Lien Bonds Total Debt Service	Outstanding Second Lien Bonds Total Debt Service	Outstanding Third Lien Bonds Total Debt Service[1]	Series B 2019 Bonds[2]		Amendment 3 Bonds Total Debt Service	Federal Reimbursement Bonds Total Debt Service[1]	Total State Road Bonds Debt Service
					Principal	Interest			
2020	$18,558,500	$48,223,250	$77,518,400	$29,254,904			$154,996,554	$64,789,844	$238,344,898
2021	18,545,000	74,755,250	56,320,900	29,240,063	$34,010,000	$11,536,556	205,862,769	64,715,645	289,123,414
2022	18,539,000	95,112,000	40,088,650	29,226,002	37,285,000	6,285,875	207,997,527	65,704,645	292,241,172
2023	18,548,250	106,027,750	23,857,650	29,210,729	19,335,000	4,870,375	183,301,504	65,671,709	267,521,463
2024		109,733,000	4,551,150	29,192,178	20,325,000	3,878,875	167,680,203	65,633,248	233,313,451
2025		109,737,250	3,223,900	29,173,217	21,365,000	2,836,625	166,335,992	65,597,299	231,933,291
2026		109,735,500		29,153,316	22,450,000	1,741,250	163,080,066	45,099,991	208,180,057
2027				29,123,584	23,600,000	590,000	53,313,584	45,050,067	98,363,651
2028				29,099,097			29,099,097	45,019,419	74,118,516
2029				29,073,343			29,073,343	44,983,126	74,056,469
2030								44,949,725	44,949,725
2031								44,912,392	44,912,392
2032								44,869,484	44,869,484
2033								44,829,356	44,829,356

(1) The Series B 2009 Bonds, Series C 2009 Bonds and Series B 2010 Bonds are Build America Bonds and the debt service is net of expected receipts of Interest Subsidy Payments from the U.S. Treasury. The original Interest Subsidy was 35 percent. Given the uncertainty of future action of Congress, the Debt Service amounts assume a reduction of 5.9 percent in the Interest Subsidy Payments beginning on October 1, 2019 and beyond due to the federal sequestration as required by the amended Balanced Budget and Emergency Deficit Control Act of 1985, as amended by the Budget Control Act of 2011.

(2) Pursuant to the Financing Agreement, the Office of Administration will request that the Governor's budget submitted to the General Assembly of the State of Missouri for each fiscal year include a request for an appropriation of General Revenue Fund moneys for deposit into the State Road Fund of amounts sufficient to pay principal and interest coming due on the Series B 2019 Bonds in each fiscal year. Such payments will be made in any fiscal year, however, only if and to the extent that the General Assembly appropriates funds for such year for deposit into the State Road Fund.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES B 2019 BONDS

Pledge of the Trust Estate

Overview. Under the Master Bond Indenture, in order to secure the payment of all of the Amendment 3 Bonds issued and Outstanding under the Master Bond Indenture and to secure the performance and observance by the Commission of all the covenants, agreements and conditions contained in the Master Bond Indenture and in the Amendment 3 Bonds, the Commission has transferred in trust, pledged and assigned to the Bond Trustee, and granted a security interest to the Bond Trustee in all right, title and interest of the Commission in the Pledged Revenues, and all moneys and securities from time to time held by the Bond Trustee in the funds and accounts under the terms of the Master Bond Indenture, and any and all other revenues, moneys and property (real, personal or mixed) of every kind and nature from time to time, by delivery or by writing of any kind, pledged, assigned or transferred as and for additional security under the Master Bond Indenture or a Supplemental Bond Indenture by the Commission or by anyone on its behalf or with its written consent, to the Bond Trustee. The Master Bond Indenture provides for the issuance of Amendment 3 Bonds secured by the Pledged Revenues in four levels of priority: First Lien Bonds, Second Lien Bonds, Third Lien Bonds, and Subordinated Bonds. The Bond Trustee will hold in trust and administer the Pledged Revenues, upon the terms and conditions set forth in the Master Bond Indenture for the equal and pro rata benefit and security of each and every owner of Amendment 3 Bonds, without preference, priority or distinction as to participation in the lien, benefit and protection of the Master Bond Indenture of one Bond over or from the others; except (i) Amendment 3 Bonds issued pursuant to the Master Bond Indenture are junior and subordinate in payment to the Senior Bonds with respect to the State Road Fund Revenues, but not with respect to other Pledged Revenues, and (ii) with respect to First Lien Bonds, Second Lien Bonds and Third Lien Bonds.

State Road Fund Revenues. The Master Bond Indenture defines State Road Fund Revenues as follows:

> "**State Road Fund Revenues**" means all state revenue derived from highway users as an incident to their use or right to use highways of the state deposited in the state treasury and credited to the State Road Fund pursuant to Section 30(b) of Article IV of the Missouri Constitution, as amended, which stand appropriated to the payment of the [Amendment 3 Bonds] and other purposes of the Commission; and any other moneys, revenues or receipts to be deposited to the credit of the State Road Fund pursuant to state law, pledged to the payment of [Amendment 3 Bonds].

Pursuant to the Missouri Constitution, State Road Fund Revenues currently include all State license fees and taxes upon motor vehicles, trailers and motor vehicle fuels and upon the manufacture, receipt, storage, distribution, sale or use thereof (except a portion of the sales tax on motor vehicles and trailers and all property taxes), less certain costs, refunds and allocations required to be paid from such State revenue. Under the Missouri Constitution, State Road Fund Revenues stand appropriated without legislative action for the following purposes: *first*, to the payment of the principal and interest on any outstanding State Road Bonds; and *second*, any balance in excess of the amount deemed necessary by the Commission to meet the payment of the principal and interest of any State Road Bonds for the next succeeding 12 months, may be used and expended in the sole discretion of and under the supervision and direction of the Commission for specified purposes relating to the improvement and maintenance of the State Highway System, including for such purposes and contingencies relating to the construction and maintenance of state highways and bridges as the Commission may deem necessary and proper. Pursuant to the Senior Master Indenture, the Commission will maintain in the State Road Fund the amount necessary to meet the payment of the principal and interest of any Senior Bonds for the next succeeding 12 months before spending any State Road Fund

Revenues for the other permitted uses. The Commission has not directed the maintenance of a reserve in the State Road Fund for payment of the Amendment 3 Bonds.

If, as and when any funds payable by the Office of Administration under the Financing Agreement are both appropriated by the General Assembly and transferred into the State Road Fund, such funds will constitute State Road Fund Revenues. See **"SECURITY AND SOURCES OF PAYMENT FOR THE SERIES B 2019 BONDS – The Financing Agreement."**

State Road Bond Fund Revenues. The Master Bond Indenture defines State Road Bond Fund Revenues as follows:

> "**State Road Bond Fund Revenues**" means the proceeds of the state sales tax on all motor vehicles, trailers, motorcycles, mopeds and motortricycles which are deposited in the state treasury and credited to the State Road Bond Fund pursuant to Section 30(b) of Article IV of the Missouri Constitution, as amended, which are appropriated to the payment of [Amendment 3 Bonds], and any other moneys, revenues or receipts to be deposited to the credit of the State Road Bond Fund pursuant to state law, pledged to the payment of [Amendment 3 Bonds].

Pursuant to the Missouri Constitution, State Road Bond Fund Revenues are dedicated to and may only be used to fund the repayment of bonds issued by the Commission, to fund the construction and reconstruction of the State Highway System or to fund refunding bonds, except that the portion of the moneys in the State Road Bond Fund which the Commissioner of Administration of the State and the Commission each certify is not needed to make payments upon said bonds or to maintain an adequate reserve for making future payments upon said bonds may be appropriated to the State Road Fund. Neither the Commissioner of Administration nor the Commission have directed the maintenance of a reserve in the State Road Bond Fund for payment of the Amendment 3 Bonds. Moneys deposited in the State Road Bond Fund may only be withdrawn by appropriation by the General Assembly of the State pursuant to the Missouri Constitution.

Additional Transportation Revenues. The Master Bond Indenture defines Additional Transportation Revenues as follows:

> "**Additional Transportation Revenues**" means all moneys, revenues or receipts designated by the Commission to be pledged to the payment of the Amendment 3 Bonds as Pledged Revenues.

In connection with the issuance of the Series C 2009 Bonds, the Commission transferred in trust, pledged and assigned to the Bond Trustee, and granted a security interest to the Bond Trustee in, the Interest Subsidy Payments received by or on behalf of the Commission related to the Series C 2009 Bonds. The Interest Subsidy Payments constitute part of the Trust Estate and are assigned and pledged as Additional Transportation Revenues and part of the Pledged Revenues as first lien security for the Series C 2009 Bonds.

Other than as set forth in the preceding paragraph, there are currently no additional moneys designated as Additional Transportation Revenues or directed to payment of the Debt Service Requirements of the Amendment 3 Bonds. The Pledged Revenues currently available to pay the Amendment 3 Bonds consist only of the State Road Fund Revenues available after payment of the Senior Bonds and State Road Bond Fund Revenues. However, additional moneys may be pledged, from time to time, to payment of the Amendment 3 Bonds and designated as Pledged Revenues. The Commission contemplates that certain state road and bridge projects may be constructed, from time to time, pursuant to agreements with cities, counties, transportation development districts, private business entities and other public or private entities. Such agreements may provide a source of funding from these public or private entities to pay a portion of the costs of these state highway system construction projects. Funds provided by these agreements may be pledged by the Commission as security for the payment of State Road Bonds pursuant to the provisions of a Supplemental Indenture authorizing the issuance of such Amendment 3 Bonds, and if pledged as Pledged Revenues securing all of the Amendment 3 Bonds under the Master Bond Indenture, will constitute Additional Transportation Revenues. The Commission currently contemplates that such revenues may include, but are not limited to, local sales taxes, local fees and other tax revenues, user fees, tolls, and private funding sources.

Pledge of Additional Transportation Revenues. The Commission shall give written notice of its intention to pledge Additional Transportation Revenues to the Bond Trustee and each rating agency maintaining a rating on the Amendment 3 Bonds not less than 30 days prior to the date the pledge of the Additional Transportation Revenues is expected to become effective. The notice shall include appropriate information concerning the nature and extent of the Additional Transportation Revenues. Pursuant to the Master Bond Indenture, the pledge of Additional Transportation Revenues shall become effective upon receipt by the Commission and the Bond Trustee of (i) an Opinion of Counsel stating that pledge of Additional Transportation Revenues is authorized under this Master Bond Indenture and complies with the terms thereof, and (ii) an Opinion of Bond Counsel stating that the pledge of Additional Transportation Revenues does not adversely affect the exclusion of the interest on the Amendment 3 Bonds from gross income for federal income tax purposes. See "**PLEDGED REVENUES**" in this Official Statement. Pursuant to the Master Bond Indenture, in no event shall any calculation of Revenues Available for Debt Service, in connection with the issuance of Additional Bonds, include Additional Transportation Revenues in an amount in excess of 5% of the aggregate of all Pledged Revenues.

Special Revenue Obligations

THE SERIES B 2019 BONDS ARE STATE ROAD BONDS OF THE COMMISSION PAYABLE SOLELY FROM PLEDGED REVENUES. THE OWNERS OF THE SERIES B 2019 BONDS MAY NOT LOOK TO ANY GENERAL OR OTHER FUND OF THE STATE, THE COMMISSION, OR THE OFFICE OF ADMINISTRATION FOR PAYMENT. THE SERIES B 2019 BONDS ARE NOT GENERAL OBLIGATIONS OF THE STATE, THE COMMISSION, OR THE OFFICE OF ADMINISTRATION, AND NEITHER THE STATE, THE COMMISSION, NOR THE OFFICE OF ADMINISTRATION IS OBLIGATED TO LEVY ANY TAX FOR THEIR PAYMENT.

The Financing Agreement

The Financing Agreement provides that the Office of Administration will request the Governor's budget submitted to the General Assembly for each fiscal year include a request for an appropriation of General Revenue Fund moneys for deposit into the State Road Fund of amounts sufficient to pay principal and interest coming due on the Series B 2019 Bonds in such fiscal year.

Deposits of State General Revenue Fund moneys to the State Road Fund of amounts equal to the principal and interest on the Series B 2019 Bonds will be made only if and to the extent that the General Assembly appropriates funds for such year, for the purpose of depositing such amounts to the State Road Fund. The Financing Agreement specifically provides that nothing therein shall be construed to require the General Assembly to appropriate any money to pay the principal of or interest on the Series B 2019 Bonds and that the Office of Administration shall not be obligated to make deposits to the State Road Fund except to the extent of moneys appropriated therefor. See **"STATE OF MISSOURI – The Appropriation Process"** and "**RISK FACTORS AND INVESTMENT CONSIDERATIONS - Financing Agreement Appropriation and Withholding Risk**."

Amounts deposited to the State Road Fund pursuant to the Financing Agreement will constitute State Road Fund Revenues and Pledged Revenues under the Master Bond Indenture. The Financing Agreement will not be assigned to the Bond Trustee or otherwise constitute part of the Trust Estate established under the Master Bond Indenture.

THE OBLIGATIONS OF THE OFFICE OF ADMINISTRATION WITH RESPECT TO THE GENERAL REVENUE TRANSFER UNDER THE FINANCING AGREEMENT ARE SUBJECT TO ANNUAL APPROPRIATIONS BY THE GENERAL ASSEMBLY. THE OBLIGATIONS OF THE OFFICE OF ADMINISTRATION WITH RESPECT TO THE FINANCING AGREEMENT SHALL NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OR OF ANY AGENCY OR POLITICAL SUBDIVISION OF THE STATE WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION OR STATUTORY DEBT LIMITATION AND SHALL NOT, DIRECTLY, INDIRECTLY OR CONTINGENTLY, OBLIGATE THE GENERAL ASSEMBLY, THE OFFICE OF ADMINISTRATION, OR THE STATE TO LEVY ANY FORM OF TAXATION THEREFOR OR TO MAKE ANY PAYMENTS BEYOND THOSE WHICH ARE SPECIFICALLY SET FORTH IN THE FINANCING AGREEMENT.

See "**RISK FACTORS AND INVESTMENT CONSIERATIONS - Financing Agreement Appropriation and Withholding Risk**."

Master Bond Indenture Funds and Accounts

Funds and Accounts. The Master Bond Indenture provides for or references the creation of the following funds in the custody of the State Treasurer and the Bond Trustee with respect to the Amendment 3 Bonds:

State Road Fund. The State Road Fund is established by the Missouri Constitution in the State treasury in the custody of the State Treasurer and is administered by the State Treasurer under the supervision and direction of the Commission pursuant to the provisions of Article IV, Section 30(b) of the Missouri Constitution and the State Highway Act, as referenced in the Master Bond Indenture.

State Road Bond Fund. The State Road Bond Fund is established by the Missouri Constitution in the State treasury in the custody of the State Treasurer and is administered by the State Treasurer under the supervision and direction of the Commission pursuant to the provisions of Article IV, Section 30(b) of the Constitution of Missouri and the Master Bond Indenture.

First Lien Bond Fund. The First Lien Bond Fund is established in the custody of the Bond Trustee as a special trust fund to provide for the payment of the principal and interest on First Lien Bonds. The Bond Trustee is authorized to establish with respect to each series of First Lien Bonds separate funds or accounts within such Fund or otherwise segregate moneys within such Fund as is required by the supplemental indenture authorizing a series of First Lien Bonds. "**First Lien Bonds**" means bonds or other evidence of indebtedness issued under the Master Bond Indenture that by the terms thereof are specifically junior and subordinate to the Senior Bonds with respect to payments from State Road Fund Revenues and are senior to the Second Lien Bonds and the Third Lien Bonds with respect to payment of principal and interest thereon from Pledged Revenues.

Second Lien Bond Fund. The Second Lien Bond Fund is established in the custody of the Bond Trustee as a special trust fund to provide for the payment of the principal and interest on Second Lien Bonds. The Bond Trustee is authorized to establish with respect to each series of Second Lien Bonds separate funds or accounts within such Fund or otherwise segregate moneys within such Fund as is required by the supplemental indenture authorizing a series of Second Lien Bonds. "**Second Lien Bonds**" means bonds or other evidence of indebtedness issued under the Master Bond Indenture that by the terms thereof are specifically junior and subordinate to the Senior Bonds with respect to payments from State Road Fund Revenues, are junior and subordinate to the First Lien Bonds and senior to the Third Lien Bonds with respect to payment of principal and interest thereon from Pledged Revenues.

Third Lien Bond Fund. The Third Lien Bond Fund is established in the custody of the Bond Trustee as a special trust fund to provide for the payment of the principal and interest on Third Lien Bonds. The Bond Trustee is authorized to establish with respect to each series of Third Lien Bonds separate funds or accounts within such Fund or otherwise segregate moneys within such Fund as is required by the supplemental indenture authorizing a series of Third Lien Bonds. "**Third Lien Bonds**" means bonds or other evidence of indebtedness issued under the Master Bond Indenture that by the terms thereof are specifically junior and subordinate to the Senior Bonds with respect to payment of principal and interest thereon from State Road Fund Revenues and are junior and subordinate to the First Lien Bonds and Second Lien Bonds with respect to payment of principal and interest thereon from Pledged Revenues.

Other Funds. There may be established such other funds as may be designated by the Commission in a supplemental indenture.

Deposit and Application of Bond Proceeds in State Road Fund. The proceeds received from the sale of each series of Amendment 3 Bonds is required to be paid into the funds and accounts and to be administered and expended in the manner and for purposes specified in the Missouri Constitution, the State Highway Act, the Master Bond Indenture and the supplemental indenture authorizing each series of Amendment 3 Bonds. The proceeds of Amendment 3 Bonds deposited in the State Road Fund, together with earnings on such proceeds, will be held in the State treasury and will be invested, used and expended solely, strictly and expressly as authorized and required by the Missouri Constitution, the State Highway Act, the Master Bond Indenture and the supplemental indenture authorizing such series of Amendment 3 Bonds. Bond proceeds deposited in the State Road Fund will be disbursed by the State Treasurer for the payment of Project Costs or other authorized purposes upon the written request of the Commission and drawn by the Commissioner of Administration to the persons entitled thereto for such purposes and to pay all expenses incurred by the Commission in issuing the Amendment 3 Bonds. Earnings on amounts in the Series B 2019 Fund in the State Road Fund will remain in the State Road Fund and be used by the State Treasurer to pay debt service on the Series B 2019 Bonds.

Application of Pledged Revenues

All State Road Fund Revenues transferred or deposited in the State Road Fund will be held in the State treasury by the State Treasurer to be used and expended, first, for the payment of the Senior Bonds and the Amendment 3 Bonds in order of priorities provided in the Senior Master Indenture and the Master Bond Indenture, with any balance to be used for other authorized purposes in the manner as required by the Missouri Constitution, the State Highway Act and the Master Bond Indenture.

All State Road Bond Fund Revenues transferred or deposited in the State Road Bond Fund shall be held in the State treasury by the State Treasurer to be used and expended, after appropriation by the General Assembly of the State, for the payment of debt service on the Amendment 3 Bonds. The portion of the moneys in the State Road Bond Fund which the Commissioner of Administration of the State and the Commission each certify is not needed to make payment of the Amendment 3 Bonds may be appropriated to the State Road Fund to be used for other authorized purposes in the manner as required by the Missouri Constitution, the State Highway Act and the Master Bond Indenture.

The Pledged Revenues will be disbursed by the State Treasurer upon the written request of the Commission and drawn by the Commissioner of Administration to the persons entitled thereto, in the manner provided by law, in the amounts and in the order of priority as follows:

First – Senior Master Indenture. There will first be paid to the Bond Trustee under the Senior Master Indenture, solely from the State Road Fund Revenues, an amount that is sufficient to pay the principal of and interest on all Senior Bonds which is due and payable and such other amounts as may be required pursuant to the provisions of the Senior Master Indenture.

Second – First Lien Bond Fund. There will next be paid to the Bond Trustee, on or before the 1st Business Day before each payment date for such Amendment 3 Bonds under the Master Bond Indenture, an amount that is sufficient to pay the principal of and interest on all First Lien Bonds which is due and payable on such payment date.

Third – Second Lien Bond Fund. There will next be paid to the Bond Trustee, on or before the 1st Business Day before each payment date for such Amendment 3 Bonds under the Master Bond Indenture, an amount that is sufficient to pay the principal of and interest on all Second Lien Bonds which is due and payable on such payment date.

Fourth – Third Lien Bond Fund. There will next be paid to the Bond Trustee, on or before the 1st Business Day before each payment date for such Amendment 3 Bonds under the Master Bond Indenture, an amount that is sufficient to pay the principal of and interest on all Third Lien Bonds which is due and payable on such payment date.

Fifth – Termination Payments. There will next be paid to the Bond Trustee, after payment of principal of and interest on other State Road Bonds, on or before the 1st Business Day prior to the date such payments are due and owing, any termination payments, fees, expenses and indemnity payments pursuant to any Qualified Swap Agreements (herein defined) or any Qualified Credit Facility.

Sixth – Other State Road Fund Purposes. After the payments and credits required to be made as described in paragraphs *First* through *Fifth* above, the remaining State Road Fund Revenues and the remaining State Road Bond Fund Revenues may be used and expended by the Commission for any other lawful use as provided in Article IV, Section 30(b) of the Missouri Constitution and the State Highway Act, and any remaining Additional Transportation Revenues may be used and expended as provided in the supplemental indenture which provides for the pledge of such Funds as Pledged Revenues.

Covenants Regarding Maintenance of State Highway System and Pledged Revenues

Under the Master Bond Indenture, the Commission covenants and agrees for the benefit, security and protection of all owners of the Amendment 3 Bonds issued and to be issued under the Master Bond Indenture and each Supplemental Bond Indenture and so long as any of the Amendment 3 Bonds remain Outstanding as follows:

(a) The Commission will neither take any action, nor recommend any action, that would impair or reduce the imposition, enforcement, collection, transfer and deposit into the State Road Fund or the State Road Bond Fund of such taxes, fees and charges including without limitation, those on motor fuels, motor vehicles, or such other taxes, fees and charges which are statutorily or constitutionally permitted or required, and in such amounts as shall be required to provide Pledged Revenues sufficient to provide transfers to pay when due the Amendment 3 Bonds issued pursuant to the Master Bond Indenture.

(b) The Commission, through MoDOT, will faithfully and punctually perform all duties required of the Commission with respect to the State Highway System required by the Missouri Constitution, the State Highway Act, the Master Bond Indenture and any Supplemental Bond Indentures, including, but not limited to, the making and collection of the Pledged Revenues, their proper segregation and their application to the respective funds and accounts and in the order of priorities established by the Missouri Constitution, the State Highway Act, the Master Bond Indenture and any Supplemental Bond Indentures, and will not in any way impair the rights and remedies of the owners of the Amendment 3 Bonds under the Missouri Constitution, the State Highway Act and the Master Bond Indenture.

(c) The Commission reasonably believes that legally available funds in an amount sufficient to make payments of its obligations related to Amendment 3 Bonds can be obtained. The Commission covenants to do all things lawfully within its power to obtain and maintain funds from which the payments of its obligation related to Amendment 3 Bonds may be made, including making provision for such payments to the extent necessary in each annual budget submitted and adopted in accordance with applicable provisions of State law, to have such portion of the budget approved and to exhaust all available reviews and appeals in the event such portion of the budget is not approved.

ADDITIONAL BONDS AND OTHER INDEBTEDNESS

Overview

Pursuant to the Master Bond Indenture, the Commission is authorized to issue Additional Bonds, from time to time, for any purpose authorized under the Master Bond Indenture, including (a) financing or refinancing the costs of construction and reconstruction of the State Highway System; (b) refunding any outstanding series of Amendment 3 Bonds or portion thereof; and (c) in connection with the issuance of a series of Amendment 3 Bonds, providing funds for deposit in the funds and accounts under the Master Bond Indenture, funding capitalized interest and any required debt service reserves, and paying the costs incident to the issuance of such Amendment 3 Bonds. Effective February 6, 2019, the Commission updated its debt management policy, which is intended to ensure that each debt financing of the Commission is completed in the most efficient and effective manner and in accordance with the best practices of the industry to achieve the Commission's fiscal management goals and objectives. The Commission's debt management policy is available at:

https://www.modot.org/sites/default/files/documents/009-03-01-FINANCIALDebt%20Management.pdf. The debt management policy may be changed at any time by future action of the Commission.

Senior Bonds

No additional Senior Bonds may be issued under the Senior Master Indenture other than bonds issued to refund the Outstanding Senior Bonds.

Amendment 3 Bonds Under the Master Bond Indenture

Overview. The Commission may authorize the issuance of additional series of First Lien Bonds, Second Lien Bonds, and Third Lien Bonds upon satisfaction of the requirements of the Master Bond Indenture, including the delivery of a certificate of the Commission with respect to "Revenues Available for Debt Service" which means, for any period of calculation, the Pledged Revenues available to pay the Debt Service Requirements for all of the Amendment 3 Bonds; provided, however, in no event shall any calculation of Revenues Available for Debt Service include Additional Transportation Revenues in an amount in excess of 5% of the aggregate of all Pledged Revenues.

First Lien Bonds. The Commission may authorize the issuance of First Lien Bonds if prior to the issuance of such Bonds there is delivered to the Bond Trustee the following:

> A certificate of the Commission demonstrating that Revenues Available for Debt Service (provided, that, in the event that any law has been enacted that has changed the amount of Revenues Available for Debt Service at any time subsequent to the beginning of such 12-month period, then the amount of Revenues Available for Debt Service for such 12-month period shall be adjusted by an amount provided in an Officer's Certificate to the level, as estimated in such Officer's Certificate, that would have been Revenues Available for Debt Service in such 12-month period if such changes had been in effect for the entire 12-month period) for 12 consecutive months out of the last 18 months prior to the issuance of such First Lien Bonds were not less than 400% of Maximum Annual Debt Service on all Outstanding Senior Bonds and First Lien Bonds, and the First Lien Bonds proposed to be issued.

The Commission may, without complying with the preceding paragraph, issue First Lien Bonds for the purpose of refunding, either at maturity or in advance of maturity, any First Lien Bonds issued and Outstanding under the Master Bond Indenture, if the Commission determines that taking into account the issuance of the proposed First Lien Bonds and the application of the proceeds thereof and any other funds to be applied to such refunding, the Debt Service Requirements of the First Lien Bonds proposed to be issued will not be greater than the Debt Service Requirements on the First Lien Bonds to be refunded in any year that the First Lien Bonds to be refunded would have been Outstanding (permitting the final maturity of the proposed First Lien Bonds to extend beyond the final maturity of the First Lien Bonds to be refunded).

First Lien Bonds stand on a parity with any other First Lien Bonds Outstanding and enjoy complete equality of lien and pledge and claim against the Pledged Revenues with all other First Lien Bonds Outstanding under the Master Bond Indenture and the Commission may make equal provision for paying said First Lien Bonds and the interest thereon out of the Pledged Revenues and may likewise provide for the creation of reasonable debt service accounts for the payment of such additional bonds and the interest thereon out of the Pledged Revenues.

Second Lien Bonds. The Commission may authorize the issuance of Second Lien Bonds if prior to the issuance of such Bonds there is delivered to the Bond Trustee the following:

> A certificate of the Commission demonstrating that Revenues Available for Debt Service (provided, that, in the event that any law has been enacted that has changed the amount of Revenues Available for Debt Service at any time subsequent to the beginning of such 12-month period, then the amount of Revenues Available for Debt Service for such 12-month period shall be adjusted by an amount provided in an Officer's Certificate to the level, as estimated in such Officer's Certificate, that would have been Revenues Available for Debt Service in such 12-month period if such changes had been in effect for the entire 12-month period) for 12 consecutive months out of the last 18 months prior to the issuance of such Second Lien Bonds were not less than 300% of Maximum Annual Debt Service on all Outstanding Senior Bonds, First Lien Bonds and Second Lien Bonds, and the Second Lien Bonds proposed to be issued.

The Commission may, without complying with the preceding paragraph, issue Second Lien Bonds for the purpose of refunding, either at maturity or in advance of maturity, any Second Lien Bonds issued and Outstanding under the Master Bond Indenture, if the Commission determines that, taking into account the issuance of the proposed Second Lien Bonds and the application of the proceeds thereof and any other funds to be applied to such refunding, the Debt Service Requirements of the Second Lien Bonds proposed to be issued will not be greater than the Debt Service Requirements on the Second Lien Bonds to be refunded in any year that the Second Lien Bonds to be Refunded would have been Outstanding (permitting the final maturity of the proposed Second Lien Bonds to extend beyond the final maturity of the Second Lien Bonds to be refunded).

Second Lien Bonds stand on a parity with any other Second Lien Bonds Outstanding and enjoy complete equality of lien and pledge and claim against the Pledged Revenues with all other Second Lien Bonds Outstanding under the Master Bond Indenture and the Commission may make equal provision for paying said Second Lien Bonds and the interest thereon out of the Pledged Revenues and may likewise provide for the creation of reasonable debt service accounts for the payment of such additional bonds and the interest thereon out of the Pledged Revenues.

Third Lien Bonds. The Commission may authorize the issuance of Third Lien Bonds if prior to the issuance of such Bonds there is delivered to the Bond Trustee the following:

> A certificate of the Commission demonstrating that Revenues Available for Debt Service (provided, that, in the event that any law has been enacted that has changed the amount of Revenues Available for Debt Service at any time subsequent to the beginning of such 12-month period, then the amount of Revenues Available for Debt Service for such 12-month period shall be adjusted by an amount provided in an Officer's Certificate to the level, as estimated in such Officer's Certificate, that would have been Revenues Available for Debt Service in such 12-month period if such changes had been in effect for the entire 12-month period) for 12 consecutive months out of the last 18 months prior to the issuance of such Third Lien Bonds were not less than 200% of Maximum Annual Debt Service on all Outstanding Senior Bonds, First Lien Bonds, Second Lien Bonds and Third Lien Bonds, and the Third Lien Bonds proposed to be issued.

The Commission may, without complying with the preceding paragraph, issue Third Lien Bonds for the purpose of refunding, either at maturity or in advance of maturity, any Third Lien Bonds issued and Outstanding under the Master Bond Indenture, if the Commission determines that, taking into account the issuance of the proposed Third Lien Bonds and the application of the proceeds thereof and any other funds to be applied to such refunding, the Debt Service Requirements of the Third Lien Bonds proposed to be issued will not be greater than the Debt Service Requirements on the Third Lien Bonds to be refunded in any year that the Third Lien Bonds to be refunded would have been Outstanding (permitting the final maturity of the proposed Third Lien Bonds to extend beyond the final maturity of the Third Lien Bonds to be refunded).

Third Lien Bonds stand on a parity with any other Third Lien Bonds Outstanding and enjoy complete equality of lien and pledge and claim against the Pledged Revenues with all other Third Lien Bonds Outstanding under the Master Bond Indenture and the Commission may make equal provision for paying said Third Lien Bonds and the interest thereon out of the Pledged Revenues and may likewise provide for the creation of reasonable debt service accounts for the payment of such additional bonds and the interest thereon out of the Pledged Revenues.

Subordinated Bonds. The Commission may from time to time issue Subordinated Bonds for any lawful purpose and may provide that the principal of and interest on said Subordinated Bonds shall be payable out of Pledged Revenues, provided at the time of issuance of such Subordinated Bonds the Commission is not in default in the performance of any covenant or agreement contained in the Master Bond Indenture (unless such Subordinated Bonds are being issued to provide funds to cure such default), and provided further that such Subordinated Bonds shall be junior and subordinate to any First Lien, Second Lien and Third Lien Bonds, so that if at any time the Commission shall fail to pay either interest on or principal of any such bonds, or if the Commission shall fail to make any payments required to be made by it under the Master Bond Indenture, the Commission shall make no payments out of the Pledged Revenues of either principal of or interest on said Subordinated Bonds until said default or failure be cured. In the event of the issuance of any such Subordinated Bonds, the Commission, subject to the revisions aforesaid, may make provision in the agreement providing for the issuance of such Subordinated Bonds for paying the principal of and interest on said Subordinated Bonds out of Pledged Revenues.

Other Bonds or Indebtedness. The Commission covenants in the Master Bond Indenture that it will not issue any bonds or other evidences of indebtedness which are senior and superior to the First Lien Bonds, other than bonds issued under the Senior Master Indenture to refund any of the Senior Bonds. The Commission will not issue any bonds or other evidences of indebtedness payable from Pledged Revenues unless such bonds or other evidences of indebtedness comply with and are issued pursuant to the Missouri Constitution, the State Highway Act, the Master Bond Indenture and an appropriate Supplemental Bond Indenture.

Additional Transportation Revenues

No Additional Transportation Revenues (other than the pledge of the Interest Subsidy Payments with respect to the Series C 2009 Bonds) have been pledged as Pledged Revenues under the Master Bond Indenture. To the extent permitted by law, a Supplemental Bond Indenture may pledge a source of revenues, other than the State Road Fund Revenues and State Road Bond Fund Revenues, as Pledged Revenues ("**Additional Transportation Revenues**"). The Master Bond Indenture imposes no limitations on the nature or credit quality of Additional Transportation Revenues and provides that in no event shall any calculation of Revenues Available for Debt Service, in connection with the issuance of Additional Bonds, include Additional Transportation Revenues in an amount in excess of 5% of the aggregate of all Pledged Revenues.

Additional Security for a Series of Additional Bonds

No additional security has been pledged to secure the Series B 2019 Bonds and such Series B 2019 Bonds are secured solely from the Pledged Revenues and the funds and accounts under the Master Bond Indenture. To the extent permitted by law, a Supplemental Bond Indenture providing for the issuance of a series of Amendment 3 Bonds may pledge a source of revenues solely to the payment of such series of Amendment 3 Bonds and which will not constitute Pledged Revenues under the Master Bond Indenture, may provide for funding a debt service reserve for such series of Amendment 3 Bonds, or may provide that the Commission obtain or cause to be obtained additional security for such series of Amendment 3 Bonds, including a Qualified Credit Facility or any combination of the foregoing, with the provider of such obligation or instrument, providing for payment of all or a portion of the purchase price or principal, premium, if any, or interest due or to become due on specified Amendment 3 Bonds of such series, or providing for the purchase of such Amendment 3 Bonds or a portion thereof by the issuer of the additional security. In connection therewith, the Commission may enter into agreements with the issuer of any additional security to provide the terms and conditions thereof, including the security, if any, to be provided to the issuer. The Commission may secure the additional security by an agreement providing for the purchase of the Amendment 3 Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity or redemption provisions as specified in the Supplemental Bond Indenture. The Commission may also agree to reimburse directly the issuer of the additional security for any amounts paid thereunder together with interest thereon. Any such additional security with respect to a particular series of Amendment 3 Bonds need not extend to any other series of Amendment 3 Bonds unless required hereunder. The Supplemental Bond Indenture pursuant to which any series of Amendment 3 Bonds is issued may provide for such additional security and permit realization upon such security solely for the benefit of the Amendment 3 Bonds entitled thereto, and as are not inconsistent with the intent hereof.

The Master Bond Indenture defines Qualified Credit Facility as follows:

> "**Qualified Credit Facility**" means with respect to any Amendment 3 Bonds, any insurance policy, surety bond, letter of credit, line of credit, standby bond purchase agreement, reimbursement agreement, liquidity facility or arrangement or other form of credit enhancement or liquidity in favor of the holders of such Amendment 3 Bonds issued by a bank, trust company, national banking association, insurance company or other credit

or liquidity provider with a long-term credit rating in one of the two highest rating categories of any rating service (without regard to any refinements of gradation of any rating category by numerical modifier or otherwise) then rating any Amendment 3 Bonds for the purpose of providing a source of funds for the payment of all or a portion of the obligations under Amendment 3 Bonds or the purchase price of Amendment 3 Bonds.

Qualified Swap Agreements

Pursuant to the Master Bond Indenture, the Commission may enter into a Qualified Swap Agreement (in connection with the issuance of a series of Amendment 3 Bonds or at any time thereafter so long as a series of Amendment 3 Bonds remains Outstanding) providing for certain payments by the Commission and a swap counterparty, which payments are calculated by reference to fixed or variable rates and constituting a financial accommodation between the Commission and such swap counterparty if (i) the Commission determines that any such agreement (A) will assist the Commission in more effectively managing its interest costs or cash flow, and (B) will not result in a downward revision or withdrawal of any rating on any series of Amendment 3 Bonds by a nationally recognized rating service, and (ii) the Commission would be in compliance with the conditions for issuance of such series of Amendment 3 Bonds to which the Qualified Swap Agreement relates assuming such Amendment 3 Bonds were being issued at the time the Commission enters into the Qualified Swap Agreement. No Qualified Swap Agreements have been entered into in connection with the Outstanding Amendment 3 Bonds, and no Qualified Swap Agreements are being entered into in connection with the issuance of the Series B 2019 Bonds. The Commission's debt management policy currently prohibits the use of derivative financial products, as defined therein.

PLEDGED REVENUES

Overview of Pledged Revenues

The Commission is authorized and has issued Amendment 3 Bonds under the Master Bond Indenture payable from Pledged Revenues. Pursuant to the Missouri Constitution, the State Road Fund Revenues consist of a portion of the taxes and fees received by the State (net of refunds) from the State motor fuel tax (the "**Motor Fuel Tax**"), 73% of one-half of the net proceeds from State sales tax imposed upon the sale of motor vehicles, trailers, motorcycles, mopeds and motortricycles (the "**Sales Tax on Motor Vehicles**"), the State use tax imposed upon the sale of motor vehicles, trailers, motorcycles, mopeds and motortricycles (the "**Use Tax on Motor Vehicles**") prior to its repeal as further described herein, and certain State revenue derived from highway users as an incident to their use or right to use the highways of the state, including all state license fees and taxes upon motor vehicles, trailers and motor vehicle fuels (the "**Motor Vehicle Fees**" and collectively with the Motor Fuel Tax, the Sales Tax on Motor Vehicles, and the Use Tax on Motor Vehicles, the "**Highway User Fees**"). The State Road Bond Fund Revenues consist of that portion of the 50% of the net proceeds from the Sales Tax on Motor Vehicles that formerly was deposited to the State's General Revenue Fund and which has been fully deposited to the State Road Bond Fund since July 1, 2008. Each revenue component of the Highway User Fees and the deductions from and allocations of each such revenue component are described more fully below.

Other than the Interest Subsidy Payments, there are currently no additional moneys designated as Additional Transportation Revenues or directed to payment of the Debt Service Requirements of the Amendment 3 Bonds. However, additional moneys may be pledged, from time to time, to payment of the Amendment 3 Bonds and designated as Pledged Revenues. The Commission contemplates that certain road and bridge projects may be constructed, from time to time, pursuant to agreements with cities, counties, transportation development districts, private business entities and other public or private entities. Such agreements may provide a source of funding from these public or private entities to pay a portion of the costs of the construction projects. Funds provided by these agreements may be pledged by the Commission as security for the payment of State Road Bonds pursuant to the provisions of a Supplemental Indenture authorizing the issuance of such Amendment 3 Bonds, and if pledged as Pledged Revenues securing all of the Amendment 3 Bonds under the Master Bond Indenture, will constitute Additional Transportation Revenues. The Commission currently contemplates that such revenues may include, but are not limited to, local sales taxes, local fees and other tax revenues, user fees, tolls, and private funding sources. Pursuant to the Master Bond Indenture, the pledge of Additional Transportation Revenues shall become effective upon receipt by the Commission and the Bond Trustee of (i) an Opinion of Counsel stating that pledge of Additional Transportation Revenues is authorized under this Master Bond Indenture and complies with the terms hereof, and (ii) an Opinion of Bond Counsel stating that the pledge of Additional Transportation Revenues does not adversely affect the exclusion of the interest on the Amendment 3 Bonds from gross income for federal income tax purposes.

The following describes the Highway User Fees received by the Commission and the allocation of such revenues pursuant to the State Highway Act to secure the Senior Bonds and the Amendment 3 Bonds and fund the operations of the Commission.

State Highways and Transportation Department Fund

As noted on the diagram on the following page, portions of the Highway User Fees are deposited in the State Highways and Transportation Department Fund (the "**State Highways Fund**"), created by the State Highway Act, and moneys in such fund are used to pay certain Authorized Costs (herein defined) in amounts appropriated by the General Assembly. See the discussion under the caption "**Authorized Costs Payable from State Highways Fund**." The State Highways Fund is maintained by MoDOT pursuant to the provisions of the State Transportation Statutes.

Diagram of Flow of Highway User Fees

The diagram on the following page summarizes the flow of the revenue components of the Highway User Fees (the Motor Fuel Tax, the Sales Tax on Motor Vehicles, the Use Tax on Motor Vehicles, and the Motor Vehicle Fees). It should be considered in conjunction with the descriptions of such revenue components which follow and with the applicable constitutional and statutory provisions, certain of which are set forth in **Appendix D**.

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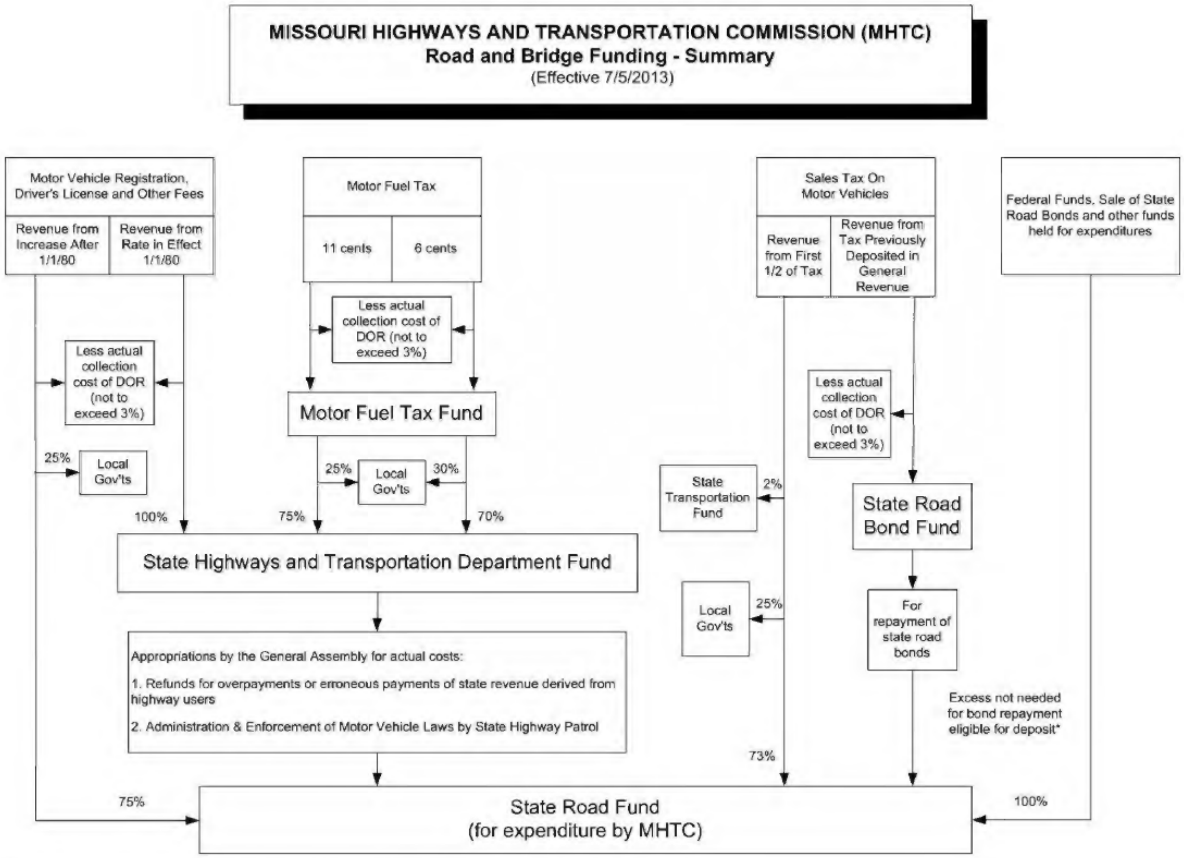

*Requires certification by the Commissioner of Administration and the Missouri Highways and Transportation Commission.

Source: MoDOT

Motor Fuel Tax - Deposit to State Highway Fund

Overview. Pursuant to the State Highway Act, the net proceeds of the Motor Fuel Tax, after deducting actual costs of collection of the Department of Revenue (such costs of collection may not exceed three percent (3%)), and refunds for overpayments and erroneous payments of such tax as permitted by law, are distributed among the counties, cities and the Commission for highway and transportation use, including a deposit to the State Highways Fund.

The Motor Fuel Tax is imposed and implemented under Chapter 142 of the Revised Statutes of Missouri. The tax on motor fuel was 7¢/gallon until 1987 when Proposition A, approved by Missouri voters in 1987, increased the tax by 4¢/gallon to 11¢/gallon. In 1992, the General Assembly increased the tax rates on motor fuel incrementally by a total of 6¢/gallon, resulting in a total tax on motor fuel of 17¢/gallon at the end of a four-year phase-in and such tax rate continues to the present. In November 2018, Missourians rejected a 10 cent per gallon motor fuel tax increase.

The Motor Fuel Tax comprises approximately 50% of total highway user revenues. The State of Missouri also collects two fees on all sales of fuel. The fees collected are the agriculture inspection fee in the amount of 3.5¢/50 gallons and the transport load fee in the amount of $28.00/8,000 gallons.

The following table sets forth the motor fuel tax per gallon in Missouri and surrounding states:

Motor Fuel Taxes of Missouri and Surrounding States

State	Gasoline (¢ Per Gallon)	Diesel (¢ Per Gallon)	Liquefied Petroleum Gas (¢ Per Gallon)	Gasohol (¢ Per Gallon) (2)
Nebraska(1)	28.9	28.9	28.0	28.9
Kansas	24.0	26.0	23.0	24.0
Kentucky(1)	24.6	21.6	24.6	24.6
Arkansas	21.5	22.5	16.5	21.5
Iowa	31.7	33.5	30.0	30.0
Tennessee	25.0	24.0	19.0	25.0
Illinois	19.0	21.5	19.0	19.0
Oklahoma	20.0	20.0	16.0	20.0
Missouri	**17.0**	**17.0**	**17.0**	**17.0**

(1) Variable or indexed rate.
(2) The gasohol rates shown are for gasoline blended with 10 percent ethanol.

Source: U.S. Department of Transportation, Federal Highway Administration Office of Highway Policy Information, Monthly Motor Fuel Reported by States, December 2018.

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Historic Motor Fuel Gallons Taxed. The following table sets forth the total gallons of motor fuel taxed in Missouri for fiscal years 2015-2019:

Historic Motor Fuel Gallons Taxed (in thousands)

Fiscal Year	Gallons
2019	4,161,176
2018	4,145,912
2017	4,129,221
2016	4,107,558
2015	4,009,046

Allocation of Motor Fuel Tax to Counties and Cities and the State Highways Fund. Pursuant to the State Highway Act, the remaining net proceeds of the Motor Fuel Tax (after deducting costs of collection and making refunds) is apportioned and distributed as follows: 10% to a special trust fund known as the County Aid Road Trust ("**CART**") Fund for allocation among the various counties, 15% to the various cities, towns and villages within the State and 75% to the State Highways Fund; except that, effective July 1, 1994, an additional 5% of the remaining net proceeds of the 6¢/gallon portion of the Motor Fuel Tax is deposited into the CART Fund for the counties, with 5% of this 5% increase being allocated to the City of St. Louis. Thus, of the remaining net proceeds of the 6¢/gallon portion of the Motor Fuel Tax, the counties receive 15%, the cities receive 15% and the State Highways Fund receives 70%. As a result, approximately 73.24% of the total net proceeds of the Motor Fuel Tax are deposited to the State Highways Fund and after paying the Authorized Costs (herein defined) are deposited to the State Road Fund. See the subheading "**Authorized Costs Payable from State Highways Fund**."

Historic Net Revenues from the Motor Fuel Tax. The following table sets forth historic Motor Fuel Tax revenues, net of refunds for fiscal years 2015-2019.

Motor Fuel Tax Revenues (in thousands)

	2015	2016	2017	2018	2019
Motor fuel tax revenue (net of refunds)	$680,045	$697,580	$699,355	$705,833	$ 706,383
Cost of Collection (Actual)	(600)	(714)	(791)	(753)	(971)
Distributions to counties and cities	(185,396)	(185,793)	(188,405)	(188,001)	(189,152)
Deposit to State Highways Fund*	$494,049	$511,073	$510,159	$517,079	$ 516,260

* Does not include reduction for Authorized Costs.

Sales Tax on Motor Vehicles - Deposit to State Road Fund and State Road Bond Fund

Overview. Pursuant to the Missouri Constitution, a portion of the proceeds from the State sales tax imposed upon the sale of motor vehicles, trailers, motorcycles, mopeds and motortricycles, net of refunds for overpayments and erroneous payments of such tax as permitted by law and actual costs of collection by the Missouri Department of Revenue (after July 1, 2005 such costs of collection may not exceed three percent), is distributed among the counties, cities and the Commission for county road, city street, state highway and transportation uses. Proceeds distributed to the Commission are deposited into the State Road Fund, the State Transportation Fund and the State Road Bond Fund.

The State Sales Tax on Motor Vehicles is imposed and implemented as part of the general sales tax under Chapter 144 of the Revised Statutes of Missouri, as amended. The total rate of the Sales Tax on Motor Vehicles paid to the State is 4.225%, which is distributed as follows: (i) a rate of 0.125% is earmarked for the Missouri Department of Conservation, (ii) a rate of 0.10% is earmarked for the Missouri Department of Natural Resources, and (iii) a rate of 0.50% is earmarked for the School District Trust Fund (collectively, the "**Earmarked Sales Taxes**"). The remaining rate of 3.5% is available for distribution for highway and transportation purposes as described below.

Revenue from the Sales Tax on Motor Vehicles is dependent upon the number of motor vehicles sold and the price of the vehicles. Prior to July 5, 2013, the sales tax on motor vehicles was differentiated from the use tax on motor vehicles (see "**Use Tax on Motor Vehicles – Deposit to State Road Fund**") based on the point of sale and was collected at the time of vehicle registration. If the sale occurred at a dealership that had a Missouri sales tax license, then the tax imposed was considered a sales tax; if the sale occurred at a point where the seller had no Missouri sales tax license, then the tax imposed was considered a use tax, until the enactment of Senate Bill 23 in the 2013 legislative session of the General Assembly (as further described below under the caption "**Use Tax on Motor Vehicles – Deposit to State Road Fund**"). Following the July 5, 2013 effective date of Senate Bill 23, the tax imposed in connection with licensing a motor vehicle purchased from a seller that has no Missouri sales tax license is a state sales tax.

Use of State Transportation Fund. The State Transportation Fund was established by Article IV, Section 30(b)2(2) of the Missouri Constitution, and by Section 226.225 of the Revised Statutes of Missouri, as amended. The fund is utilized, as specified by appropriation, by MoDOT for transportation purposes other than highways. The purposes include, but are not limited to aviation, railroads, ports, waterways, waterborne commerce and transportation of the elderly and handicapped.

Historic Net Revenues from the Sales Tax on Motor Vehicles. The following table sets forth historic revenues from the Sales Tax on Motor Vehicles, net of Tax Refunds for fiscal years 2015-2019.

Sales Tax on Motor Vehicles Revenues (in thousands)

	2015	2016	2017	2018	2019
Sales Tax on Motor Vehicles (net)	$335,420	$350,372	$363,279	$378,765	$363,664
Deposit to State Transportation Fund	1,625	1,645	1,770	1,595	1,968
Deposit to State Road Fund	159,901	167,353	174,035	179,986	173,137
Deposit to State Road Bond Fund	164,274	171,931	178,801	184,927	177,857
Deposit to Nonmajor Funds	9,620	9,443	8,673	12,257	10,702

Repealed Use Tax on Motor Vehicles

On July 5, 2013, the Governor signed into law Senate Bill 23 which eliminated the State Use Tax on Motor Vehicles and replaced it with the 4.225% State Sales Tax on Motor Vehicles. No additional Use Taxes on Motor Vehicles are expected to be deposited to the State Road Fund. Although Missouri no longer collects use tax on motor vehicle transactions, motor vehicle transactions are subject to sales tax. See "**Sales Tax on Motor Vehicles – Deposit to State Road Fund and State Road Bond Fund**."

Motor Vehicle Fees

Overview. Pursuant to the Missouri Constitution, all State revenue derived from highway users as an incident to their use or right to use the highways of the State, including all State license fees and taxes upon motor vehicles, trailers and motor vehicle fuels, and upon, with respect to, or on the privilege of the manufacture, receipt, storage, distribution, sale or use thereof (except Sales Tax on Motor Vehicles and property taxes), net of actual cost of collection of the Department of Revenue (after July 1, 2005 such costs of collection may not exceed three percent), refunds for overpayments and erroneous payments of such taxes and fees, is distributed among the counties, cities and the Commission for county road, city street and state highway uses, including a deposit into the State Road Fund.

Motor vehicle and driver's license fees are imposed and implemented under Chapters 301 and 302 of the Revised Statutes of Missouri, as amended. Annual motor vehicle license fees are based on horsepower in the case of passenger vehicles and on weight and region of operation in the case of trucks. License fees vary from $18.25 to $51.25 for passenger vehicles and from $15.75 to $100.75 for trucks. Missourians are permitted to renew their motor vehicle licenses biennially rather than annually. The fee for a biennial license is double that of an annual fee. Motor vehicle license fee growth is generally highly consistent with population and economic growth. Driver's license fees range from $7.50 for a standard license to $45.00 for a commercial driver's license. Missouri driver licenses are valid for one, three or six years depending on the license class and age of the driver. The six year driver license fee is double that of the three year fee. Driver's license fee growth is generally consistent with population growth. Additional revenue is also derived from license plate fees, motor vehicle title fees and miscellaneous other fees, such as safety inspection decal fees, overweight and over-dimension permit fees and truck regulation fees. Motor Vehicle Fees at the rates in effect prior to January 1, 1980, are deposited in the State Highways Fund and after paying the Authorized Costs (herein defined) are deposited to the State Road Fund. See the subheading "**Authorized Costs Payable from State Highways Fund**." Pursuant to Section 30(b)3 of the Missouri Constitution, any increases in rates of Motor Vehicle Fees after January 1, 1980 are deposited or allocated 75% to the State Road Fund, 10% to counties and 15% to cities.

One of MoDOT's current legislative priorities is the creation of a mile per gallon Motor Vehicle Registration Fee Model that would replace the current registration fee system for passenger motor vehicles, based on horsepower, with a registration fee system based on a vehicle's mile per gallon rating (the vehicles' combined city/highway fuel economy). The purpose of the proposal is to establish an equitable registration fee system where the operator of a vehicle that has a higher fuel efficiency rating would pay a higher registration fee and the operator of a vehicle that has a lower fuel efficiency rating would pay a lower registration fee. This model would create approximate parity of revenues derived from older vehicles, newer fuel efficient vehicles, hybrids and electric vehicles. It is unknown whether such registration fee will be enacted by the General Assembly and implemented. The Commission cannot provide any assurances regarding the creation of the Motor Vehicle Registration Fee Model.

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Historic Net Revenues from Motor Vehicle Fees. The following table sets forth historic revenues from Motor Vehicle Fees, net of refunds, for fiscal years 2015-2019.

Motor Vehicle Fees Revenues (in thousands)

	2015	2016	2017	2018	2019
Motor Vehicle Fees (net of refunds)	$307,664	$317,914	$314,047	$326,402	$334,086
Collection Costs (%)[(1)]	3.00%	3.00%	3.00%	3.00%	3.00%
Cost of Tax Collection	$(9,230)	$(9,537)	$(9,421)	$(9,792)	$(10,023)
Allocations to cities and counties	$(28,220)	$(28,905)	$(28,412)	$(29,576)	$(29,302)
Deposit to State Road Fund / State Highways Fund[(2)]	$270,214	$279,472	$276,214	$287,034	$294,761

(1) 3% cap under Amendment 3

(2) Does not include reduction for Authorized Costs.

Tax Refunds

Pursuant to Missouri law, the portion of the Motor Fuel Tax, the Sales Tax on Motor Vehicles, the Use Tax on Motor Vehicles and the Motor Vehicle Fees, collectively the "**Highway User Fees,**" deposited in the State Road Fund and the State Road Bond Fund are net of refunds for overpayments and erroneous payments of such taxes and fees to the Department of Revenue (the "**Tax Refunds**").

Article IV, Section 30(a) of the Missouri Constitution imposes the Motor Fuel Tax only on fuel used for propelling highway motor vehicles. Although under Section 142.806 of the Revised Statutes of Missouri, as amended, subject to various exemptions, all motor fuel is presumed to be used on the highways of the State to propel motor vehicles, Section 142.824 of the Revised Statutes of Missouri, as amended, provides a method for claiming a refund of fuel tax paid on fuel which is not used for propelling highway motor vehicles. Section 142.345.2(1) of the Revised Statutes of Missouri, as amended, provides that the amount of the tax collected with respect to fuel not used for propelling motor vehicles on State highways is to be transferred to the State Highways Fund to be refunded. Most of the refunds are for refunds under the International Fuel Tax Agreement (the "**IFTA**"), which compensates states for fuel bought in one state but used in another. The refunds received by Missouri under IFTA have been minimal because Missouri is a low motor fuel tax rate state compared to the surrounding states and drivers tend to refuel in low tax states at a greater rate than the actual miles driven in that state.

Authorized Costs Payable from State Highways Fund

Under the State Highway Act, certain proceeds of the Highway User Fees are deposited in the State Highways Fund and certain authorized costs are paid from this fund prior to transfer of the revenues to the State Road Fund. Pursuant to Amendment 3 such authorized costs (the "**Authorized Costs Payable from State Highways Fund**") are limited to the Cost of MoDOT Retirement Programs (herein defined) and the Cost of Enforcement of Motor Vehicle Laws (herein defined) as described below.

Cost of MoDOT Retirement Programs. Pursuant to the State Highway Act, the actual costs of maintaining the retirement programs of MoDOT are paid from the State Road Fund from funds transferred from the State Highways Fund.

The MoDOT and Patrol Employees' Retirement System ("**MPERS**") provides retirement, death, and disability benefits. MPERS was established in accordance with Section 104.020 of the Revised Statutes of Missouri, and is administered by an 11-member Board of Trustees (the "**MPERS Board**"). 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. MPERS has three benefit structures known as the Closed Plan, the Year 2000 Plan and the Year 2000 Plan – 2011 Tier. Employees covered by the Closed Plan are fully vested for benefits after five years of creditable service. Employees covered by the Year 2000 Plan are fully vested for benefits upon earning five years of creditable service. Employees covered by the Year 2000 Plan – 2011 Tier are fully vested for benefits upon earning 10 years of creditable service. As of July 1, 2018, Year 2000 Plan – 2011 Tier members are fully vested after 5 years if active on or after July 1, 2018.

Employees hired prior to January 1, 2011 do not contribute to MPERS. New employees hired for the first time on or after January 1, 2011 contribute 4.0% of pay.

Employer contributions paid to the system are determined by an actuary and are set by the MPERS Board. Annual contribution amounts are designed to fund in advance the benefits designated by state statute. Any amendments to the plan require changes in state statute. MoDOT's contributions to MPERS for fiscal years 2019 and 2018 were 58.0% and 58.0%, respectively, of eligible (covered) payroll. MoDOT made 100% of its required contributions in each of the fiscal years from 2015-2019.

The following table sets forth the historical actual cost of funding of MoDOT Retirement Programs for fiscal years 2015-2019, all of which costs will continue to reduce the Highway User Fees deposited to the State Road Fund.

Cost of MoDOT Retirement Programs (in thousands)

2015	2016	2017	2018	2019
$123,630	$122,528	$126,625	$126,438	$129,561

The MPERS' funded status ratio was 59.82% and 57.12% as of June 30, 2019 and 2018, respectively.

For reporting purposes, MoDOT discloses MPERS as a cost sharing, multiple-employer, public employee retirement plan, because it includes employees of MoDOT, the Missouri State Highway Patrol (the "**Highway Patrol**"), and MPERS. However, the State discloses MPERS as a single employer plan, since all employers are agencies within the state. As a separate legal entity, MPERS issues its own stand-alone financial report, which provides detailed information regarding actuarial assumptions and funding progress. Copies may be requested from the MoDOT and Patrol Employees' Retirement System, P.O. Box 1930, Jefferson City, Missouri 65102, or can be found online at www.mpers.org. The preceding link to the MoDOT and Patrol Employees' Retirement System is provided for general information only, and the information accessible through the link is not incorporated by reference into this Official Statement.

MoDOT employees who perform duties related to aviation, railroad, transit, and ports/waterways have their retirement benefits paid from appropriations of the Aviation Trust Fund, the State Transportation Fund, the General Revenue Fund and other funds that do not contain Highway User Fees.

Cost of Enforcement of Motor Vehicle Laws. Pursuant to the Missouri Constitution, actual expenses of the Highway Patrol, which is under the Department of Public Safety, related to enforcement of the State Motor Vehicle laws and traffic regulations, are paid from the State Highways Fund prior to the transfer of moneys in such fund to the State Road Fund. These costs, which constitute a majority of the expenses of the Highway Patrol, are appropriated by the General Assembly on an annual basis based on budgets submitted specifying the portion of the expenses of the Highway Patrol related to enforcement of the motor vehicle laws.

The following table sets forth the historical actual cost of funding enforcement of motor vehicle laws for fiscal years 2015-2019, all of which reduced the Highway User Fees deposited into the State Road Fund.

Cost of Enforcement of Motor Vehicle Laws (in thousands)

2015	2016	2017	2018	2019
$230,148	$230,364	$241,394	$237,399	$238,828

Historical Pledged Revenues

The following table sets forth the historical calculation of Pledged Revenues for the fiscal years 2015-2019.

Historical Pledged Revenues (in thousands)

	2015	2016	2017	2018	2019
Motor Fuel Tax Revenues	$680,045	$697,580	$699,355	$705,833	$706,383
Distributions to Cities and Counties	(185,396)	(185,793)	(188,405)	(188,001)	(189,152)
Pledged Fuel Tax Revenues	**$494,649**	**$511,787**	**$510,950**	**$517,832**	**$517,231**
Motor Vehicle Fees (Net of Refunds)	$307,664	$317,914	$314,047	$326,402	$334,086
Distribution to Cities and Counties	(28,220)	(28,905)	(28,412)	(29,576)	(29,302)
Pledged Motor Vehicle Fee Revenues	**$279,444**	**$289,009**	**$285,635**	**$296,826**	**$304,784**
Sales Tax on Motor Vehicles	$375,493	$393,439	$414,083	$421,526	$409,717
Distribution to Cities and Counties	(52,389)	(55,475)	(57,531)	(59,290)	(56,507)
Pledged Sales Tax on Motor Vehicle	**$323,104**	**$337,964**	**$356,552**	**$362,236**	**$353,210**
Gross Pledged Revenues	$1,097,197	$1,138,760	$1,153,137	$1,176,894	$1,175,225
Cost of Enforcement	(230,148)	(230,364)	(241,394)	(237,399)	(238,828)
MoDOT Retirement Benefit Costs	(123,630)	(122,528)	(126,625)	(126,438)	(129,561)
Cost of Collection	(19,960)	(19,908)	(20,097)	(20,132)	(21,157)
Pledged Revenues	**$723,459**	**$765,960**	**$765,021**	**$792,925**	**$785,679**

Pro Forma Debt Service Coverage

The following tables set forth pro forma debt service coverage of the Commission's outstanding State Road Bonds (excluding Federal Reimbursement Bonds) based on actual historic State Road Fund Revenues and State Road Bond Fund Revenues, with and without the anticipated deposits to the State Road Fund pursuant to the Financing Agreement. Amounts shown in the column "*State Road Fund Revenues*" are the actual deposits to the State Road Fund for fiscal year 2019, less costs of MoDOT's retirement programs and enforcement of motor vehicle laws. Amounts shown in the column "*Pledged Revenues*" are the State Road Fund Revenues plus estimated deposits to the State Road Fund under the Financing Agreement (where indicated), and State Road Bond Fund revenues from sales tax on motor vehicles for fiscal year 2019, less debt service on Senior Bonds. The revenues set forth in the table below are not projections of revenues expected to be deposited in the State Road Fund and the State Road Bond Fund. Coverage for each of the First Lien, Second Lien, and Third Lien has been calculated based on the Pledged Revenues available to pay debt service requirements for the period of calculations, with and without estimated deposits under the Financing Agreement, divided by the total debt service requirements for the State Road Bonds for the respective lien for the same period.

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PRO FORMA DEBT SERVICE COVERAGE TABLE

(without estimated State appropriations under the Financing Agreement)

		Senior Lien[2]			First Lien		Second Lien		Third Lien[5]	
Fiscal Year	**State Road Fund Revenues[1]**	**Debt Service**	**Coverage (without State Approp.)**	**Pledged Revenues without State Approp.[3]**	**Debt Service**	**Coverage (without State Approp.)**	**Debt Service**	**Coverage (without State Approp.)**	**Debt Service[4]**	**Coverage (without State Approp.)**
2020	$607,675,804	$18,558,500	32.74x	$767,120,645	$48,223,250	15.91x	$77,518,400	6.10x	$29,254,904	4.95x
2021	607,675,804	18,545,000	32.77	767,134,145	74,755,250	10.26	56,320,900	5.85	74,786,619	3.73
2022	607,675,804	18,539,000	32.78	767,140,145	95,112,000	8.07	40,088,650	5.67	72,796,878	3.69
2023	607,675,804	18,548,250	32.76	767,130,895	106,027,750	7.24	23,857,650	5.91	53,416,104	4.19
2024	607,675,804			785,679,145	109,733,000	7.16	4,551,150	6.87	53,396,053	4.69
2025	607,675,804			785,679,145	109,737,250	7.16	3,223,900	6.96	53,374,842	4.72
2026	607,675,804			785,679,145	109,735,500	7.16			53,344,565	4.82
2027	607,675,804			785,679,145					53,313,584	14.74
2028	607,675,804			785,679,145					29,099,097	27.00
2029	607,675,804			785,679,145					29,073,343	27.02
2030	607,675,804			785,679,145						

(1) State Road Fund Revenues assume fiscal year 2019 State Road Fund Revenues.

(2) Senior Lien Bonds were issued under the Senior Master Indenture. First, Second, and Third Lien Bonds were issued under the Master Bond Indenture.

(3) Pledged Revenues without State Appropriation assume fiscal year 2019 State Road Fund Revenues and State Road Bond Fund Revenues of $178,003,341, less Senior Lien Debt Service, and does not include any Additional Transportation Revenues or deposits to the State Road Fund under the Financing Agreement.

(4) Debt service shown does not include any projected debt service on the Planned Series 2021 Bonds.

(5) Debt Service on the Series C 2009 Bonds is net of expected receipts of Interest Subsidy Payments from the U.S. Treasury. The original Interest Subsidy was 35 percent. Given the uncertainty of future action of Congress, the Debt Service amounts assume a 5.9% reduction in the Interest Subsidy Payments beginning on October 1, 2019 and beyond due to the federal sequestration as required by the amended Balanced Budget and Emergency Deficit Control Act of 1985, as amended by the Budget Control Act of 2011.

PRO FORMA DEBT SERVICE COVERAGE TABLE

(with estimated State appropriations under the Financing Agreement)

			Senior Lien[3]			First Lien		Second Lien		Third Lien[6]	
Fiscal Year	State Road Fund Revenues[1]	Estimated Financing Agreement Deposits [2]	Debt Service	Coverage (with State Approp.)	Pledged Revenues with State Approp.[4]	Debt Service	Coverage (with State Approp.)	Debt Service	Coverage (with State Approp.)	Debt Service[5]	Coverage (with State Approp.)
2020	$607,675,804		$18,558,500	32.74x	$767,120,645	$48,223,250	15.91x	$77,518,400	6.10x	$29,254,904	4.95x
2021	607,675,804	$45,546,556	18,545,000	35.22	812,680,701	74,755,250	10.87	56,320,900	6.20	74,786,619	3.95
2022	607,675,804	43,570,875	18,539,000	35.13	810,711,020	95,112,000	8.52	40,088,650	6.00	72,796,878	3.90
2023	607,675,804	24,205,375	18,548,250	34.07	791,336,270	106,027,750	7.46	23,857,650	6.09	53,416,104	4.32
2024	607,675,804	24,203,875			809,883,020	109,733,000	7.38	4,551,150	7.09	53,396,053	4.83
2025	607,675,804	24,201,625			809,880,770	109,737,250	7.38	3,223,900	7.17	53,374,842	4.87
2026	607,675,804	24,191,250			809,870,395	109,735,500	7.38			53,344,565	4.97
2027	607,675,804	24,190,000			809,869,145					53,313,584	15.19
2028	607,675,804				785,679,145					29,099,097	27.00
2029	607,675,804				785,679,145					29,073,343	27.02
2030	607,675,804				785,679,145						

(1) State Road Fund Revenues assume fiscal year 2019 State Road Fund Revenues.

(2) Assumes deposits to the State Road Fund under the Financing Agreement equal to the debt service on the Series B 2019 Bonds in fiscal years 2021-2027. See "**RISK FACTORS AND INVESTMENT CONSIDERATIONS – Financing Agreement Appropriation and Withholding Risk**."

(3) Senior Lien Bonds were issued under the Senior Master Indenture. First, Second, and Third Lien Bonds were issued under the Master Bond Indenture.

(4) Pledged Revenues with State Appropriation assume fiscal year 2019 State Road Fund Revenues, plus Estimated Financing Agreement Deposits shown above and State Road Bond Fund Revenues of $178,003,341, less Senior Lien Debt Service, and does not include any Additional Transportation Revenues.

(5) Debt service shown does not include any projected debt service on the Planned Series 2021 Bonds.

(6) Debt Service on the Series C 2009 Bonds is net of expected receipts of Interest Subsidy Payments from the U.S. Treasury. The original Interest Subsidy was 35 percent. Given the uncertainty of future action of Congress, the Debt Service amounts assume a 5.9% reduction in the Interest Subsidy Payments beginning on October 1, 2019 and beyond due to the federal sequestration as required by the amended Balanced Budget and Emergency Deficit Control Act of 1985, as amended by the Budget Control Act of 2011.

Certain Considerations Regarding Pledged Revenues

The amounts of State Road Fund Revenues and State Road Bond Fund Revenues in any fiscal year will be affected by a variety of factors that are beyond the control of the Commission or MoDOT, including certain economic and demographic factors that are discussed below. State Road Fund Revenues and State Road Bond Fund Revenues may also be affected by Missouri constitutional and statutory changes, particularly changes in the rates of the components of Highway User Fees imposed by the state or in the manner in which the components of Highway User Fees are required to be allocated. Accordingly, there can be no assurance that State Road Fund Revenues or State Road Bond Fund Revenues will be maintained at their current levels. See "**INVESTMENT CONSIDERATIONS**".

In addition, additional claims on State Road Fund Revenues and State Road Bond Fund Revenues may result from the issuance of additional bonds as provided in the Senior Master Indenture and the Master Bond Indenture or from the issuance of Federal Reimbursement Bonds or Subordinated Bonds. See "**ADDITIONAL BONDS AND OTHER INDEBTEDNESS.**"

The Master Bond Indenture provides that additional monies, revenues or receipts may be designated by the Commission as Pledged Revenues and imposes no limitations on the nature or credit quality of any such Additional Transportation Revenues. These Additional Transportation Revenues constitute Pledged Revenues for purposes of satisfaction of the coverage requirement for the issuance of Additional Bonds. The dedication of Additional Transportation Revenues as Pledged Revenues could have an adverse impact on the credit quality or the ratings of the Amendment 3 Bonds. Pursuant to the Master Bond Indenture, in no event shall any calculation of Revenues Available for Debt Service, in connection with the issuance of Additional Bonds, include Additional Transportation Revenues in an amount in excess of 5% of the aggregate of all Pledged Revenues.

The anticipated deposits of State General Revenue Fund moneys to the State Road Fund pursuant to the Financing Agreement are subject to annual appropriations by the General Assembly. See **"STATE OF MISSOURI – The Appropriation Process." NOTHING IN THE FINANCING AGREEMENT REQUIRES THE GENERAL ASSEMBLY TO APPROPRIATE ANY MONEY TO PAY THE PRINCIPAL OF OR INTEREST ON THE SERIES B 2019 BONDS.** See **"RISK FACTORS AND INVESTMENT CONSIDERATIONS - Financing Agreement Appropriation and Withholding Risk".**

THE COMMISSION AND MODOT

The Commission is a bipartisan, six-member commission, the members of which are appointed by the Governor of Missouri with the advice and consent of the Senate of the General Assembly. The commissioners are each appointed to staggered terms of six years, or until their successors are appointed and qualified. No more than three commissioners may be of the same political party. The Commission is the governing body of MoDOT and appoints the Director and the Secretary to the Commission. All other MoDOT appointments are made by the Director, with the approval of the Commission.

The current commissioners and their terms are as follows:

Commissioners	Residence	Occupation	Term Expires
Michael B. Pace, Chairman	West Plains	Retired Brigadier Army General	March 1, 2019*
Gregg C. Smith, Vice Chairman	Clinton	Automotive and RV Dealerships Business Owner	March 1, 2019*
Michael T. Waters, Jr., Member	Orrick	Farm Owner	March 1, 2021
John W. Briscoe, Member	New London	Lawyer	March 1, 2021
Robert G. Brinkmann, Member	Saint Albans	CEO of Brinkmann Constructors	March 1, 2023
Terry L. Ecker, Member	Elmo	Farm Owner	March 1, 2023

*Members continue to serve after expiration of their terms until a successor is appointed and qualified or they are reappointed.

History and Organization

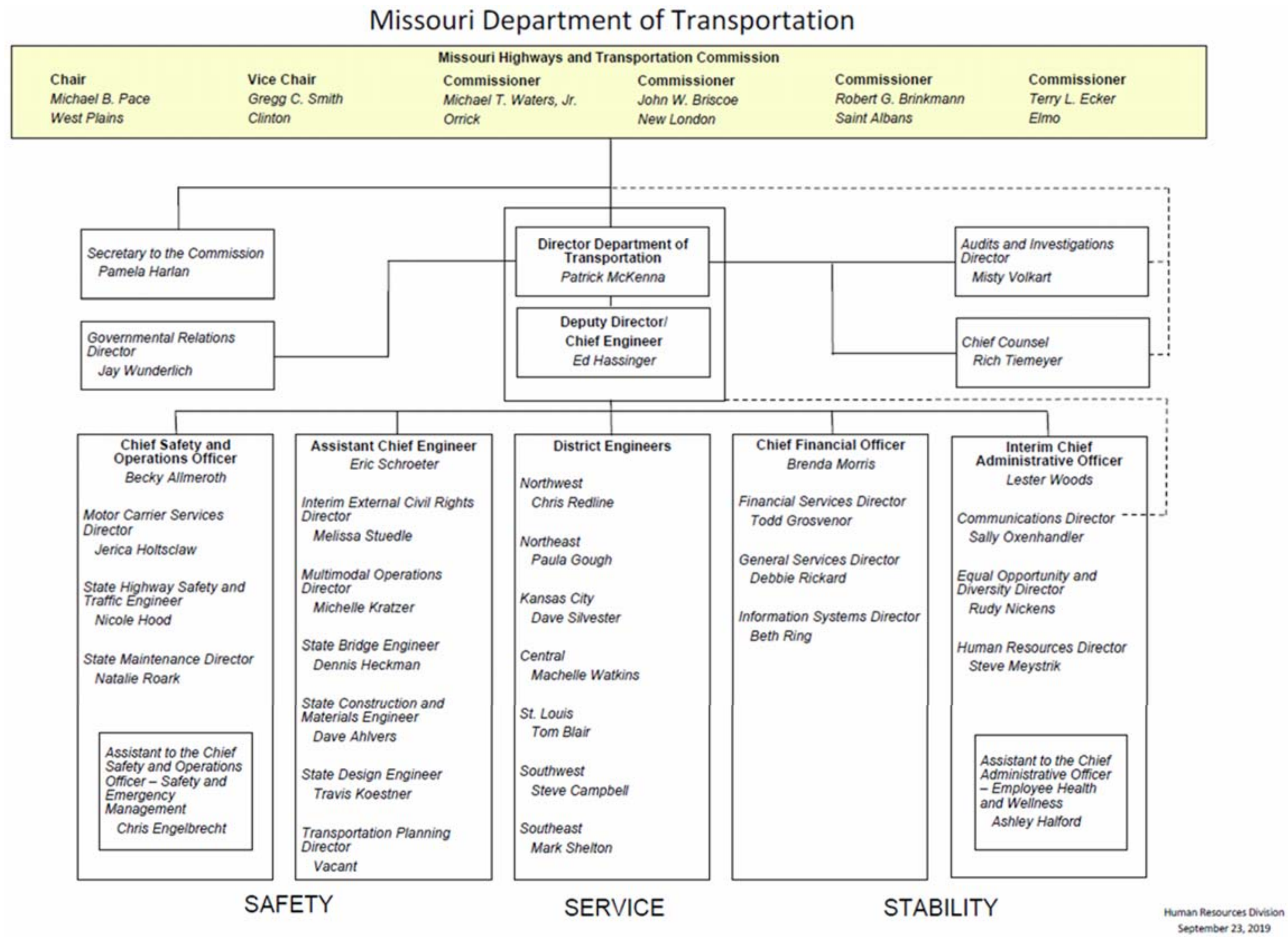
In 1907, the Missouri Legislature created the position of state highway engineer, reporting to the Board of Agriculture, to assist counties in the development of highway improvements. The State Highway Department was created in 1913 to act as the State's agent for public roads. Congress passed the Federal Highway Act in 1916, which made federal funds available to states based on area, population and postal road mileage, and in 1917 Missouri passed legislation, which allowed it to receive federal funds, and created the State Road Fund and a four-member State Highway Board. 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 1952, the State Highway Department took over responsibility for almost 12,000 miles of county highways, bringing 95 percent of all Missourians within two miles of a hard-surfaced road.

The Missouri State Department of Transportation was created in 1974. The department's objective was to develop and implement a plan for meeting the total transportation needs of the people of the state. On November 6, 1979, an amendment to the Missouri Constitution was passed by the state's voters that provided for the Department of Transportation to merge with the State Highway Department to form the Department of Highways and Transportation. This amendment gave the renamed Highways and Transportation Commission (referred to herein as the "Commission") authority over all state transportation programs and facilities. The name of the department was changed to the Missouri Department of Transportation (referred to herein as "MoDOT") by legislation in 1996 and was ratified by constitutional amendment on November 2, 2004.

MoDOT is divided into a central office and seven geographic districts. The central office provides staff assistance and functional control for the various departmental tasks in the districts, with emphasis on two main central office functions: policy development and quality assurance. Bridge design and financial planning services are handled at the central office through liaisons with the districts. Decisions about local highway design, construction, maintenance and operations are made at the district level in cooperation with the central office.

Waterways, transit, aviation, freight development and railroads are separate units within the central office and report to a multimodal operations director, who reports to the assistant chief engineer. These units carry out the statewide planning for these modes, for which there are no counterparts in the districts.

The following is an organizational chart for the Commission and MoDOT.



From time to time legislation is introduced in the General Assembly that would significantly alter (or eliminate) the Commission or change the manner in which MoDOT is managed and operated. Any such legislation, depending on the form, would require a change to the Missouri Constitution and would be subject to the requirements of the Missouri Constitution regarding the application of State Road Fund Revenues and State Road Bond Fund Revenues. See "**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES B 2019 BONDS**."

State Highway System

Missouri's State Highway System currently comprises more than 33,000 miles of highways and is the seventh largest highway system in the United States. The following table shows the breakdown of highway miles in each district as of December 31, 2018:

		Number of Miles			
District	**Headquarters (Missouri)**	**Interstate**	**Major**	**Minor**	**Total**
NW – Northwest Area	St. Joseph	189	548	4,566	5,303
NE – Northeast Area	Hannibal	41	560	3,944	4,545
KC – Kansas City Area	Lee's Summit	263	556	2,253	3,072
CD – Central Area	Jefferson City	190	563	4,483	5,236
SL – St. Louis Area	Chesterfield	251	447	1,034	1,732
SW – Southwest Area	Springfield	248	778	5,516	6,542
SE – Southeast Area	Sikeston	198	710	6,500	7,408
Total		1,380	4,162	28,296	33,838

Additional Transportation Modes

MoDOT has responsibilities for five major transportation modes available to Missourians: highways, aviation, waterways, transit and railroads. In addition to the State Highway System, MoDOT is responsible for the transportation modes described below. In general, under the Missouri Constitution, the State Highway Act and other applicable law, State Road Fund Revenues and State Road Bond Fund Revenues are limited to the payment of State Road Bonds and the funding of costs related to the construction and maintenance of highways, bridges and tunnels, and are not available for funding other transportation modes.

Aviation. The aviation unit of MoDOT administers approximately $5.6 million in State funding and $22.8 million in federal funding annually for airport maintenance and capital improvement projects. Other duties include airport safety inspections and maintaining a state airport system plan. The Commission formed an Aviation Advisory Committee in 1987 to advise the aviation unit on aviation matters. This Committee is made up of 14 members representing pilot groups, airport management, aviation education, business owners and aviation consulting firms. The committee meets regularly for discussion of, and is involved in, state aviation legislation, airport funding, and safety.

Freight Development. MoDOT's freight development unit is responsible for working across all modes of transportation to encourage freight development, efficient freight movement, and the related industrial and economic development. These efforts include industry outreach, freight planning, project identification and execution, and establishing freight policy. The freight unit works extensively with private freight and logistics sector to identify areas where transportation can be used as leverage for further economic and industrial development. The freight unit also works at the national level in policy and research to advance the alignment of freight systems with passenger travel and the environment. MoDOT's Freight Enhancement Program is focused on improving and maintaining the high priority freight assets and corridors that are critical to the movement of freight into, out of, within, and through Missouri. Since fiscal year 2014, 19 projects totaling over $5.3 million have been funded through the program.

Railroads. MoDOT's railroad unit is responsible for regulating and improving rail freight, passenger service and the railroad/highway grade crossing program in Missouri, in addition to handling rail/highway construction issues and rail safety outreach. Because railroad regulation is also a federal government function, the unit also includes five Federal Railroad Administration ("FRA") certified inspectors who monitor the railroads in the state for track compliance, operating procedures, motive power and equipment, and signal maintenance. This unit also works with Amtrak to increase and improve rail passenger service in the State, and funds the operating costs of two Kansas City-St. Louis passenger trains. The railroad unit also provides assistance in all railroad matters affecting the State. It has prepared a State rail plan and has developed a railroad-highway grade crossing program using both federal and State funds to improve safety at railroad crossings by implementing grade separations and improving at-grade crossings.

Transit. MoDOT's transit unit assists in the planning, development and operation of the State's public transit and specialized paratransit systems. This function is carried out through the administration of State and federal programs relating to general public transportation and specific programs for the elderly and disabled. Through the Missouri Elderly and Handicapped Transportation Assistance Program, MoDOT provides State financial assistance for nonprofit organizations offering transportation services to the elderly and disabled at below-cost rates. MoDOT also provides financial and technical support to small urban and rural general public transit systems and allocates federal financial assistance to public transit systems in Missouri.

The Federal Transit Administration (the "**FTA**") provides formula-based capital and operating assistance to transit systems in urban areas with a population of more than 50,000. The transit unit also administers formula funding to states for the purpose of serving the mobility needs of senior citizens and/or persons with disabilities. The transit unit also administers the rural transportation assistance program, a training and technical assistance function funded by the FTA and prepares statewide applications for national discretionary capital assistance and administers grants to replace, rehabilitate and purchase buses and related equipment.

Waterways. MoDOT's waterways unit assists authorized cities and counties in forming port authorities to foster local economic development. The unit promotes the use of Missouri's navigable rivers to make low-cost waterborne transportation benefits available to businesses. It also assists in funding capital and administrative costs, acts as an informational clearinghouse, provides technical assistance and represents port interests within industrial and governmental circles. MoDOT's waterways section also provides assistance and funding to two Mississippi River ferry crossings at Ste. Genevieve and Dorena.

Multimodal Operations. MoDOT's Multimodal Operations Division performs statewide planning, grant administration and technical assistance in the areas of aviation, railroads, transit, freight development and waterways. Unlike funding for highway and bridge projects, State funds for multimodal projects are appropriated annually by the General Assembly. There are six areas of responsibility under which the Multimodal Operations unit establishes priorities and programs funds.

- The State Transportation Assistance Revolving Fund ("STAR") was established in 1996 to assist in the planning, acquisition, development and construction of transportation facilities other than highways. The estimated State funding for the STAR Fund for fiscal years 2020-24 is $5 million.

- Aviation program funding assists eligible sponsors in the planning, purchase, construction, maintenance and improvement of airports. The estimated State and federal funding for fiscal years 2020-24 is $145.8 million.

- The railroad section administers federal and state funding to improve rail transportation including rail planning programs, Amtrak state-supported operations and the railroad-highway grade crossing program. The estimated State and federal funding for fiscal years 2020-24 is $80.6 million.

- MoDOT administers Federal Transit Administration funds through a variety of programs to assist transit operations and capital needs in urban and rural areas. The estimated federal and State funding for fiscal years 2020-24 is $161.9 million.

- Support of waterways consists of technical and financial assistance to public port authorities through administrative grants, ferryboat grants and the capital improvement program. The estimated state funding for fiscal years 2020-24 is $43.3 million.

- The Freight Enhancement Program establishes funding for non-highway freight focused capital improvement projects to increase the use of waterways, rail and air; remove bottlenecks; and improve connections between modes. The estimated State funding for fiscal years 2020-24 is $5 million.

Principal Administrative Personnel

The principal administrative personnel of MoDOT are as follows:

Patrick K. McKenna, Director – Mr. McKenna was appointed to his current position in December of 2015. Prior to his appointment, he served as the deputy commissioner of the New Hampshire Department of Transportation and chief financial officer in the United States Senate in Washington D.C. Mr. McKenna received a bachelor's degree in finance from Bentley College and a master's degree in management and finance from the University of Maryland University College.

Ed Hassinger, P.E., Deputy Director and Chief Engineer – Mr. Hassinger was appointed to his current position in December of 2018. Previously, he had served as chief engineer for five years and as St. Louis district engineer for 12 years. He also worked as a traffic engineer, bridge maintenance engineer, assistant district engineer in the St. Louis district, and spent one year as the district engineer in the Northeast district in Hannibal. He received a bachelor's degree in civil engineering from the University of Missouri, Columbia in 1983.

Brenda Morris, CPA, Chief Financial Officer – Ms. Morris was appointed to her current position in January of 2019. Previously, she served as MoDOT's financial services/resource management director from October 2007 until January 2019. Ms. Morris received a bachelor's degree in accounting with a minor in business administration from Southwest Baptist University.

Rich Tiemeyer, Chief Counsel – Mr. Tiemeyer was appointed to his current position in November of 1986. Prior to his appointment he served as assistant chief counsel from June 1982 through November 1986, and as assistant counsel from March 1974 through May 1982. He earned his juris doctorate degree from the University of Missouri, Columbia in 1973.

MoDOT Districts

MoDOT operates under a decentralized organization with a central office in Jefferson City and seven geographic districts throughout the State. Each district is under the direction of a district engineer, who is in turn responsible for administering all district activities.

The districts and the number of MoDOT employees in each district are as follows:

District	Headquarters (Missouri)	No. of Counties	Employees[(1)]
NW – Northwest Area	St. Joseph	20	520
NE – Northeast Area	Hannibal	17	458
KC – Kansas City Area	Lee's Summit	9	626
CD – Central Area	Jefferson City	18	632
SL – St. Louis Area	Chesterfield	4	701
SW – Southwest Area	Springfield	21	756
SE – Southeast Area	Sikeston	25	735

(1) As of January 31, 2019 (does not include wage, emergency or seasonal employees).

Long-Term Debt of the Commission

As of June 30, 2019, the Commission had the following long-term obligations outstanding:

Purpose	Amount
State Road Bonds[(1)]	$1,614,420,000
Notes Issued	644,499
Capital Leases	1,024
Claims and Judgments	1,035,000
Compensated Absences	34,007,798
Pollution Remediation Obligations	4,000
Asset Retirement Obligations	43,955
Total	$1,650,156,276

(1) State Road Bonds include the Senior Bonds, the Amendment 3 Bonds and the Federal Reimbursement Bonds.

Transportation Plans and Policies

The Fixing America's Surface Transportation Act ("**FAST Act**") continues requirements under prior federal legislation for a long-range plan and a short-term transportation improvement program ("**TIP**"), with the long-range statewide and metropolitan plans now required to include facilities that support intercity transportation, including intercity buses. The statewide and metropolitan long-range plans must describe the performance measures and targets that states and metropolitan planning organizations use in assessing system performance and progress in achieving the performance targets. Additionally, the FAST Act requires the planning process to consider projects/strategies to: improve the resilience and reliability of the transportation system, storm water mitigation, and enhance travel and tourism.

Among other requirements, each TIP must include, for each project, the estimated project cost and amount of federal revenues proposed to be obligated during each year. Each draft TIP is submitted to the regional Transportation Advisory Group, a citizen panel established to coordinate public review of the TIP. Once formally approved in a public meeting, the TIPs are approved by the Metropolitan Planning Organization. The TIPs are then combined into the STIP, which also includes projects from regions outside a state's metropolitan areas. The STIP lists all projects proposed for funding with federal revenues for a period of at least four years. The STIP is then submitted to the Federal Highway Administration ("**FHWA**") and the Federal Transit Authority ("**FTA**").

Long-Range Transportation Planning. MoDOT updates its Long-Range Transportation Plan ("**LRTP**") every three to five years. This collaborative effort combines extensive public engagement to determine Missourians' expectations for transportation with a thorough examination of the needs for all parts of the State's transportation system over the next 25 years. The Missouri Highways and Transportation Commission endorsed the current plan in June, 2018.

The updated LRTP was a needs-based process that combined engineering principles and information about the State's transportation system with information gathered by extensive statewide public involvement. MoDOT worked with the public, transportation stakeholders, advocacy groups and other affected audiences to create appropriate policies and strategies that will positively affect transportation customers and Missouri as a whole.

Statewide Transportation Improvement Program. The STIP sets forth the specific projects MoDOT plans to undertake in the next five fiscal years. The STIP is prepared annually and includes projects proposed for funding under the FAST Act, FAA Modernization and Reform Act of 2012, and using state revenue. The fiscal years 2020 to 2024 STIP meets all state and federal requirements and is fiscally constrained. The STIP establishes work for a rolling five-year period of time. As each year is completed, the STIP is updated and a new year is added.

The STIP includes highways and bridges, transit, aviation, rail, waterways, enhancements and other projects, and reflects various phases of planned projects (such as preliminary engineering, right of way or construction). It is the project-specific document that tells Missourians what improvements to expect in their transportation system during the specific period. Projects are prioritized using the prioritization processes described in the STIP. For urban areas with populations greater than 50,000 (consisting of the following cities and their surrounding areas: St. Louis, Kansas City, Springfield, Columbia, Jefferson City, St. Joseph, Joplin and Cape Girardeau), the STIP reflects transportation projects listed in the TIPs developed by their respective metropolitan planning organizations.

Project-related costs, such as preliminary engineering, right of way, and construction, are included in the STIP for highways, and capital and operating costs are included in the STIP for public transit.

Cost estimates for individual projects are based on the best available engineering estimates. These costs may change as a project progresses from preliminary engineering to the purchase of right of way to construction. The STIP is updated annually to reflect the most recent project estimates. STIP estimates for projects in the current fiscal year are considered the project's budget against which awarded and completed costs are measured.

In the STIP, the largest allocation of funds expected to be available is for MoDOT's Highway and Bridge Construction Schedule, which includes the majority of the road and bridge projects MoDOT undertakes.

During fiscal years 2020 through 2024, funds are expected to be available for highway and bridge projects and are programmed to projects in the STIP as follows, based on the STIP as approved in July 2019:

- Fiscal year 2020, $1,339.9 million available and $1,530.8 million programmed
- Fiscal year 2021, $1,167.2 million available and $1,089.6 million programmed
- Fiscal year 2022, $1,168.4 million available and $999.3 million programmed
- Fiscal year 2023, $1,147.6 million available and $403.4 million programmed
- Fiscal year 2024, $1,155.2 million available and $317.0 million programmed

The STIP is balanced for these years with the amount programmed being less than the amount available. By keeping allocations less than available funds, all projects scheduled can be completed if the following conditions are met: state and federal funding is at expected levels; environmental requirements are met; legal matters, especially right-of-way acquisitions and utility relocations, are resolved on a timely basis; and metropolitan planning organizations concur on projects in Columbia, Jefferson City, Joplin, Kansas City, St. Joseph, St. Louis, Cape Girardeau and Springfield.

A 30-day public comment period was held for the fiscal years 2020 to 2024 STIP from June 6, 2019 to July 5, 2019. The Commission reviewed the comments and the final transportation program before approving the STIP. FHWA and FTA approved the STIP on July 10, 2019. The total Advanced Construction Balance as of June 30, 2019 was $269 million.

STATE OF MISSOURI

General

Under the terms of the Financing Agreement, the Office of Administration will request that the Governor's budget submitted to the General Assembly for each fiscal year include a request for an appropriation of General Revenue Fund moneys for deposit into the State Road Fund of amounts sufficient to pay principal and interest coming due on the Series B 2019 Bonds in such fiscal year. Such deposits to the State Road Fund will be made in any year, however, only if and to the extent that the General Assembly appropriates General Revenue Fund moneys for such year for deposit into the State Road Fund. Amounts deposited to the State Road Fund pursuant to the Financing Agreement will constitute State Road Fund Revenues and Pledged Revenues under the Master Bond Indenture. The Comprehensive Annual Financial Report of the State of Missouri as of and for the fiscal year ended June 30, 2018, is included in **Appendix B** to this Official Statement.

THE COMMISSION HAS ENTERED INTO A FINANCING AGREEMENT WITH THE OFFICE OF ADMINISTRATION, PURSUANT TO WHICH THE OFFICE OF ADMINISTRATION WILL REQUEST THAT THE GOVERNOR'S BUDGET SUBMITTED TO THE GENERAL ASSEMBLY OF THE STATE OF MISSOURI FOR EACH FISCAL YEAR INCLUDE A REQUEST FOR AN APPROPRIATION OF GENERAL REVENUE FUND MONEYS FOR DEPOSIT INTO THE STATE ROAD FUND OF AMOUNTS SUFFICIENT TO PAY PRINCIPAL AND INTEREST COMING DUE ON THE SERIES B 2019 BONDS IN EACH FISCAL YEAR. THE SERIES B 2019 BONDS ARE STATE ROAD BONDS OF THE COMMISSION PAYABLE SOLELY FROM PLEDGED REVENUES. THE OWNERS OF THE SERIES B 2019 BONDS MAY NOT LOOK TO ANY GENERAL OR OTHER FUND OF THE STATE, THE COMMISSION, OR THE OFFICE OF ADMINISTRATION FOR PAYMENT. THE SERIES B 2019 BONDS ARE NOT GENERAL OBLIGATIONS OF THE STATE, THE COMMISSION, OR THE OFFICE OF ADMINISTRATION, AND NEITHER THE STATE, THE COMMISSION, NOR THE OFFICE OF ADMINISTRATION IS OBLIGATED TO LEVY ANY TAX FOR THEIR PAYMENT.

See "**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES B 2019 BONDS**" and "**PLEDGED REVENUES**."

The Appropriation Process

Payments under the Financing Agreement consist entirely of appropriations by the General Assembly. The General Assembly appropriates money after consideration of the Governor's budget and revenue estimates prepared by the Division of Budget and Planning of the Office of Administration and submitted to the General Assembly by the Governor in each regular session. Appropriations bills must be passed by a majority vote of both the House and Senate before being sent to the Governor for final approval.

Legislative appropriations are subject to the Governor's approval or veto, except for the funding of public debt and free public schools, which the Governor is prohibited by the Constitution of Missouri (the "Missouri Constitution") from vetoing. Upon receipt of an appropriations bill, the Governor may (1) sign the bill, making it part of Missouri law; (2) veto the bill, returning it to the General Assembly for possible veto override by a 2/3 vote of both houses; (3) not sign the bill, allowing the bill to become law through enrollment by the Secretary of State, if the Governor takes no action within 15 days of receipt of a bill sent to the Governor during the legislative session or within 45 days of receipt of a bill sent to the Governor if the legislature has adjourned or recessed for a 30-day period; or (4) veto line-items in the appropriations bill, with the General Assembly having the right to override any line-item veto by a 2/3 vote of both houses. Appropriations bills generally become effective on July 1, except for emergency or supplemental appropriations bills which become effective immediately upon Governor's signature or enrollment by Secretary of State without Governor's signature. With certain exceptions, money may not be withdrawn from the State treasury except in accordance with an approved appropriation.

The Governor may control the rate at which an appropriation is expended by allotment and may limit the expenditures for any State agencies below their appropriations whenever actual revenues are less than the revenue estimates upon which the appropriations were based. The Governor is not permitted to reduce any appropriation for the payment of principal and interest on public debt. The obligations under the Financing Agreement do not constitute public debt.

The Governor is required to notify the General Assembly if the Governor reduces spending as a result of revenue shortfalls or allots spending in any increment other than equal quarterly amounts. The General Assembly may reconsider any such reduction or spending allotment in a manner comparable to an override of the Governor's veto of a bill.

The Governor has never withheld funds related to the State's direct or indirect indebtedness, except to the extent that amounts appropriated were no longer needed to pay such indebtedness. See **"RISK FACTORS AND INVESTMENT CONSIDERATIONS – Financing Agreement Appropriation and Withholding Risk"** for a discussion of the risks associated with the appropriation of funds by the General Assembly for payments under the Financing Agreement.

The following table sets forth the year-end cash balances of the State's General Revenue Fund and Budget Reserve Fund:

Fiscal Year	General Revenue	Budget Reserve
2019	$654,033,083	$651,268,303
2018	495,265,843	616,208,494
2017	167,908,411	591,336,851
2016	153,230,255	585,617,592
2015	277,593,102	542,775,513

See the Comprehensive Annual Financial Report of the State of Missouri as of and for the fiscal year ended June 30, 2018, included in **Appendix B** to this Official Statement for additional financial information about the State.

The Office of Administration

The Office of Administration is a department of the Executive Branch of the State that serves as the State's service and administrative control agency. Created by Constitutional Amendment adopted on August 8, 1972, it combines and coordinates the central management functions of state government. Its responsibilities were clarified and amended by the Omnibus State Reorganization Act of 1974. The chief administrative officer of the Office of Administration is the Commissioner of Administration, who is appointed by the Governor with the advice and consent of the Senate. The Commissioner appoints the deputy commissioners and the directors of the divisions who are responsible to the Commissioner through the deputy commissioners. The divisions are: Accounting; Budget and Planning; Facilities Management, Design and Construction; General Services; Information Technology Services; Personnel; and Purchasing. The Budget Director, as head of the Division of Budget and Planning, has charge of State financial administration which includes assisting the Governor with preparation of the budget and administration of the budget and appropriation process.

APPENDIX B to this Official Statement contains general information and financial information concerning the State.

OVERVIEW OF FEDERAL FUNDING

General

Set forth below is a description of the Federal-Aid Highway Program administered by the Federal Highway Administration ("**FHWA**") pursuant to Title 23 of the United States Code.

Certain features or requirements of the Federal-Aid Highway Program (the "**Federal Program**") are explained further where they appear below but are introduced here for reference:

- *The Federal Highway Trust Fund*: The Federal Highway Trust Fund (the "**HTF**") is a dedicated federal fund with dedicated revenues held in trust for reimbursement of expenditures by the states for costs of eligible transportation projects, including highway projects.

- *Authorization*: Authorization is the process by which Congress authorizes the expenditure of federal revenues on federal programs. For the Federal Program, authorization historically has been, and continues to be, provided on a multi-year basis. This, together with the availability of HTF revenues and future HTF collections, permits states more certainty in planning long-term transportation projects.

- *Apportionment*: For each Federal fiscal year, the FHWA apportions the authorized funding among the states according to formulas established in the authorizing statutes. The distribution of federal funds that do not have a statutory formula is called "allocation" rather than "apportionment."

- *Obligation Authority*: Obligation is the commitment of the federal government to pay, through reimbursements to a state, the federal share of the eligible expenditures on an approved project. The amount of such federal revenues that a state can obligate in a given Federal fiscal year is called its "**Obligation Authority.**"

- *Advance Construction*: The Advance Construction ("**Advance Construction**" or "**A/C**") procedure allows states to commence eligible projects without first having to obligate the federal government's share of expenditures. Thus, states may begin a project before amassing all of the Obligation Authority needed to cover the federal government's share by independently providing up-front capital required for a federally approved project, while preserving eligibility for future federal-aid reimbursement for the project. At a later date, the state can obligate federal-aid highway funds for reimbursement of the federal share of the project. A/C allows states to take advantage of access to a variety of capital sources, such as its own funds, local funds, anticipation notes, revenue bonds, and bank loans, to speed project completion.

- *Partial Conversion of Advance Construction*: Under partial conversion of A/C, in a given year a state may convert A/C to Obligation Authority and thus be eligible for reimbursement for a portion of the federal share of an A/C project in that or a subsequent Federal fiscal year. This removes any requirement for the state to wait for reimbursements until the full amount of Obligation Authority needed for the entire project is available.

These features of the Federal Program work in a complementary fashion to provide a regular flow of federal reimbursements over the years to fund state transportation projects.

Title 23, United States Code, entitled "Highways," includes most of the laws that govern the Federal Program. Generally, Title 23 embodies those substantive provisions of highway law that Congress considers to be continuing and which need not be reenacted each time the Federal Program is reauthorized. Periodically, sections of Title 23 may be amended or repealed through surface transportation acts.

The terms and conditions of participation in the Federal Program as described herein are subject to change at the discretion of Congress, and there can be no assurance that the laws and regulations now governing the Federal Program will not be changed in the future in a manner that may adversely affect the ability of the State of Missouri to receive adequate federal funding for the State Highway System.

Federal Highway Trust Fund

The FHWA administers payments to states under the Federal Program through the HTF. Funded by the collection of federally-imposed motor vehicle user fees, primarily fuel taxes, the HTF is a dedicated fund with dedicated revenues held in trust for reimbursement of the states' cost of transportation projects, including highway projects. The HTF is composed of two accounts: the Highway Account and a Mass Transit Account. The Highway Account receives approximately 84% of gasoline tax revenues and 88% of diesel fuel tax revenues, with the remaining share of such revenues deposited in the Mass Transit Account. Using revenues in the Highway Account of the HTF, the FHWA reimburses states for expenditures related to approved transportation projects. The FHWA distributes these revenues to states based on apportionment and allocation rules prescribed by federal law.

Federal gasoline excise taxes are the largest revenue source for the HTF. The majority of these tax revenues, including 15.44 cents out of the current 18.4 cents per gallon federal fuel tax and 21.44 cents per gallon out of the current 24.47 cents per gallon tax on diesel, go to the Highway Account with the remainder to the Mass Transit Account.

Collection of HTF taxes ("**HTF collections**"), like the Federal Program itself, periodically must be reauthorized by Congress. Historically, the HTF and its constituent taxes have been authorized to operate for limited periods of time. Originally, the HTF was authorized through June 1972; it has been reauthorized several times. The Fast Act reauthorized the HTF collections generally through June 30, 2022. The FAST Act provides authority through September 30, 2020, to expend from the HTF for programs under the FAST Act and previous authorization acts. The FAST Act authorized the transfer of $70 billion from the General Fund of the US Treasury to the HTF. Beginning on October 1, 2020, expenditures may be made only to liquidate obligations made prior to the September 30, 2020, deadline. The HTF is required under current federal law to maintain a positive balance to ensure that prior commitments for distribution of federal revenues can be met.

Since 2008, the HTF's spending has exceeded its revenues by a total of $103 billion. As a result, lawmakers have authorized a series of transfers to the HTF to avoid delaying payments to state and local governments. Spending from the HTF is projected to total $55.7 billion in 2019, whereas revenues and interest credited to the fund are expected to total $43.2 billion. The FAST Act extended the taxes that are credited to the trust fund through June 30, 2022. In Congressional Budget Office's ("**CBO**") Budget and Economic Outlook: 2018 to 2028, the CBO's baseline, which reflects the assumption that those expiring taxes are extended beyond that date and that obligations from the fund increase at the rate of inflation, the

Mass Transit Account becomes exhausted in 2021, whereas the Highway Account is able to meet all obligations through 2021 but becomes exhausted in 2022. Current law requires that the HTF maintain a positive balance to ensure that prior commitments for the distribution of federal revenues can be met.

ALTHOUGH INTERIM AUTHORIZATION MEASURES HAVE BEEN ENACTED BY CONGRESS IN THE PAST, NO ASSURANCE CAN BE GIVEN THAT SUCH MEASURES WOULD OR COULD BE ENACTED IN THE FUTURE TO MAINTAIN THE FLOW OF FEDERAL HIGHWAY FUNDING UPON TERMINATION OF EITHER A SHORT-TERM OR MULTI-YEAR AUTHORIZATION PERIOD.

The following table shows annual HTF collections in the Highway Account for the Federal fiscal years 2010-2018. The table reflects the most recent data available.

Payments into the Highway Account of the Highway Trust Fund

Federal Fiscal Years 2010-2018
(In Billions)

Federal Fiscal Year Ended (September 30)	Net Income from Excise Taxes[1]	Transfer In from General Fund[1]	Transfer In from Leaking Underground Storage Tank Fund[1]	Net Income and Transfers into the Highway Account[2]
2010	$30.15	$14.70		$44.85
2011	31.96			31.96
2012	35.14		$2.40	37.54
2013	31.80	5.88		37.68
2014	34.07	17.42	1.00	52.49
2015	35.74	6.07		41.81
2016	36.06	51.90	0.10	88.06
2017	35.70	-	0.93	36.63
2018[3]	37.27	-	0.93	38.20

[1] As reported by the U.S. Department of Transportation - Federal Highway Administration, Office of Highway Policy Information "Highway Statistics - Table FE-210" for each applicable Federal fiscal year or, with respect to federal fiscal year 2018, Table FE-1 referenced below.

[2] Does not include interest income or other miscellaneous receipts into the Highway Account.

[3] As reported by the U.S. Department of Transportation - Federal Highway Administration, Office of Highway Policy Information "Status of the Highway Trust Fund - Table FE-1."

Missouri Participation in the Federal Program

The level of federal highway funding the State of Missouri will receive in the future will depend on several factors, including (1) the amount of funding provided to the State of Missouri by the federal government under the Federal Program, (2) the State of Missouri's ability to obligate funding for eligible projects, and (3) the State of Missouri's ability to receive reimbursements. The sections below summarize the recent history of funding levels provided to the State of Missouri under the Federal Program, the State of Missouri's use of such funding and the anticipated funding levels that is to be made available to the State of Missouri under the FAST Act.

The sections below summarize the recent history of funding levels provided to the State of Missouri under the Federal Program, the State of Missouri's use of such funding and the funding levels anticipated to be made available to the State of Missouri.

Federal Reimbursements Received by the State.

The table below details the amount of reimbursements received by the State of Missouri under the Federal Program for the period of fiscal years 2015-2019.

Federal Reimbursements Received
(in millions)
2015–2019

Fiscal Year Ending June 30	Federal Reimbursement Received[1]
2015	$624.42
2016	692.36
2017	699.43
2018	823.76
2019	780.22

[1] Excludes pass through Federal Reimbursement Received.

Anticipated Federally Eligible Project Costs for Highway Reimbursement Dollars.

Amendment 3 has been in effect since July 1, 2005, and provides additional revenue for major new construction and reconstruction projects of the State Highway System. Amendment 3 also requires the additional revenue derived from the second one-half of the motor vehicle sales tax to be dedicated solely to pay the principal and interest on new State Road Bonds issued by the Commission to construct and reconstruct the State Highway System. The table below details the anticipated amount of Federally Eligible Project Costs for the period of fiscal years 2020 to 2024.

State of Missouri
Anticipated Federally Eligible Project Costs for Highway Reimbursement Dollars
(in millions)
2020–2024

Fiscal Year Ending June 30	Federally Eligible Project Costs*
2020	$618.32
2021	682.09
2022	693.13
2023	690.05
2024	694.19

*Includes regular federal funds and federal advance construction conversions.

RISK FACTORS AND INVESTMENT CONSIDERATIONS

The purchase of the Series B 2019 Bonds involves certain investment risks that are discussed throughout this Official Statement. Each prospective purchaser of the Series B 2019 Bonds should make an independent evaluation of all of the information presented in this Official Statement in order to make an informed investment decision. Certain risk factors relating to the Series B 2019 Bonds are described below.

General

The following is a discussion of certain risks that could affect the payments to be made by the Commission with respect to the Series B 2019 Bonds. In order to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement (including Appendices hereto) in order to make a judgment as to whether the Series B 2019 Bonds are an appropriate investment. Prospective purchasers of the Series B 2019 Bonds should consider carefully all possible factors that may result in a default in the payment of the Series B 2019 Bonds or the determination that the interest on the Series B 2019 Bonds might be includible in gross income for purposes of federal and Missouri income taxation. The following list of possible factors, while not setting forth all the factors that must be considered, contains some of the factors that should be considered prior to purchasing the Series B 2019 Bonds. **This discussion of risk factors is not, and is not intended to be, comprehensive or exhaustive.**

Budget and Federal Authorization

In recent years, the congressional budget process has been contentious, which has created a level of uncertainty regarding budget-related legislation and could have an impact on the Federal Program or the HTF. There can be no assurance that any current provisions in the Federal Program will be continued under any future federal authorization or that, if continued, such provisions will be sufficient to ensure that federal funding for the Federal Program will be available as needed. Future legislation or certain other federal administrative action could reduce the amount of federal funding available to the State of Missouri under the Federal Program.

ALTHOUGH MEASURES HAVE BEEN UTILIZED BY CONGRESS AND/OR FHWA IN THE PAST, NO ASSURANCE CAN BE GIVEN THAT MEASURES WILL BE ENACTED IN THE FUTURE TO MAINTAIN THE FLOW OF FEDERAL-AID FUNDING UPON TERMINATION OF AN AUTHORIZATION PERIOD. THE CURRENT AUTHORIZATION PERIOD ENDS ON SEPTEMBER 30, 2020.

Ratings

Rating agencies have assigned the Series B 2019 Bonds the ratings as set forth under **"RATINGS"** in this Official Statement. Such ratings reflect only the views of such rating agencies, and an explanation of the significance of such ratings may be obtained therefrom. There is no assurance that the ratings will remain in effect for any given period of time or that they will not be revised, either downward or upward, or withdrawn entirely, by said rating agencies if, in their judgment, circumstances warrant. Any such downward revisions or withdrawal of the ratings may have an adverse effect on the market price of the Series B 2019 Bonds.

Adverse Tax Legislation

There may be pending or may be proposed in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Series B 2019 Bonds. It cannot be predicted whether or in what form any proposed legislation might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Series B 2019 Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Co-Bond Counsel expresses no opinion regarding any pending, proposed or future federal tax legislation.

Risk of Audit

The Internal Revenue Service has established an ongoing program to audit tax-exempt obligations to determine the legitimacy of the tax status of such obligations. No assurance can be given that the Internal Revenue Service will not commence an audit of the Series B 2019 Bonds. Owners of the Series B 2019 Bonds are advised that, if an audit of the Series B 2019 Bonds were commenced, in accordance with its current published procedures, the Internal Revenue Service is likely to treat the Commission as the taxpayer, and the Owners of the Series B 2019 Bonds may not have a right to participate in such audit. Public awareness of any audit could adversely affect the market value and liquidity of the Series B 2019 Bonds during the pendency of the audit, regardless of the ultimate outcome of the audit.

Financing Agreement Appropriation and Withholding Risk

All payments to be made under the Financing Agreement are subject to annual appropriation by the State. The State is not obligated to appropriate moneys to the State Road Fund in an amount sufficient to pay the principal of or interest due on the Series B 2019 Bonds. Although the Office of Administration, by executing the Financing Agreement, has covenanted to request annually that the appropriation of such payments be included in the budget submitted by the Governor to the General Assembly for each fiscal year, there can be no assurance that such appropriation will be made, and the State is not legally obligated appropriate such payments. A failure by the General Assembly to appropriate funds to make payments under the Financing Agreement is not an event of default under the terms of the Financing Agreement, or an event of default under the Master Bond Indenture.

Article IV, Section 27 of the Missouri Constitution authorizes the Governor to control the rate at which any appropriation is expended during the period of the appropriation by allotment. Such section also authorizes the Governor to reduce the expenditures of the State or any of its agencies below their appropriations whenever the actual revenues are less than the revenue estimates upon which the appropriations were based. The effect of the withholding is to reduce the budget. The Governor has never withheld funds related to the State’s direct or indirect indebtedness, except to the extent that amounts appropriated are no longer needed to pay such indebtedness.

In the 2014 legislative session, the General Assembly passed a joint resolution that submitted to the Missouri voters in the November 2014 election a proposed amendment to the Missouri Constitution that, among other things, requires the Governor to notify the General Assembly if the Governor reduces spending as a result of revenue shortfalls or allots spending in any increment other than equal quarterly amounts and allows the General Assembly to reconsider any such reduction or spending allotment in a manner comparable to an override of the Governor’s veto of a bill. The proposed amendment was approved by the voters on November 4, 2014, and went into effect 30 days after voter approval. The amendment reduces the flexibility available to the Governor in responding to changes in budget assumptions during a fiscal year. However, it will not change the underlying responsibility and authority of the Governor to balance the budget. The amendment specifically provides that the Governor may not reduce any appropriations for the payment of principal and interest on public debt as provided in Article IV, Section 26 of the Missouri Constitution.

While the Series B 2019 Bonds are Amendment 3 Bonds secured by Pledged Revenues in addition to the amounts to be deposited to the State Road Fund under the Financing Agreement, any refusal by the General Assembly to appropriate moneys in accordance with the Financing Agreement or a withholding by the Governor with respect to payments to be made pursuant to the Financing Agreement may have an adverse impact on the Commission, the availability of Pledged Revenues for payment of debt service on State Road Bonds, and the ability of the Commission to pay costs necessary for the construction and reconstruction of the State Highway System.

THE OBLIGATIONS OF THE OFFICE OF ADMINISTRATION UNDER THE FINANCING AGREEMENT ARE SUBJECT TO ANNUAL APPROPRIATIONS BY THE GENERAL ASSEMBLY. THE OBLIGATIONS OF THE OFFICE OF ADMINISTRATION WITH RESPECT TO THE FINANCING AGREEMENT SHALL NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OR OF ANY AGENCY OR POLITICAL SUBDIVISION OF THE STATE WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION OR STATUTORY DEBT LIMITATION AND SHALL NOT, DIRECTLY, INDIRECTLY OR CONTINGENTLY, OBLIGATE THE GENERAL ASSEMBLY, THE OFFICE OF ADMINISTRATION, OR THE STATE TO LEVY ANY FORM OF TAXATION THEREFOR OR TO MAKE ANY PAYMENTS BEYOND THOSE WHICH ARE SPECIFICALLY SET FORTH IN THE FINANCING AGREEMENT.

Limitations on Remedies

The remedies available to the Bondowners upon a default under the Master Bond Indenture are in many respects dependent upon judicial action, which is often subject to discretion and delay under existing constitutional and statutory law and judicial decisions. The various legal opinions to be delivered concurrently with delivery of the Series B 2019 Bonds will be qualified as to enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, now or hereafter in effect; to usual equity principles which shall limit the specific enforcement under laws of the State of Missouri as to certain remedies; to the exercise by the United States of America of the powers delegated to it by the United States Constitution; and to the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of Missouri and its governmental bodies, in the interest of serving an important public purpose. Municipalities and political subdivisions are permitted to file for bankruptcy protection under Missouri law.

Factors Affecting Sales Tax Revenues

Sales tax revenues, including sales taxes on motor vehicles constituting State Road Bond Fund Revenues, are contingent and may be adversely affected by a variety of factors, including, without limitation, economic conditions within the State of Missouri and competition from other retail or online businesses, unemployment, interruption or termination of retail operations as a result of fire, natural disaster, strikes or similar events, among many other factors. As a result of all of the above factors, it is difficult to predict with certainty the expected amount of sales tax revenues that will be available for deposit into the State Road Fund or the State Road Bond Fund to pay the principal of and interest on the Series B 2019 Bonds. The retail sales industry is highly competitive. In *South Dakota v. Wayfair Inc.,* the Supreme Court of the United States held that states may charge tax on purchases made from out-of-state sellers, even if that seller does not have a physical presence in the taxing state. The Commission cannot estimate the impact this ruling will have on sales tax revenue.

Sales taxes are not collected on deliveries to addresses outside the State of Missouri. The future level of taxable retail sales which occurs within the State of Missouri may be affected by the future level of internet sales (also known as e-commerce). Such remote commerce vendors compete with local retail businesses and in the future could reduce the level of taxable retail sales which otherwise would occur within the State of

Missouri. The use of the internet by consumers for their purchases is subject to various market factors as well as consumer behavior and preferences. The ultimate impact of internet sales on the level of taxable retail sales which occurs within the State of Missouri cannot be determined at this time. Missouri has not yet adopted legislation establishing a tax on out of state sellers without physical presence in Missouri.

Determination of Taxability

The Series B 2019 Bonds are not subject to redemption, nor is the interest rate on any Series B 2019 Bonds subject to adjustment, in the event of a determination by the Internal Revenue Service or a court of competent jurisdiction that the interest paid or to be paid on any Series B 2019 Bond is or was includible in the gross income of the Owner of a Series B 2019 Bond for federal income tax purposes. Such determination may, however, result in a breach of the Commission's tax covenants set forth in the Master Bond Indenture which may constitute an event of default under the Master Bond Indenture. ***It may be that Owners would continue to hold their Series B 2019 Bonds, receiving principal and interest as and when due, but would be required to include such interest payments in gross income for federal income tax purposes***

Amendment of the Master Bond Indenture

Certain amendments to the Master Bond Indenture may be made without notice to or the consent of the Owners of the Amendment 3 Bonds (including amendments relating to the delivery of Additional Bonds). Certain other amendments to the Master Bond Indenture may be made with the consent of the Owners of not less than a majority in principal amount of the Amendment 3 Bonds (including any Additional Bonds which may be hereafter issued) then Outstanding affected by such Supplemental Bond Indentures. Such amendments may adversely affect the security of the Owners of the Amendment 3 Bonds. In addition to the foregoing, in some jurisdictions outside the State of Missouri, there are a variety of trust instruction procedure statutes, which generally allow judicially supervised remedies for trust estates of trustees that have a nexus, such as an office of the Bond Trustee, with such jurisdiction. Under such trust instruction procedure statutes, such jurisdictions may allow or order the Bond Trustee to amend the documents relating to the Amendment 3 Bonds, including the Master Bond Indenture, in contravention of the manner provided for in such documents, including without limitation allowing the Bond Trustee to disregard provisions requiring the consent of the Owners of the Amendment 3 Bonds prior to certain amendments of these documents.

Market for the Series B 2019 Bonds

There is no assurance that a secondary market will develop for the purchase and sale of the Series B 2019 Bonds. Prices of municipal securities in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and changes in operating performance of the entities operating the facilities subject to the municipal securities. Municipal securities are generally viewed as long-term investments, subject to material unforeseen changes in the investor's circumstances, and may require commitment of the investor's funds for an indefinite period of time, perhaps until maturity.

LITIGATION

There is no litigation, controversy or other proceeding of any kind pending or, to the Commission's knowledge, threatened in which any matter is raised or may be raised questioning, disputing, challenging or affecting in any way the legal organization of the Commission or the right or title of any of the Commission's members or officers to their respective offices, the right of the Commission to enter into the Master Bond Indenture or the Financing Agreement and to issue and secure the Series B 2019 Bonds in the manner provided in the Master Bond Indenture, the legality of any official act taken or to be taken in connection with the issuance of the Series B 2019 Bonds, the constitutionality or validity of the Series B 2019 Bonds or the security therefor or the legality of any of the proceedings had or documents entered into in connection with the authorization, issuance and sale of the Series B 2019 Bonds.

Except as described below, the doctrine of sovereign immunity protects governmental entities from liability for damages resulting from negligent acts. In Missouri, sovereign immunity is governed principally by Sections 537.600 to 537.650 of the Revised Statutes of Missouri, as amended (the "**Sovereign Immunity Law**"), which was enacted in 1978 following a Missouri Supreme Court decision that abolished sovereign immunity in Missouri. The Sovereign Immunity Law provides that "such sovereign or governmental tort immunity as existed at common law in this state prior to September 12, 1977 . . . shall remain in full force and effect; except that the immunity of the public entity from liability and suit for compensatory damages for negligent acts or omissions is hereby expressly waived in the following instances: (1) injuries directly resulting from the negligent acts or omissions by public employees arising out of the operation of motor vehicles or motorized vehicles within the course of their employment; and (2) injuries caused by the condition of a public entity's property if the plaintiff establishes that the property was in dangerous condition at the time of the injury . . . ."

Effective January 1, 2019, the liability of the State and its public entities on claims within the scope of the Sovereign Immunity Law may not exceed $2,865,330 for all claims arising out of a single accident or occurrence and may not exceed $429,799 for any one person in a single accident or occurrence (subject to annual adjustment in accordance with the Implicit Price Deflator for Personal Consumption Expenditures as published by the U.S. Bureau of Economic Analysis), except for claims governed by the Missouri workers' compensation law. No award for damages on any claim against a public entity within the scope of the Sovereign Immunity Law may include punitive or exemplary damages. Under the State Highway Act, a plaintiff may require MoDOT to arbitrate a negligence action.

As a consequence of the Sovereign Immunity Law, as interpreted by Missouri courts, the Commission established its self-insurance fund for fleet vehicle liability and workers' compensation claims in 1987 and began to self-insure for general liability claims in 1992. In 2000, in *Cottey v. Schmitter and MHTC*, a Missouri Appellate Court held that the dollar limitations contained in the Sovereign Immunity Law do not apply to direct claims against MoDOT employees for negligent operation of vehicles, and that a plaintiff could, in effect, recover unlimited damages from the State Legal Expense Fund maintained pursuant to Section 105.711, *et seq.* of the Revised Statues of Missouri, as amended. The Commission is required to reimburse that Fund for all amounts paid on behalf of the Commission pursuant to section 105.716 of the Revised Statutes of Missouri, as amended.

In January 2001, the Missouri Supreme Court held, in *Smith v. Coffey and MHTC*, that the Commission can be held jointly and severally liable for the fault of a joint tortfeasor. Although the Commission was found to be only 5% at fault in that case, the Court held that the Commission must pay damages attributed to the negligence of another defendant, up to the dollar limitations contained in the Sovereign Immunity Law.

Section 537.067 of the Revised Statutes of Missouri provides for the application of joint and several liability only if the defendant is found to be 51% or more at fault. Section 105.711 of the Revised Statutes of Missouri provides that in the case of any claim or judgment against an officer or employee of the state based upon conduct of such officer or employee arising out of and performed in connection with his or her official duties on behalf of the state that would give rise to a cause of action under the Sovereign Immunity Law, the state legal expense fund shall be liable, excluding punitive damages, for: (1) economic damages to any one claimant; and (2) a cap of no more than three hundred fifty thousand dollars for noneconomic damages. It also provides that the state legal expense fund shall be the exclusive remedy and shall preclude any other civil actions or proceedings for money damages arising out of or relating to the same subject matter against the state officer or employee, or the officer's or employee's estate. The limitation on awards for noneconomic damages shall be increased or decreased on an annual basis effective January first of each year in accordance with the Implicit Price Deflator for Personal Consumption Expenditures as published by the Bureau of Economic Analysis of the United States Department of Commerce. Effective January 1, 2019, the limitation on awards for noneconomic damages against state officers and employees may not exceed $448,670.

Section 226.096 of the Revised Statutes of Missouri provides that in any claim arising out of construction or maintenance contract awarded by the Commission under section 226.130(9) of the Revised Statutes of Missouri, in which MoDOT is a party and in which the claim is for more than twenty-five thousand dollars but less than three hundred and twenty-seven thousand dollars, the contractor shall be authorized to finally determine such contract claim by arbitration. Also, no contract provision may be executed between the Commission and the contractor which waives the contractor's right to file a contract claim, or that binds any court or alternate dispute resolution process to any determinations of fact issued by the Missouri Department of Transportation, its employees and agents. The maximum amount of a contract claim that is authorized for arbitration is annually adjusted effective January first of each year in accordance with the Implicit Price Deflator for Personal Consumption Expenditures. Effective January 1, 2019, the Construction Claims Arbitration Cap is $438,606.

Also, in the 2006 legislative session, the General Assembly enacted Truly Agreed to and Finally Passed House Bill 1944, which contained several provisions that increased MoDOT's land acquisition costs. For example, Section 523.001 and 523.039 of the Revised Statutes of Missouri require that condemnors pay a 50% bonus over fair market value for property held by the same family 50 years or more and is not limited to farmland. Sections 523.001 and 523.039 of the Revised Statutes of Missouri also require condemnors to pay a 25% bonus over fair market value to any homeowner whose property is taken within 300 feet of the home and which taking substantially changes the property's existing use. Section 523.061 of the Revised Statutes of Missouri states these additives are to be imposed by the circuit judge after either: (1) the filing of a condemnation commissioner's report; or (2) a jury verdict in trial of the exceptions. Also, Section 523.256 of the Revised Statutes of Missouri provides that before a condemnation order can be entered, the court must use a set of factors to affirmatively determine that a condemnor negotiated in good faith, thereby shifting the burden of persuasion, established by case law, from the landowner to the condemnor. This may cause MHTC to be involved in protracted evidentiary hearings that may delay condemnation petition orders or may result in some condemnations being denied. If the court finds that MoDOT failed to negotiate in good faith, it will be required to dismiss the condemnation petition and will award the landowner attorneys' fees and costs.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Series B 2019 Bonds by the Commission are subject to the approving legal opinions of Gilmore & Bell, P.C., Kansas City, Missouri, and Bushyhead LLC, Lee's Summit, Missouri, Co-Bond Counsel and Disclosure Counsel, whose approving opinions will be delivered with the Series B 2019 Bonds. A copy of the proposed form of such opinions is attached hereto as **Appendix E**. Certain legal matters will be passed upon for the Commission by the Commission's Chief Counsel's Office and for the Office of Administration by its General Counsel. Certain matters relating to this Official Statement will be passed upon by Gilmore & Bell, P.C., and Bushyhead LLC, as Co-Bond Counsel and Disclosure Counsel to the Commission.

The legal opinions to be delivered concurrently with the delivery of the Series B 2019 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transactions opined upon or of the future performance of parties to such transaction, and the rendering of an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

The following is a summary of the material Federal and State of Missouri income tax consequences of holding and disposing of the Series B 2019 Bonds. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of owners subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Series B 2019 Bonds as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State of Missouri, does not discuss the consequences to an owner under any state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the Series B 2019 Bonds in the secondary market. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Series B 2019 Bonds.

Opinion of Co-Bond Counsel

In the opinion of Gilmore & Bell, P.C. and Bushyhead LLC, Co-Bond Counsel to the Commission, under the law existing as of the issue date of the Series B 2019 Bonds:

Federal and State of Missouri Tax Exemption. The interest on the Series B 2019 Bonds is excludable from gross income for federal income tax purposes and is exempt from income taxation by the State of Missouri.

Alternative Minimum Tax. The interest on the Series B 2019 Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax.

Bank Qualification. The Series B 2019 Bonds have not been designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

Co-Bond Counsels' opinions are provided as of the date of the original issue of the Series B 2019 Bonds, subject to the condition that the Commission comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series B 2019 Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Commission has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series B 2019 Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Series B 2019 Bonds. Co-Bond Counsel are expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Series B 2019 Bonds, but has reviewed the discussion under the heading "**TAX MATTERS.**"

Other Tax Consequences

Original Issue Premium. For federal income tax purposes, premium is the excess of the issue price of a Series B 2019 Bond over its stated redemption price at maturity. The issue price of a Series B 2019 Bond is generally the first price at which a substantial amount of the Series B 2019 Bonds of that maturity have been sold to the public. Under Section 171 of the Code, premium on tax-exempt bonds amortizes over the term of the Series B 2019 Bond using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the owner's basis in the Series B 2019 Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner, which will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the Series B 2019 Bond prior to its maturity. Even though the owner's basis is reduced, no federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of bond premium.

Sale, Exchange or Retirement of Series B 2019 Bonds. Upon the sale, exchange or retirement (including redemption) of a Series B 2019 Bond, an owner of the Series B 2019 Bond generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the Series B 2019 Bond (other than in respect of accrued and unpaid interest) and such owner's adjusted tax basis in the Series B 2019 Bond. To the extent a Series B 2019 Bond is held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Series B 2019 Bond has been held for more than 12 months at the time of sale, exchange or retirement.

Reporting Requirements. In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on the Series B 2019 Bonds, and to the proceeds paid on the sale of the Series B 2019 Bonds, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report the full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner's federal income tax liability.

Collateral Federal Income Tax Consequences. Prospective purchasers of the Series B 2019 Bonds should be aware that ownership of the Series B 2019 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Series B 2019 Bonds. Co-Bond Counsel express no opinion regarding these tax consequences. Purchasers of the Series B 2019 Bonds should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Series B 2019 Bonds, including the possible application of state, local, foreign and other tax laws.

FINANCIAL INFORMATION

The Commission

The Comprehensive Annual Financial Report of MoDOT as of and for the fiscal year ended June 30, 2019 is included in **Appendix A** to this Official Statement. Such financial statements have been audited by BKD LLP, Springfield, Missouri, independent auditors, to the extent and for the period indicated in their report, which is also included in **Appendix A**. The basic financial statements of MoDOT include the activities and accounts of the Commission. BKD has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. BKD also has not performed any procedures relating to this official statement.

The State

The State's Comprehensive Annual Financial Report as of and for the fiscal year ended June 30, 2018, is included in **Appendix B** to this Official Statement. The General Purpose Financial Statements as of and for the year ended June 30, 2018 included in **Appendix B** were audited by Nicole R. Galloway, State Auditor of the State of Missouri, based in part on the reports of other auditors. Such report states that, based on a legal interpretation by the State's Director of Revenue, the State Auditor was not allowed access to tax returns and related source documents for income taxes, the source of approximately 28% of the State's governmental activity revenues and 33% of the State's General Fund revenues, and could not therefore conduct appropriate audit tests as to the income tax revenue. Such report is qualified accordingly.

RATINGS

Ratings

Moody's Investors Service, Inc., S&P Global Ratings and Fitch Inc., have assigned their ratings to the Series B 2019 Bonds of "Aa1" "AA+," and "AA+" respectively. Such ratings reflect only the views of such organizations at the time such ratings are given, and the Commission and the Underwriter make no representation as to the appropriateness of such ratings. An explanation of the significance of such ratings may be obtained only from such rating agencies.

Other Rating Information

The Commission has furnished such rating agencies with certain information and materials relating to the Series B 2019 Bonds that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions by the rating agencies. The ratings are not a recommendation to buy, sell or hold the Series B 2019 Bonds and there is no assurance that any underlying or insured rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing such rating, circumstances so warrant. The Commission and the Underwriter have not undertaken any responsibility to bring to the attention of the holders of the Series B 2019 Bonds any proposed revision or withdrawal of any underlying or insured rating of the Series B 2019 Bonds or to oppose any such proposed revision or withdrawal. Pursuant to the Continuing Disclosure Undertakings, the Commission is required to bring to the attention of the holders of the Series B 2019 Bonds any revision or withdrawal of the ratings of the Series B 2019 Bonds but has not undertaken any responsibility to oppose any such revision or withdrawal (see "**CONTINUING DISCLOSURE**"). Any such revision or withdrawal could have an adverse effect on the market price and marketability of the Series B 2019 Bonds.

UNDERWRITING

Based upon bids received by the Commission on November 13, 2019, the Series B 2019 Bonds were awarded to BofA Securities, Inc. (the "**Underwriter**"). The Series B 2019 Bonds are being purchased for reoffering by the Underwriter. The Underwriter has agreed to purchase the Series B 2019 Bonds at a purchase price of $201,409,127.60 (being the principal amount of the Series B 2019 Bonds, less an Underwriter's discount of $103,454.60 and plus an original issue premium of $23,142,582.20. The initial public offering prices of the Series B 2019 Bonds may be changed from time to time by the Underwriter.

The Underwriter intends to offer the Series B 2019 Bonds to the public initially at the offering prices set forth on the inside cover page of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other purchasers in offering the Series B 2019 Bonds to the public. The Underwriter may offer and sell Series B 2019 Bonds to certain dealers (including dealers depositing Series B 2019 Bonds into investment trusts) at prices lower than the public offering prices.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information, including specifically but without limitation the information contained in "**PLEDGED REVENUES**," **Appendix A**, and **Appendix B**.

CONTINUING DISCLOSURE

The Commission and the State will enter into respective Continuing Disclosure Undertakings. See **Appendix C** for the respective forms of the Continuing Disclosure Undertakings.

The Commission

The Commission and the Dissemination Agent will enter into the Commission's Continuing Disclosure Agreement in accordance with Rule 15c2-12 (the "**Rule**") promulgated by the Securities and Exchange Commission, pursuant to which the Commission will agree to provide disclosure of certain information on an ongoing basis, including (a) audited annual financial statements of MoDOT and certain annual operating information pertaining to the Commission, MoDOT and Pledged Revenues and (b) notice of the occurrence of certain specified events as provided in the Rule.

The Commission has previously entered into disclosure undertakings pursuant to the Rule. The Commission believes it has complied in all material respects, during the past five years, with its prior continuing disclosure undertakings required by the Rule.

The State

The State will enter into the State's Continuing Disclosure Undertaking in accordance with the Rule, pursuant to which the State will agree to provide disclosure of certain information including (a) the State's CAFR and (b) notice of the occurrence of certain specified events as provided in the Rule.

The State has previously entered into similar disclosure undertakings pursuant to the Rule. The State believes it has complied in all material respects, during the past five years, with its prior continuing disclosure undertakings required by the Rule, except as set forth below:

1. In the past five years, certain portions of the operating data which the State agreed in prior continuing disclosure obligations to update as of the end of each fiscal year were not presented in their entirety or were not presented in the annual reports filed by the State in the same format as had been presented in the applicable Official Statement relating to the prior continuing disclosure undertaking, including the following:

    a. Several currently outstanding disclosure obligations require that updates be provided of the financial information and operating data contained in the following captioned tables contained in the Official Statements: "Summary of Revenues - All Governmental Funds," "Summary of Expenditures - All Governmental Funds" and "General Revenues of General Fund – Comparative Statement of Revenues, Expenditures and Changes in Fund Balance." Each such table is presented as a five year comparison in such Official Statements. The annual information in each such table is updated annually in the State's Comprehensive Annual Financial Report and has been provided in the annual reports filed by the State, but not in a five year comparative format.

    b. The "Unemployment Trends" section that is included in the Official Statements referenced by certain disclosure obligations includes monthly figures that are not updated in the annual reports filed by the State, but annual unemployment data has been provided.

2. Certain filings made by the State were not made against all required CUSIPs. The State has subsequently updated its filings to add the required CUSIPs.

FINANCIAL ADVISOR

PFM Financial Advisors LLC, Des Moines, Iowa, has been retained by the Commission to serve as Financial Advisor with respect to the Series B 2019 Bonds. The Financial Advisor has assisted the Commission in matters relating to the planning, structuring and issuance of the State Road Bonds and various other debt related matters.

CERTAIN RELATIONSHIPS AND POTENTIAL CONFLICTS OF INTEREST

In connection with the issuance of the Series B 2019 Bonds, the attorneys or law firms identified under the caption "**LEGAL MATTERS**" in this Official Statement are acting as counsel to various parties. In other transactions not related to the Series B 2019 Bonds, each of these attorneys or law firms may have acted, or be acting, as bond counsel and/or may have represented, or be representing, the Underwriter, the Commission or the State in capacities different from those described under the caption "**LEGAL MATTERS**" in this Official Statement.

MISCELLANEOUS

The references herein to the Missouri Constitution, the State Highway Act, the Master Bond Indenture and the Continuing Disclosure Undertakings are brief outlines of certain provisions of such laws and documents and do not purport to be complete. Reference is made to the Missouri Constitution and the State Highway Act and such documents for full and complete statements of their provisions. Copies of such documents are on file at the offices of the Commission (see "**INTRODUCTION – Definitions, Summaries of Documents and Additional Information**") and following delivery of the Series B 2019 Bonds will be on file at the office of the Bond Trustee.

The agreements of the Commission with the owners of the Series B 2019 Bonds are fully set forth in the Master Bond Indenture, and neither any advertisement of the Series B 2019 Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the Series B 2019 Bonds. Statements made in this Official Statement involving estimates, projections or matters of opinion, whether or not expressly so stated, are intended merely as such and not as representations of fact.

The execution, delivery and use of this Official Statement have been authorized by the Commission.

MISSOURI HIGHWAYS AND TRANSPORTATION COMMISSION

By: /s/ Brenda Morris
Chief Financial Officer

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APPENDIX A

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF MODOT

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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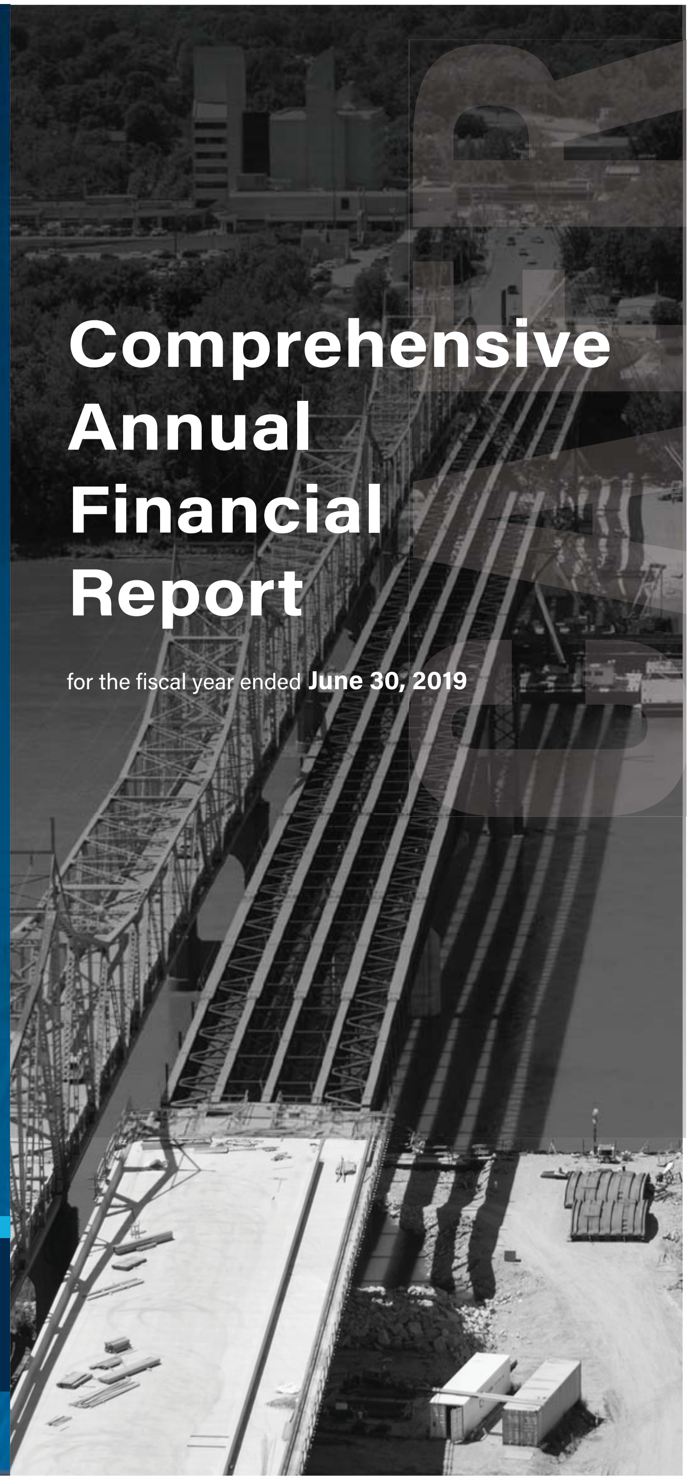
Missouri
Department of
Transportation

An agency of the State of Missouri



Comprehensive Annual Financial Report

for the fiscal year ended **June 30, 2019**

Missouri Department of Transportation
www.modot.org

Comprehensive Annual Financial Report

for the fiscal year ended

June 30, 2019

Prepared by the Financial Services Division
under the direction of
Patrick McKenna, MoDOT Director,
Brenda Morris, CPA, Chief Financial Officer
and Todd Grosvenor, Financial Services Director

Missouri Department of Transportation
105 West Capitol Avenue
Jefferson City, MO 65102
573-526-8106

Missouri Department of Transportation
an agency of the State of Missouri

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Introductory Section

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MoDOT

105 West Capitol Avenue
P.O. Box 270
Jefferson City, Missouri 65102

Missouri Department of Transportation
Patrick K. McKenna, Director

1.888.ASK MODOT (275.6636)

September 30, 2019

The Honorable Michael L. Parson, 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, 2019.

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 BKD, 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, 2019, 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 system that is safe, innovative, reliable and dedicated to 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 33,838 miles of highway and 10,384 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. In accordance with article IV, § 30(b), the Commission has the sole discretion to spend moneys in the State Road Fund. In recent history, additional spending authority limitations have been added through the legislative budget process. **These limitations have reduced the Commission and Department's flexibility to adjust spending due to weather, emergency and market conditions of construction and operations and could, if continued, lead to organizational difficulties fulfilling its mission.** Other state funds administered by the Commission are subject to appropriation by the General Assembly. All appropriations are approved by the legislature during the legislative session ending in May to be effective in the subsequent budget year.

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 and appropriation.

Missouri Economy

Missouri's transportation system impacts the state's economy. Missouri businesses depend on 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 creates jobs and provides opportunities for advancement to all Missouri citizens.

Missouri employment continues to show slight growth. Per the Missouri Economic and Research Information Center (MERIC), in fiscal year 2019, the unemployment rate increased to 3.3 percent in June 2019. This compares to an unemployment rate of 3.1 percent in June 2018. Compared to the national trend, the Missouri unemployment rate increased while the United States rate decreased, but ended 0.4 percentage points lower in June of 2019 than the national rate of 3.7 percent. Also, per MERIC, employment gains occurred over the previous year in most areas including construction, manufacturing; professional and business services; educational and health services; leisure and hospitality and government. Personal income in the first quarter of 2019 is continuing to show steady growth over the previous year at 3.3 percent. Consumer confidence remained steady in fiscal year 2019, which indicates that consumers continue to be 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 2019-2023 STIP investment (includes investment of $5,525.4 million for roads and bridges, which $4,500.0 million are awards, and $385.2 million for other modes) of $5,910.6 million, an analysis estimates that on average, each year the plan creates 4,746 additional jobs with an average salary of $53,839, $255.5 million in new personal income and $363.7 million in new value added to the economy. An analysis of the 2018-2022 STIP investment of $6,026.9 million ($5,608.4 million for roads and bridges of which $4,450.0 are awards and $418.5 million for other modes) estimates 4,578 jobs with an average salary of $55,377, $253.5 million in new personal income and $353.2 million in new value added to the economy. An analysis of the 2017-2021 STIP investment of $5,451.5 million estimates 4,343 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. For comparison, an 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 2019. The 2019 state fuel tax receipts are still slightly less than receipts in 2006, the year with the highest collections. 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 increased 2.7 percent from 2018. 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 decreased 2.5 percent from 2018. Overall, state revenues for the Department decreased 0.1 percent in 2019 compared to 2018.

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 from the General Fund and additional funding offsets. This bill is set to expire at the end of federal fiscal year 2020. The FAST Act contains a rescission that will be effective July 1, 2020 that would lower Missouri's apportionments by approximately $200.0 million which includes $20.0 million allocated to counties for the Off-system Bridge (BRO) program. The rescission reduces the flexibility the department has in committing federal funds to projects. The 2020-2024 STIP was developed assuming federal funding levels consistent with the FAST Act. A forecast assuming a reduced level of federal funding, consistent with Highway Trust Fund revenues, was also prepared. MoDOT and planning partners worked together and identified 299 projects totaling $785.7 million at risk, if Congress fails to sustain the current level of federal funding. Congress needs to identify a long-term source of transportation revenue to support the nation's infrastructure needs. On July 30, 2019, the U.S. Senate Environment and Public Works (EPW) Committee passed America's Transportation Infrastructure Act (ATIA) 21-0. An encouraging sign, but this action must be met by similar leadership in the U.S. House of Representatives.

Construction and Condition of the System

Missouri's 2020-2024 STIP was approved by the Commission in July 2019. The STIP awards for road and bridge projects total $4,620.0 million and makes maintaining the existing system a priority in an effort to keep 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 88.5 percent in December 2012. The improvement during this period can be attributed to debt financing and the impacts of the American Recovery and Reinvestment Act of 2009.

In December 2018, Missouri's major roads were 91.5 percent in good condition. Minor, less traveled roads are 80.3 percent in good condition as of December 2018, a significant improvement from December 2012 when only 69.3 percent were in good condition. Low volume highways, having less than 400 vehicles traveling on them per day, are 73.9 percent in good condition. Perhaps the greatest variation in condition by District exists with low volume roads attributable to extreme weather and flooding. Approximately 7,200 of 11,123 miles of low volume roads which are funded by MoDOT's operating budget are not eligible for federal reimbursement as they are not listed on the National Highway System because they function to serve the local community rather than to connect communities. This places great strain on limited operating budgets and results in local dissatisfaction with inconsistent conditions. As of December 2018, 909 of the 10,384 structures are in poor condition.

Major Projects

The Poplar Street Ramp project improves the eastbound bridge (eastbound I-64 and northbound I-55) over the Mississippi River in St. Louis. Crews placed a new overlay on the bridge and widened the ramp from northbound I-55 to the bridge. The total project cost is $55.9 million and was opened to the public in December 2018.

MoDOT made safety improvements at 31 locations in Franklin and St. Charles counties. The project, costing $21.3 million, was completed using a design-build project delivery method. A variety of safety improvements were made, including pavement treatments, reflective pavement markers, rumble strips and flashing stop signs. Awarded in May 2017, the project was completed August 2019.

MoDOT, along with the city of Washington, Franklin County and Warren County, replaced the deteriorating 1936 Missouri River Bridge, located on Route 47. This bridge provides a vital link between Warren County and Franklin County. The project cost $63.0 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 new bridge was opened to traffic in December 2018.

Construction began in the fall of 2017 on a new bridge over the Mississippi River, connecting Louisiana, Missouri with the state of Illinois. This new bridge replaces the current bridge that was built in 1928. 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. While the old bridge still needs to be demolished, the new bridge was opened to traffic in August 2019.

The MHTC selected a contractor in December 2017 to design and build improvements to I-435 from Kansas state line to I-49 in the Kansas City area. Construction on the $74.8 million project began in the summer of 2018 and will last through the spring of 2020. The I-435 corridor was originally constructed in 1966 as a six-lane freeway, and an additional lane was added in phases from 1983 to 1994. Improvements have been made over the past 20 years by both MoDOT and the Kansas Department of Transportation, but overall this corridor has been left virtually unchanged. This project will address congestion as well as the aging bridges. The project is expected to be completed in late spring of 2020.

The MHTC selected a contractor in August 2018 to replace the bridges within the I-435 and I-70 interchange in the Kansas City area. Improvements include full bridge replacements, removal of left exits, improvements to loop ramp configuration and congestion relief. Construction on the $47.0 million project began in March 2019 and is expected to be completed in December 2020.

MoDOT is replacing the I-44 bridges over the Meramec River in the St. Louis area. The project was awarded in June 2018 for $51.1 million and is expected to be completed in the spring of 2022.

Construction began in the spring of 2019 on the I-44 Rebuild Bridge Project which will improve 19 bridges along the 30 mile tract of I-44 between Sarcoxie and Halltown. This project will replace 13 bridges and rehabilitate 6 bridges that are deteriorating as part of the original I-44 construction in the 1960s. The project is estimated to cost $36.0 million and is expected to be completed in December 2021.

The I-270 North Project, costing $225 million, will address safety, congestion and system condition issues in the I-270 north corridor in the St. Louis area from I-70 to the Chain of Rocks Bridge. A design-build team will be selected in November 2019 with construction beginning in 2020 and completion by December 2023.

Major Operation Challenges

The Department has faced some challenges in the last few years. As mentioned previously, additional spending authority limitations have been added through the legislative budget process. These limitations have reduced the Commission and Department's flexibility to adjust spending due to weather, emergency and market conditions of construction and operations and could, if continued, lead to organizational difficulties fulfilling its mission.

Another issue the department has faced includes addressing employee pay issues. MoDOT's employee turnover rate for fiscal year 2019 was 13.27 percent, up from 11.99 percent in fiscal year 2018. The estimated cost of turnover for fiscal year 2019 was $34.7 million, up from $30.7 million in fiscal year 2018. In addition to those costs, the cost of leave payouts related to turnover totaled $2.2 million. The Commission has implemented a pay strategy to mitigate salary compression issues, improve employee satisfaction and morale, increase employee retention and reduce costs associated with employee turnover. The Governor and General Assembly included as part of the budget they passed for fiscal year 2020, a pay plan that will provide at least a 3 percent increase in pay for employees with a large percentage of employees receiving up to approximately 5 percent. More work is needed in this area.

The Department has made a significant investment in our fleet. The current replacement cost is $467 million; however, the age and condition has fallen behind and we have had no significant increase in the fleet budget for several years. A funding analysis performed by an independent consultant determined $145.8 million was needed to bring the overall age of fleet up to the recommended replacement age. The Department is working with the Governor and the General Assembly to acquire the spending authority to make progress in this area.

The Department continues the dialogue with stakeholders regarding the need for additional funding to be able to meet the unfunded needs of the state, including the need for additional funding to provide the level of service Missourians have come to expect. In addition, the Department continues to pursue when available discretionary funds like the U.S. Department of Transportation's Competitive Highway Bridge Program, which the Department was awarded $20.2 million the end of August 2019.

Long-term Financial Planning

The Department's 2020 budget, $2.3 billion, approved by the Commission in June, is approximately $24.8 million more than the Department's 2019 amended budget, primarily because of the addition of General Revenue for Focus on Bridges, a program to improve bridges, and the new General Revenue funded Transportation Cost-Share program. The construction program has grown over the last several years to ensure all federal funds allocated to Missouri are invested in the transportation system. As the multi-year FAST Act is nearing its end, the federal funds reimbursement risk that Missouri and all states face will begin to increase. Starting in federal fiscal year 2021, a $16.0 billion gap exists between the current federal funding provided to states and the Highway Trust Fund revenues. In the coming years despite this increase in risk, the construction program is expected to remain stable as the Department spends down the cash balance in the State Road Fund to fully match the federal funds allocated to Missouri, but that cannot continue forever.

The Department projects the annual construction program will remain relatively stable over the next several years. The funds spent will be focused on maintaining the current transportation system.

In November 2018, Missourians had a chance to vote on a 10 cent motor fuel tax increase to be dedicated for the enforcement of motor vehicle laws by the Missouri State Highway Patrol. The fuel tax would have been increased by 2.5 cents per year for four years, taking it from 17 cents to 27 cents in 2022. This increase would have ultimately redirected funds for state road and bridge projects. This measure was defeated.

Focus on Bridges

As part of his recommended budget, Governor Parson asked the legislature to consider a concurrent resolution to fund 250 bridge projects, bridges that were already programmed for repair or replacement in the current STIP. This program has been titled, Focus on Bridges. The Missouri legislature ultimately compromised on legislation to allow MoDOT to issue $301.0 million in bonds to repair or replace 215 bridges, contingent on the department receiving funding in the form of a federal Infrastructure for Rebuilding America (INFRA) grant. The bonds would be paid back with General Revenue funds over a seven-year period. MoDOT submitted two applications for the INFRA grant in March 2019. In July 2019, the Department learned that it had been awarded $81.2 million for the grant application to help fund the $255.8 million project for improvements to the I-70 freight corridor – specifically to replace the I-70 Missouri River Bridge at Rocheport, Missouri and the addition of climbing lanes at Mineola Hill in Montgomery County. The acceptance of the grant will trigger the issuance of bonds. Since the bridge projects are already in the STIP, $301.0 million will be reallocated to priorities in the regions around the state. In addition, the legislature appropriated $50 million of General Revenue to address additional bridges. This action allows another $50 million to be reallocated to regions.

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, 2019.

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 2019 report.

Respectfully submitted,

Patrick K. McKenna
Director

Brenda Morris
Brenda Morris, CPA
Chief Financial Officer

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Principal Officials
as of June 30, 2019

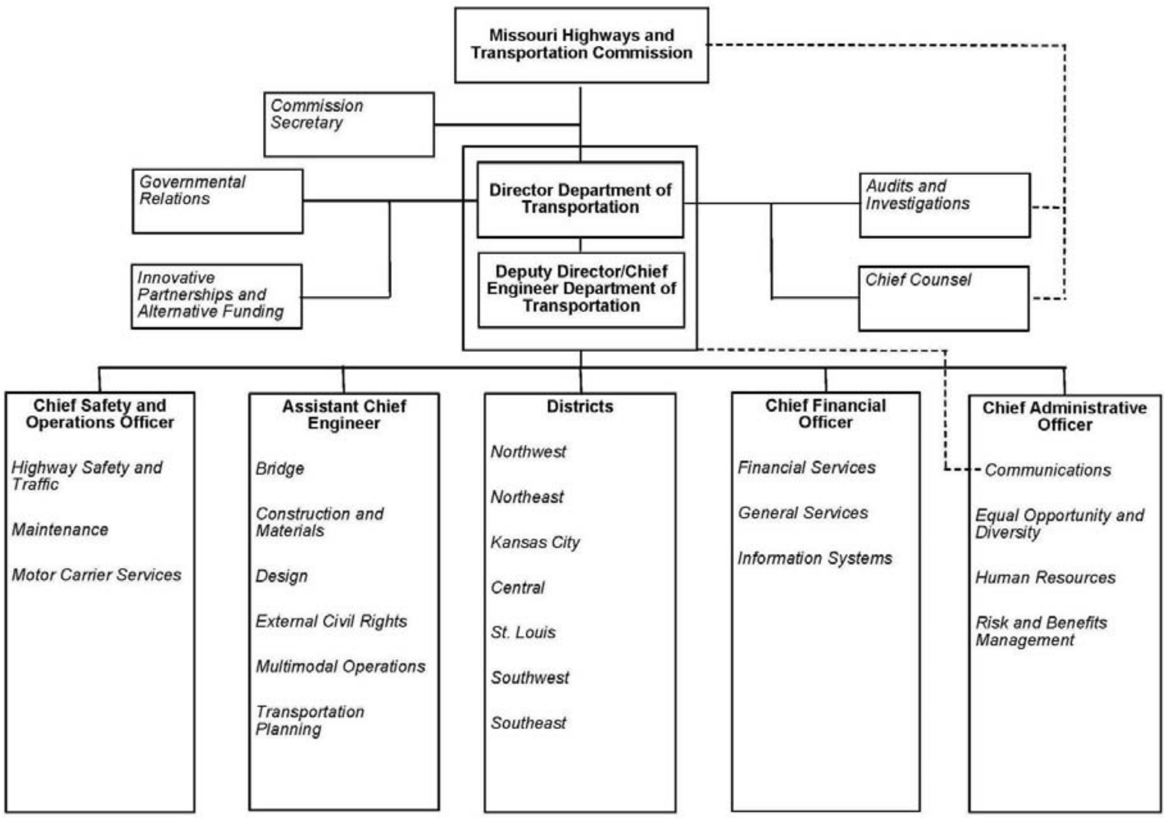
Commission	
Michael B. Pace	Chairman
Gregg C. Smith	Vice Chair
Michael T. Waters, Jr.	Member
Robert G. Brinkmann	Member
John W. Briscoe	Member
Terry L. Ecker	Member
Pamela Harlan	Secretary

MoDOT	
Patrick K. McKenna	Director
Ed Hassinger	Deputy Director/Chief Engineer
Eric Schroeter	Assistant Chief Engineer
Micki Knudsen[1]	Chief Administrative Officer
Brenda Morris	Chief Financial Officer
Becky Allmeroth	Chief Safety and Operations Officer
Rich Tiemeyer	Chief Counsel
Misty Volkart	Audits and Investigations Director
Dennis Heckman	State Bridge Engineer
David Ahlvers	State Construction and Materials Engineer
Sally Oxenhandler	Communications Director
Travis Koestner	State Design Engineer
Rudy Nickens	Equal Opportunity and Diversity Director
Lester Woods[2]	External Civil Rights Director
Todd Grosvenor	Financial Services Director
Debbie Rickard	General Services Director
Jay Wunderlich	Governmental Relations Director
Stephen Meystrik	Human Resources Director
Beth Ring	Information Systems Director
Vacant^	Innovative Partnerships and Alternative Funding Director
Natalie Roark	State Maintenance Director
Nicole Hood[3]	Interim Motor Carrier Services Director
Michelle Kratzer	Multimodal Operations Director
Nicole Hood	State Highway Safety and Traffic Engineer
Machelle Watkins	Transportation Planning Director
Vacant^	Risk and Benefits Management Director

Districts	
Chris Redline	Northwest District Engineer
Paula Gough	Northeast District Engineer
Brian Kidwell[4]	Kansas City District Engineer
Dave Silvester[5]	Central District Engineer
Tom Blair	St. Louis District Engineer
Scott Bachman[6]	Southwest District Interim Engineer
Mark Shelton	Southeast District Engineer

[1] Lester Woods became Interim Chief Administrative Officer effective July 1, 2019.
[2] Melissa Stuedle became Interim External Civil Rights Director effective July 1, 2019.
[3] Jerica Holtsclaw became Motor Carrier Services Director effective August 1, 2019.
[4] Dave Silvester became Kansas City District Engineer effective September 1, 2019.
[5] Machelle Watkins became Central District Engineer effective September 23, 2019.
[6] Steve Campbell became Southwest District Engineer effective July 1, 2019.
^ Divisions removed effective July 1, 2019.

Organizational Chart
June 30, 2019



Note: Effective July 1, 2019, the Safety and Emergency Management Unit and the Employee Health and Wellness Unit were established reporting to the Chief Safety and Operations Officer and the Chief Administrative Officer, respectively.

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Financial Section

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Independent Auditor's 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, 2019 and 2018, 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.

Auditor's 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 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 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, 2019 and 2018, 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, 2019 and 2018, 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. Our opinions are not modified with respect to this matter.

Emphasis of Matter

As discussed in *Note 14* to the financial statements, in 2019, the financial statements of the governmental activities have been restated to correct a misstatement. 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 and budgetary comparisons, pension schedules and postemployment benefit information as listed in the table of contents 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.

The combining financial statements, the budgetary comparison schedules and reconciliations – debt service and nonmajor governmental funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements, the budgetary comparison schedules and reconciliations – debt service and nonmajor governmental funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 also have issued our report dated September 30, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's 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.

BKD, LLP

Springfield, Missouri
September 30, 2019

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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 implemented GASB Statement 83, Asset Retirement Obligations and GASB Statement 88, Disclosures Related to Direct Borrowings/Direct Placements. No other new GASB standards with financial statement impact were applicable to MoDOT for fiscal year 2019.

FINANCIAL HIGHLIGHTS

Government-wide Highlights

- The net position of the Department at the close of the fiscal year was $28.2 billion compared to $27.7 billion at 2018. The Department's net position increased 1.8 percent for fiscal year 2019 from 2018 and 0.6 percent for fiscal year 2018 from 2017. Of the fiscal year 2019 and 2018 amounts, $0.8 billion and $0.9 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 first 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. In fiscal year 2018, the Department adopted GASB 75, which required the Department to report its share of the other post-employment benefit (OPEB) liability. The addition of the net pension and total OPEB liabilities result in assets no longer exceeding other obligations.

- The majority of the Department's assets are capital assets, which totaled $30.7 billion and $30.4 billion for fiscal years 2019 and 2018, respectively. This represents a 0.9 percent increase for 2019 from 2018 and a 1.0 percent increase for 2018 from 2017.

- Non-current liabilities of the Department total $3.4 billion at June 30, 2019 compared to $3.6 billion at June 30, 2018, a $0.2 billion decrease. In fiscal year 2019, noncurrent liabilities decreased because of scheduled debt repayments being less as bonds are paid and the refunding of Federal Reimbursement State Road Bonds Series A 2008 and Series A 2009. Both fiscal years 2018 and 2017 non-current liabilities totaled $3.6 billion.

Fund Highlights

- At the close of the fiscal year, the Department's governmental funds combined ending fund balance for fiscal years 2019, 2018 and 2017 is $0.9 billion. .

- For both fiscal years 2019 and 2018, 96.3 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. The nonspendable fund balance related to inventories decreased from $33.7 million in fiscal year 2018 to $32.9 million in fiscal year 2019.

The proprietary funds combined net position is $74.5 million at the close of the fiscal year, compared to $44.2 million in 2018. Restricted investments at the close of both years totaled $0.3 million, resulting in unrestricted net position of $74.2 million and $43.9 million for fiscal years 2019 and 2018, 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.

In addition, 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 expenses, are also included in these schedules.

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 and OPEB 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, 2019, 2018 and 2017. The Department's combined net position increased $507.0 million over the course of this fiscal year's operations, an increase of 1.8 percent. This compares to an increase of $165.0 million in 2018 from 2017.

The following table reflects the condensed financial information derived from the Statements of Net Position as of June 30, 2019, 2018 and 2017:

(Amounts in millions)	2019	2018	2017	Percent Change 2019-2018
Assets				
Current and other assets	$ 1,199	$ 1,228	$ 1,211	(2.4)%
Capital assets, net	30,700	30,430	30,117	0.9
Total assets	31,899	31,658	31,328	0.8
Deferred Outflows of Resources				
Deferred bond refunding	28	39	52	(28.2)
Pension related items	204	134	168	52.2
Other postemployment benefits	17	17	---	---
Total deferred outflows of resources	249	190	220	31.1
Liabilities				
Current liabilities	406	449	425	(9.6)
Noncurrent liabilities	3,407	3,584	3,566	(4.9)
Total liabilities	3,813	4,033	3,991	(5.5)
Deferred Inflows of Resources				
Deferred bond refunding	1	---	---	100.0
Pension obligations	43	46	45	(6.5)
Other postemployment benefits	107	92	---	16.3
Total deferred inflows of resources	151	138	45	9.4
Net Position				
Net Investment in capital assets	29,025	28,532	28,001	1.7
Restricted (internal service fund requirements and highways and transportation uses)*	---	---	---	---
Unrestricted	(841)	(855)	(489)	(1.6)
Total net position	$28,184	$27,677	$27,512	1.8%

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

The total assets of the Department were $31.9 billion with deferred outflows of resources of $249.0 million, while total liabilities were $3.8 billion, with deferred inflows of resources of $151.0 million, resulting in a net position of $28.2 billion. Total assets increased $241.0 million in 2019, compared to a $330.0 million increase in 2018 from 2017. Total liabilities decreased $220.0 million in 2019, compared to a $42.0 million increase in 2018 from 2017. The decrease in total liabilities in 2019 is due to debt repayment. The increase in total liabilities in 2018 is due to the recognition of the full OPEB liability. The largest portion of the Department's net position, $29.0 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 first 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. In fiscal year 2018, the Department adopted GASB 75, which required the Department to report its share of the other post-employment benefit (OPEB) liability. The addition of the net pension and total OPEB liabilities results in assets no longer being available to meet other obligations.

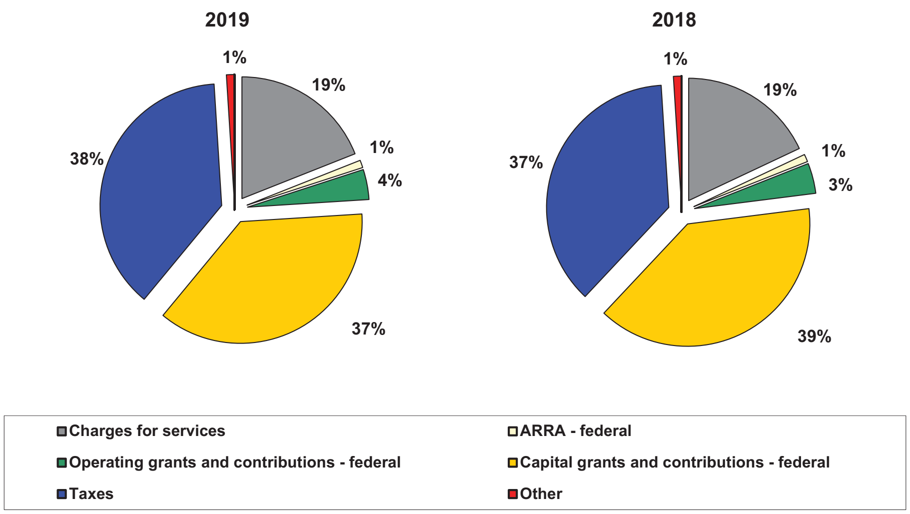
Statements of Activities

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, 2019, 2018 and 2017:

(Amounts in millions)	2019	2018	2017	Percent Change 2019-2018
Revenues				
Program revenues				
Charges for services	$ 434	$ 448	$ 425	(3.1)%
American Recovery and Reinvestment Act	12	13	19	(7.7)
Operating grants and contributions – federal government	80	69	78	15.9
Capital grants and contributions – federal government	874	949	847	(7.9)
General revenues				
Taxes	876	900	876	(2.7)
Investment earnings (loss)	30	9	4	233.3
Miscellaneous	5	2	9	150.0
Total revenues	2,311	2,390	2,258	(3.3)
Expenses				
Program expenses				
Administration	14	9	24	55.6
Fleet, facilities and information systems	33	31	29	6.5
Maintenance	356	362	345	(1.7)
Construction	196	229	210	(14.4)
Multimodal operations	93	86	101	8.1
Interest on debt	75	83	94	(9.6)
Other state agencies	229	225	235	1.8
Self insurance (workers' compensation and liability)	12	21	10	(42.9)
Medical and life insurance	135	144	124	(6.3)
Pension	86	77	88	11.7
Other post-employment benefits	29	38	44	(23.7)
Depreciation on assets	546	520	498	5.0
Total expenses	1,804	1,825	1,802	(1.2)
Changes in net position	507	565	456	(10.3)
Net position, beginning of year, as previously reported	27,677	27,512	27,047	0.6
Restatement of net position	---	(400)	9	100.0
Net position, beginning of year, as restated	27,677	27,112	27,056	2.1
Net position, end of year	$28,184	$27,677	$27,512	1.8%

Governmental Activities

The following chart depicts revenues of the governmental activities, as a percent, for the fiscal years ended June 30, 2019 and 2018:



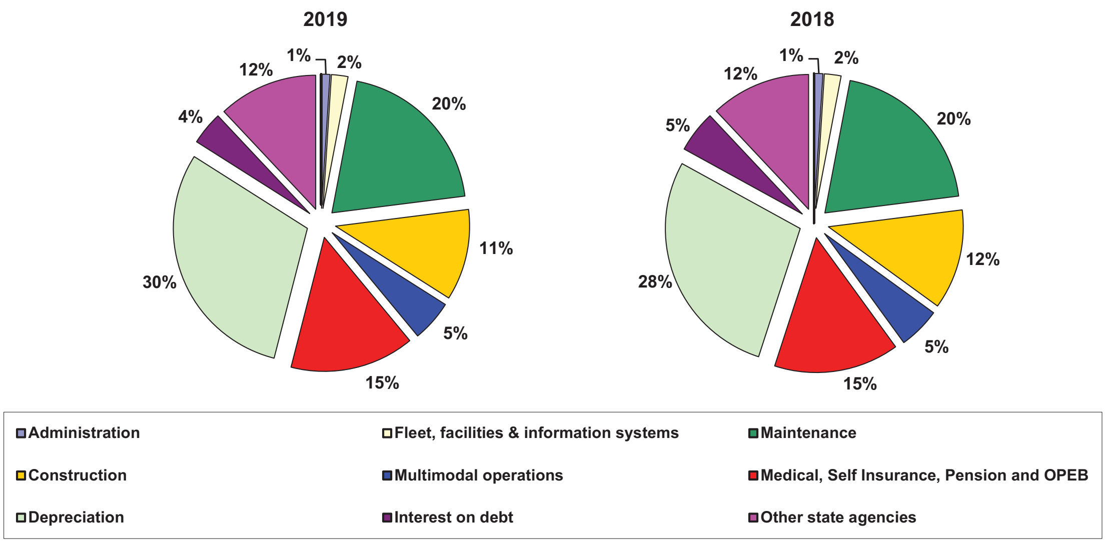
Revenues for the year decreased $79.0 million compared to an increase of $132.0 million in 2018 from 2017. Federal grants revenue, including capital grants and contributions, decreased $65.0 million from fiscal year 2018. The primary decrease is in capital grants and contributions, which was impacted by a reduction in contractor payments due to projects being delayed because of rain and flooding. The following three revenue sources provided $2.2 billion, or 94.5 percent, of the Department's revenues:

- Charges for services, including licenses, fees, permits and cost reimbursements: $434.0 million
- Sales and fuel taxes: $876.0 million
- Federal Highway Administration capital grants: $874.0 million

In 2018, these same revenue sources provided $2.3 billion, or 96.1 percent, of the Department's revenues.

Taxes remained one of the larger portions of revenue for the Department. Taxes overall decreased 2.7 percent with sales tax revenues decreasing 4.0 percent and fuel taxes decreasing 1.7 percent in fiscal year 2019 from 2018. The primary components of the decrease in revenues are federal revenues, discussed above and tax receipts.

The following chart depicts expenses of the governmental activities for the fiscal years ended June 30, 2019 and 2018:



Expenses for the year decreased $20.0 million, or 1.1 percent. The majority of the decrease in expenses is in construction; self-insurance; medical and life insurance; and other post-employment benefits. Construction expense was less in fiscal year 2019 because of a reduction in payments related to federal dollars passed through to local entities and fewer projects where we partnered with another entity, like a bridge being built between MoDOT and a border state. Self-insurance decreased due to a reduction in the amount of general liability claims. While medical and life insurance in fiscal year 2019 experienced an increase in the number of claims, the dollars paid out on those claims was less. Other post-employment benefits reduction in expense is associated with current year activity for retiree medical costs and for adjustments to changes in assumptions used to establish the liability. These decreases were offset by increases in the other categories like depreciation.

The Department's expenses for construction and maintenance of the state's highway system totaled $553.0 million and $591.0 million in 2019 and 2018, respectively. This represents 30.6 percent and 32.4 percent of the total expenses for 2019 and 2018, 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 fiscal year 2019, the fund balances of the governmental funds remained the same at $0.9 billion when compared to fiscal years 2018 and 2017. Revenues from the federal government decreased $60.5 million from 2018. Federal government revenues decreased because of a reduction in contractor payments due to projects being delayed because of rain and flooding. The Department spent $32.4 million less in 2019.

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 $113.8 million, liabilities of $9.6 million, deferred inflows of resources $0.08 million and a restricted fund balance of $104.1 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 $733.8 million in revenues, compared to $731.0 million from 2018. The increase is from higher motor vehicle and drivers' license receipts. In 2018, revenues were $14.6 million more than 2017.

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 $818.9 million, a decrease of $35.8 million from 2018. This compares to a decrease in 2018 of $2.0 million from 2017. Deferred inflows of resources for the fund were $15.5 million compared to $22.5 million in fiscal year 2018. Liabilities totaled $125.9 million, a decrease of $2.8 million from 2018, and fund balances totaled $677.5 million, a decrease of $26.0 million from 2018 compared to a decrease of $20.1 million in 2018 from 2017.

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 $55.9 million, compared to $64.7 million in 2018. 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 decreased $7.1 million in 2019. Expenditures of the Road Bond Fund were $201.3 million in 2019 compared to $182.4 million in 2018.

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 $21.8 million in 2019 compared to an increase of $3.8 million in 2018. Total current liabilities of the proprietary funds at the end of 2019 were $45.3 million, a decrease of $2.7 million from 2018. Total pending self-insurance claims and incurred but not reported claims decreased $9.1 million compared to a $0.9 million decrease in 2018 from 2017.

Total net position of the internal service funds increased at the end of the current fiscal year to $74.5 million, compared to $44.2 million in fiscal year 2018. Highway workers' compensation and general liability expenses decreased $7.9 million.

The largest operating expenses of the proprietary funds, medical and prescription drug benefits, totaled $120.9 million compared to $129.5 million in 2018. This accounts for 82.1 percent of the total operating expenses, compared to 78.5 percent in 2018. This $8.6 million decrease compares to a $1.2 million increase in 2018 from 2017. The change in net position of the Self Insurance Fund was an increase of $11.9 million in fiscal year 2019 compared to a change in net position of a negative $0.6 million in fiscal year 2018. The increase in operating income can be attributed to a decrease in highway general liability claims. The change in net position of the medical and life insurance plan was a positive $18.5 million in fiscal year 2019 compared to a change in net position of $5.2 million in fiscal year 2018. The operating income can be attributed to a decrease in the dollar amount of medical claims and the change in the 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, 2019

On April 2, 2019, the Commission authorized the issuance of Federal Reimbursement Refunding State Road Bonds (Series A 2019). The bond proceeds refunded a portion of the Commission's Federal Reimbursement State road Bonds Series A 2008 and a portion of the Commission's Federal Reimbursement State Road Bonds Series A 2009 totaling $111.3 million. The par amount of the refunding bonds was $102.7 million with a true-interest-cost of 1.67 percent. Approximately $9.5 million, or 8.5 percent, in net present value savings was realized.

The Poplar Street Ramp project improves the eastbound bridge (eastbound I-64 and northbound I-55) over the Mississippi River in St. Louis. Crews placed a new overlay on the bridge and widened the ramp from northbound I-55 to the bridge. The total project cost is $55.9 million and was opened to the public in December 2018.

MoDOT made safety improvements at 31 locations in Franklin and St. Charles counties. The project, costing $21.3 million, was 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, the project was completed August 2019.

MoDOT, along with the city of Washington, Franklin County and Warren County, replaced the deteriorating 1936 Missouri River Bridge located on Route 47. This bridge provides a vital link between Warren County and Franklin County. The project cost $63.0 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 new bridge was opened to traffic in December 2018.

Construction began in the fall 2017 on a new bridge over the Mississippi River, connecting Louisiana, Missouri with the state of Illinois. This new bridge replaces the current bridge that was built in 1928. 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. While the old bridge still needs to be demolished, the new bridge was opened to traffic in August 2019.

The MHTC selected a contractor in December 2017 to design and build improvements to Interstate 435 from Kansas state line to Interstate 49. Construction on the $74.8 million project began in the summer of 2018 and will last through the spring of 2020. The I-435 corridor was originally constructed in 1966 as a six-lane freeway, and an additional lane was added in phases from 1983 to 1994. Improvements have been made over the past 20 years by both MoDOT and the Kansas Department of Transportation, but overall this corridor has been left virtually unchanged. This project will address congestion as well as the aging bridges. The project is expected to be completed in late spring of 2020.

The MHTC selected a contractor in August 2018 to replace the bridges within the I-435 and I-70 interchange. Improvements include full bridge replacements, removal of left exits, improvements to loop ramp configuration and congestion relief. Construction on the $47.0 million project began in March 2019 and is expected to be completed in December 2020.

MoDOT is replacing the I-44 bridges over the Meramec River in the St. Louis area. The project was awarded in June 2018 for $51.1 million and is expected to be completed in the spring of 2022.

Construction began in the spring of 2019 on the I-44 Rebuild Bridge Project which will improve 19 bridges along the 30 mile tract of I-44 between Sarcoxie and Halltown. This project will replace 13 bridges and rehabilitate 6 bridges that are deteriorating as part of the original I-44 construction in the 1960s. The project is estimated to cost $36.0 million and is expected to be completed in December 2021.

In fiscal year 2019, the construction award amount was more than the budgeted amount as it was in fiscal years 2018, 2017 and 2016. 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, 2019, totals $56.6 billion, with accumulated depreciation of $25.9 billion and a net value of $30.7 billion. The net value represents an increase of $270.0 million from fiscal year 2018, compared to an increase of $313.0 million in 2018 from 2017. 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)	2019	2018	2017	Percent Change 2019-2018
Land and permanent easements	$ 2,625	$ 2,634	$ 2,636	(0.3)%
Software in progress	5	5	3	---
Construction in progress	21	14	17	50.0
Infrastructure in progress	1,700	1,550	1,479	9.7
Land improvements	13	14	15	(7.1)
Buildings	147	150	149	(2.0)
Software	9	9	9	---
Vehicles and equipment	208	206	198	1.0
Temporary easements	1	1	1	---
Infrastructure	25,971	25,847	25,610	0.5
Total	$30,700	$30,430	$30,117	0.9%

As provided by generally accepted accounting principles (GAAP), the Department records its infrastructure assets at actual or estimated historical cost. Included in infrastructure are 33,838 miles of highways and 10,384 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)	2019	2018	2017	Percent Change 2019-2018
State road bonds	$1,614	$1,832	$2,032	(11.9)%
Premium on bonds	86	104	134	(17.3)
Advances from other entities	1	1	1	---
Capital lease obligations*	---	---	---	---
Compensated absences	34	33	33	3.0
Other liabilities	1	2	13	(50.0)
Total obligations	1,736	1,972	2,201	(12.0)
Current portion of obligations	193	234	221	(17.5)
Total noncurrent obligations	$1,543	$1,738	$1,980	(11.2)%

*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 $195.0 million from 2018, compared to a decrease of $242.0 million in 2018 from 2017. At the end of the current fiscal year, state road bonds total $1.6 billion, or 93.0 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 $1.0 thousand in fiscal year 2019. 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 2020 budget for all funds was approved by the Legislature in May 2019 and signed into law by the Governor in June 2019. 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 2019, with a total spending plan of $2.3 billion. The fiscal year 2020 budget is more than the fiscal year 2019 budget. 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 from the General Fund and additional funding offsets. This bill is set to expire at the end of federal fiscal year 2020. The FAST Act contains a rescission that will be effective July 1, 2020 that would lower Missouri's apportionments by approximately $200.0 million and reduces the flexibility the department has in committing federal funds to projects. Congress needs to continue to work on a long-term source of transportation revenue to support the nation's infrastructure needs. On July 30, 2019, the U.S. Senate Environment and Public Works (EPW) Committee passed America's Transportation Infrastructure Act (ATIA) 21-0. An encouraging sign, but this action must be met by similar leadership in the U.S. House of Representatives.

Annually, the Department prepares a financial forecast that is used to develop its STIP. The financial forecast for the 2020-2024 STIP projected a decrease of state revenues. MoDOT's 2020-2024 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.

MoDOT's construction budget peaked at $1.3 billion in 2009. In fiscal year 2020, construction awards are projected to be $1,070.0 million. In November 2018, Missourians had 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. If this increase in the motor fuel tax passed, some current revenues could be redirected to state road and bridge projects. This measure was defeated.

As part of his recommended budget, Governor Parson asked the legislature to consider a concurrent resolution to fund 250 bridge projects, bridges that were already programmed for repair or replacement in the current STIP. This program has been titled, Focus on Bridges. The Missouri legislature ultimately compromised on legislation to allow MoDOT to issue $301.0 million in bonds to repair or replace 215 bridges, contingent on the department receiving funding in the form of a federal Infrastructure for Rebuilding America (INFRA) grant. The bonds would be paid back with General Revenue funds over a seven-year period. MoDOT submitted two applications for the INFRA grant in March 2019. In July 2019, the Department learned that it had been awarded $81.2 million for the grant application to help fund the $255.8 million project for improvements to the I-70 freight corridor – specifically to replace the I-70 Missouri River Bridge at Rocheport, Missouri and the addition of climbing lanes at Mineola Hill in Montgomery County. The acceptance of the grant will trigger the issuance of bonds. Since the bridge projects are already in the STIP, $301.0 million will be reallocated to priorities in the regions around the state. In addition, the legislature appropriated $50 million of General Revenue to address additional bridges. This action allows another $50 million to be reallocated to regions.

Governor Parson recommended and the legislature passed $50 million of General Revenue funds for a new Transportation Cost-Share program. This program, a cooperative effort between the Department and the Department of Economic Development, allows local communities to apply for cost-share funds for transportation projects on public roads that generate economic benefit to the state. Projects are expected to be selected in December 2019.

ECONOMIC CONDITIONS

The current economic environment presents government entities, including state transportation departments, with challenges. Consumer sentiment indices have shown consumer confidence holding steady. The unemployment rate in Missouri continues to be low. Even though these economic indicators show a relatively stable economy, a certain amount of uncertainty exists as to the sustainability of the growth from the three primary state revenue sources for transportation. The bidding environment for fiscal year 2018 was favorable, but was less so in fiscal year 2019. During the previous five fiscal years, 2015-2019, 1,939 highway and bridge construction projects estimated at $3.7 billion were awarded for $3.5 billion, a 6.4 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, 2019 and 2018

	Governmental Activities	
	2019	2018
Assets		(as restated)
Current assets		
Cash and cash equivalents	$ 742,111,640	$ 731,019,253
Investments	26,405,247	12,517,039
Restricted cash and investments	18,658,500	67,848,500
State taxes and fees receivables	147,244,808	151,966,816
Federal government receivables	80,277,043	86,334,946
Miscellaneous receivables, net	26,245,815	23,530,367
Loans receivable	195,973	297,287
Inventories	32,865,425	33,738,446
Total current assets	1,074,004,451	1,107,252,654
Noncurrent assets		
Investments	120,582,936	114,642,214
Restricted cash and investments	200,000	---
Miscellaneous receivables, net	3,517,630	4,935,500
Loans receivable	963,857	1,160,394
Capital assets		
Assets not being depreciated	4,352,120,484	4,203,144,527
Assets being depreciated, net	26,347,856,531	26,227,352,408
Total noncurrent assets	30,825,241,438	30,551,235,043
Total assets	31,899,245,889	31,658,487,697
Deferred Outflows of Resources		
Bond refunding	27,700,484	38,886,363
Pension related items	203,935,488	133,661,864
Other post-employment benefits obligation	17,623,418	17,146,161
Asset retirement obligations	43,955	---
	249,303,345	189,694,388
Liabilities		
Current liabilities		
Accounts payable	122,023,909	119,763,362
Accrued payroll	25,838,467	25,251,561
Accrued interest payable	14,167,988	16,682,892
Deposits	2,102,908	1,378,015
Unearned revenue	15,575,735	15,237,707
Pending self insurance claims	17,461,000	18,800,000
Incurred but not reported claims	16,033,000	17,945,000
Financing and other obligations	192,823,219	234,170,602
Total current liabilities	406,026,226	449,229,139
Noncurrent liabilities		
Pending self insurance claims	37,528,093	44,352,727
Incurred but not reported claims	13,824,000	12,846,000
Net pension liability	1,040,233,956	1,012,417,855
Other post-employment benefits obligation	772,731,539	776,186,564
Financing and other obligations	1,543,073,546	1,737,952,659
Total noncurrent liabilities	3,407,391,134	3,583,755,805
Total liabilities	3,813,417,360	4,032,984,944
Deferred Inflows of Resources		
Deferred bond refunding	1,390,307	---
Pension related items	42,754,061	45,436,673
Other post-employment benefits obligation	106,936,095	92,069,174
Total deferred inflows of resources	151,080,463	137,505,847
Net Position		
Net investment in capital assets	29,025,481,179	28,532,242,239
Restricted for:		
Internal service fund requirements	300,000	300,000
Unrestricted	(841,729,768)	(854,850,945)
Total net position	$28,184,051,411	$27,677,691,294

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

Statements of Activities

Years Ended June 30, 2019 and 2018

	Governmental Activities	
	2019	2018 (as restated)
Transportation Program Expenses		
Administration	$ 14,132,903	$ 8,890,235
Fleet, facilities and information systems	33,329,244	30,820,207
Maintenance	356,188,946	362,107,089
Construction	196,632,563	229,248,197
Multimodal operations	92,945,179	86,223,757
Interest	75,580,651	82,921,447
Other state agencies	228,881,201	224,811,159
Self insurance	12,456,431	21,315,167
Medical and life insurance	134,871,388	143,636,947
Pension	85,991,243	76,745,655
Other post-employment benefits	28,668,711	38,288,726
Depreciation	545,752,607	520,619,876
Total transportation program expenses	1,805,431,067	1,825,628,462
Transportation Program Revenues		
Charges for services		
Licenses, fees and permits	324,592,201	314,073,845
Intergovernmental/cost reimbursements/miscellaneous	61,633,188	87,170,861
Interest	5,105	---
Member insurance premiums	47,665,381	47,072,328
Total charges for services	433,895,875	448,317,034
Federal government		
American Recovery and Reinvestment Act	12,379,401	12,617,400
Operating	80,079,170	69,464,632
Capital	873,876,510	949,144,750
Total federal government	966,335,081	1,031,226,782
Total transportation program revenues	1,400,230,956	1,479,543,816
Net expense of transportation program	(405,200,111)	(346,084,646)
General Revenues		
Fuel taxes	512,453,532	521,272,831
Sales taxes	363,664,306	378,765,103
Unrestricted investment earnings (loss)	30,468,018	8,661,491
State appropriations	19,493,781	13,911,843
Gain (loss) on sale of capital assets	(14,519,409)	(11,674,757)
Total general revenues	911,560,228	910,936,511
Changes in Net Position	506,360,117	564,851,865
Net Position, beginning of year, as restated	27,677,691,294	27,112,839,429
Net Position, end of year	$ 28,184,051,411	$ 27,677,691,294

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, 2019 and 2018

	2019				
	State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 6,685,965	$ 652,347,617	$ 38,445,008	$ 23,863,122	$ 721,341,712
State taxes and fees receivables	105,884,151	23,315,412	17,249,301	795,944	147,244,808
Federal government receivables	---	72,718,790	---	7,558,253	80,277,043
Miscellaneous receivables, net	1,226,537	19,048,893	210,869	6,221,306	26,707,605
Loans receivable	---	---	---	1,159,830	1,159,830
Due from other funds	---	72,732	---	---	72,732
Inventories	---	32,865,425	---	---	32,865,425
Restricted cash and investments	---	18,558,500	---	---	18,558,500
Total assets	$ 113,796,653	$ 818,927,369	$ 55,905,178	$ 39,598,455	$ 1,028,227,655
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	$ 1,470,803	$ 101,355,092		$ 16,714,998	$ 119,540,893
Accrued payroll	8,104,233	17,618,837	---	115,397	25,838,467
Deposits	---	2,102,908	---	---	2,102,908
Unearned revenue	---	4,848,493	---	1,410,394	6,258,887
Due to other funds	---	---	---	72,732	72,732
Total liabilities	9,575,036	125,925,330	---	18,313,521	153,813,887
Deferred Inflows of Resources					
Unavailable Revenues	76,418	15,521,860	---	38,923	15,637,201
Total deferred inflows of resources	76,418	15,521,860	---	38,923	15,637,201
Fund balances					
Nonspendable – inventories	---	32,865,425	---	---	32,865,425
Unassigned	---	---	---	(677,799)	(677,799)
Restricted – highways and transportation	104,145,199	644,614,754	55,905,178	21,923,810	826,588,941
Total fund balances	104,145,199	677,480,179	55,905,178	21,246,011	858,776,567
Total liabilities, deferred inflows of resources and fund balances	$ 113,796,653	$ 818,927,369	$ 55,905,178	$ 39,598,455	$ 1,028,227,655

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

2018				
State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
$ 16,935,418	$628,869,859	$47,163,389	$19,113,882	$ 712,082,548
109,975,245	23,479,267	17,395,311	1,116,993	151,966,816
---	81,378,611	---	4,956,335	86,334,946
910,354	19,621,058	148,497	4,833,296	25,513,205
---	---	---	1,457,681	1,457,681
---	130,552	---	---	130,552
---	33,738,446	---	---	33,738,446
---	67,548,500	---	---	67,548,500
$127,821,017	$854,766,293	$64,707,197	$31,478,187	$1,078,772,694
$ 1,500,843	$105,859,126	$ ---	$10,891,330	$ 118,251,299
7,925,701	17,212,780	---	113,080	25,251,561
---	1,378,015	---	---	1,378,015
---	4,305,682	---	1,195,326	5,501,008
---	---	---	130,552	130,552
9,426,544	128,755,603	---	12,330,288	150,512,435
77,589	22,532,259	---	38,923	22,648,771
77,589	22,532,259	---	38,923	22,648,771
---	33,738,446	---	---	33,738,446
---	---	---	(328,395)	(328,395)
118,316,884	669,739,985	64,707,197	19,437,371	872,201,437
118,316,884	703,478,431	64,707,197	19,108,976	905,611,488
$127,821,017	$854,766,293	$64,707,197	$31,478,187	$1,078,772,694

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

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

Governmental Funds

June 30, 2019 and 2018

	Total	
	2019	2018 (as restated)
Fund balances – total governmental funds	$ 858,776,567	$ 905,611,488
Amounts reported for governmental activities in the statements of net position are different because:		
Capital assets, net of accumulated depreciation of $25,934,393,424 and $25,480,489,306 in 2019 and 2018, respectively, used in governmental activities are not financial resources, and, therefore, are not reported in the funds.	30,699,977,015	30,430,496,935
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.	27,700,484	38,886,363
Amounts resulting from the difference calculated between the reaquistion price and the net caryinng amount of refunded bonds, reported as deferred inflows of resources, are not reported in the funds.	(1,390,307)	---
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.	15,637,201	22,648,771
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included only in the statements of net position.		
Medical and life insurance plan	37,730,527	19,271,757
Self insurance plan	36,737,467	24,884,374
Certain changes in the net pension liability, other post-employment benefits liability and asset retirement obligations are amortized over time and are not reported in the funds.		
Net pension liability	161,181,427	88,225,191
Other post-employment benefits obligations	(89,312,677)	(74,923,013)
Asset retirement obligations	43,955	---
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	(1,735,896,765)	(1,972,123,261)
Net pension liability	(1,040,233,956)	(1,012,417,855)
Other post-employment benefits obligations	(772,731,539)	(776,186,564)
Accrued interest payable	(14,167,988)	(16,682,892)
Total net position – governmental activities	$28,184,051,411	$27,677,691,294

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

Statements of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Years Ended June 30, 2019 and 2018

	2019				
	State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Fuel taxes	$ 512,096,886	$ 111,570	$ ---	$ 245,076	$ 512,453,532
Sales taxes	1,967,991	173,137,348	177,857,331	10,701,636	363,664,306
Licenses, fees and permits	215,586,601	105,977,764	---	3,027,836	324,592,201
Intergovernmental/cost reimbursements/miscellaneous	2,854,099	49,435,908	---	1,420,530	53,710,537
Investment earnings	1,334,963	20,377,346	2,222,515	284,681	24,219,505
American Recovery and Reinvestment Act	---	---	12,379,401	---	12,379,401
State government	---	---	---	19,493,781	19,493,781
Federal government	---	879,022,017	---	80,079,170	959,101,187
Total revenues	733,840,540	1,228,061,953	192,459,247	115,252,710	2,269,614,450
Expenditures					
Current					
Administration	---	61,251,448	---	---	61,251,448
Fleet, facilities and information systems	---	43,427,837	---	---	43,427,837
Maintenance	---	451,493,502	---	19,418,320	470,911,822
Construction	---	254,928,573	---	---	254,928,573
Multimodal operations	---	622,367	---	93,560,372	94,182,739
Capital outlay	---	834,922,483	---	136,983	835,059,466
Debt service	---	100,963,590	201,261,266	---	302,224,856
Other state agencies	260,140,438	---	---	---	260,140,438
Total expenditures	260,140,438	1,747,609,800	201,261,266	113,115,675	2,322,127,179
Excess of revenues over (under) expenditures	473,700,102	(519,547,847)	(8,802,019)	2,137,035	(52,512,729)
Other Financing Sources (Uses)					
Payment to escrow agent		(111,483,004)			(111,483,004)
Refunding bonds issued		102,705,000			102,705,000
Premium on bonds		9,148,442			9,148,442
Capital asset sales	---	5,307,370	---	---	5,307,370
Transfers in	---	487,871,787	---	---	487,871,787
Transfers out	(487,871,787)	---	---	---	(487,871,787)
Total other financing sources (uses)	(487,871,787)	493,549,595	---	---	5,677,808
Net Changes in Fund Balances	(14,171,685)	(25,998,252)	(8,802,019)	2,137,035	(46,834,921)
Fund Balances, beginning of year	118,316,884	703,478,431	64,707,197	19,108,976	905,611,488
Fund Balances, end of year	$ 104,145,199	$ 677,480,179	$ 55,905,178	$ 21,246,011	$ 858,776,567

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

2018				
State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
$ 520,888,087	$ 124,213	$ ---	$ 260,531	$ 521,272,831
1,595,140	179,985,720	184,927,517	12,256,726	378,765,103
205,368,456	106,029,014	---	2,675,764	314,073,234
2,594,489	72,222,437	---	2,205,696	77,022,622
580,115	6,901,157	930,421	141,146	8,552,839
---	7,908,228	4,709,172	---	12,617,400
---	---	---	13,911,843	13,911,843
---	950,129,366	---	69,464,632	1,019,593,998
731,026,287	1,323,300,135	190,567,110	100,916,338	2,345,809,870
---	55,773,133	---	---	55,773,133
---	40,277,834	---	---	40,277,834
---	458,697,895	---	16,215,816	474,913,711
---	283,592,613	---	---	283,592,613
---	856,107	---	86,596,022	87,452,129
---	854,430,557	---	440,372	854,870,929
---	120,122,190	182,388,151	---	302,510,341
255,141,563	---	---	---	255,141,563
255,141,563	1,813,750,329	182,388,151	103,252,210	2,354,532,253
475,884,724	(490,450,194)	8,178,959	(2,335,872)	(8,722,383)
---	---	---	---	---
---	---	---	---	---
---	---	---	---	---
---	9,087,356	---	1,650	9,089,006
---	461,293,261	---	---	461,293,261
(461,281,574)	---	---	(11,687)	(461,293,261)
(461,281,574)	470,380,617	---	(10,037)	9,089,006
14,603,150	(20,069,577)	8,178,959	(2,345,909)	366,623
103,713,734	723,548,008	56,528,238	21,454,885	905,244,865
$ 118,316,884	$ 703,478,431	$ 64,707,197	$ 19,108,976	$ 905,611,488

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, 2019 and 2018

	2019	2018 (as restated)
Net changes in fund balances – total governmental funds	$ (46,834,921)	$ 366,623
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 ($835,059,466 and $854,870,929 for 2019 and 2018, respectively) exceed depreciation ($545,752,607 and $520,619,876 for 2019 and 2018, respectively) in the current period.	289,306,859	334,251,053
In the statements of activities, only the loss 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 position differs from the change in fund balance by the book value of the assets sold.	(19,826,779)	(20,763,763)
Certain revenues in the statements of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(7,011,570)	(1,353,070)
Certain pension related expenses, not applicable to the current period, are reported as deferred outflows of resources in the government-wide financial statements.	131,131,377	127,842,895
Certain OPEB related expenses, not applicable to the current period, are reported as deferred outflows of resources in the government-wide financial statements.	17,734,072	17,146,161
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 position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Principal Repayments	209,390,798	200,236,710
Bonds issued	(102,705,000)	---
Bond reacquisition price	111,483,004	---
Bond premium	(9,148,442)	---
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	(1,128,496)	(177,999)
Interest expense recognition	17,253,407	19,355,021
Claims and judgments	1,063,900	(1,561,400)
Pension expense	(85,991,243)	(76,745,655)
Other post-employment benefits obligations	(28,668,711)	(38,288,726)
Pollution remediation obligations	---	(4,000)
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	18,458,770	5,180,666
Self insurance plan	11,853,092	(632,651)
Changes in net position – governmental activities	$ 506,360,117	$564,851,865

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

Statements of Net Position
Proprietary Funds
June 30, 2019 and 2018

	Internal Service Funds	
	2019	**2018**
Assets		
Current assets		
Cash and cash equivalents	$ 20,769,929	$ 18,936,706
Investments	26,405,247	12,517,039
Restricted investments	100,000	300,000
Miscellaneous receivables	3,055,840	2,952,662
Total current assets	50,331,016	34,706,407
Noncurrent assets		
Investments	120,582,936	114,642,214
Restricted investments	200,000	---
Total noncurrent assets	120,782,936	114,642,214
Total assets	171,113,952	149,348,621
Liabilities		
Current liabilities		
Accounts payable	2,483,016	1,512,063
Unearned revenue	9,316,849	9,736,699
Pending self insurance claims	17,461,000	18,800,000
Incurred but not reported claims	16,033,000	17,945,000
Total current liabilities	45,293,865	47,993,762
Noncurrent liabilities		
Pending self insurance claims	37,528,093	44,352,727
Incurred but not reported claims	13,824,000	12,846,000
Total noncurrent liabilities	51,352,093	57,198,727
Total liabilities	96,645,958	105,192,489
Net Position		
Restricted net position	300,000	300,000
Unrestricted net position	74,167,994	43,856,132
Total net position	$ 74,467,994	$ 44,156,132

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

Statements of Revenues, Expenses and Changes in Net Position

Proprietary Funds

Years Ended June 30, 2019 and 2018

	Internal Service Funds	
	2019	**2018**
Operating Revenues		
Self insurance premiums		
Highway workers' compensation	$ 6,000,000	$ 6,000,000
Highway patrol workers' compensation	2,400,000	2,400,000
Highway fleet vehicle liability	2,000,000	1,400,000
Highway general liability	9,000,000	10,500,000
Medical insurance premiums		
State	94,206,827	91,005,733
Member	47,665,381	47,072,328
Other	10,083,161	10,986,553
Total operating revenues	171,355,369	169,364,614
Operating Expenses		
Self insurance programs		
Highway workers' compensation	9,132,232	7,120,556
Highway patrol workers' compensation	2,984,337	3,585,391
Highway fleet vehicle liability	888,293	1,142,855
Highway general liability	(1,606,046)	8,331,203
Other	1,057,615	1,135,162
Medical and life insurance program		
Insurance premiums	6,584,534	7,238,950
Medical benefits	88,849,447	99,507,539
Prescription drug benefits	32,054,913	30,038,517
Professional fees	1,123,360	950,162
Administrative services	6,259,135	5,901,779
Total operating expenses	147,327,820	164,952,114
Operating income (loss)	24,027,549	4,412,500
Nonoperating Revenues		
Net appreciation and investment income	6,284,313	135,515
Total nonoperating revenues	6,284,313	135,515
Changes in Net Position	30,311,862	4,548,015
Net Position, beginning of year	44,156,132	39,608,117
Net Position, end of year	$ 74,467,994	$ 44,156,132

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

Statements of Cash Flows

Proprietary Funds

Years Ended June 30, 2019 and 2018

	Internal Service Funds	
	2019	**2018**
Cash Flows From Operating Activities		
Receipts from interfund services provided	$ 171,290,042	$ 169,376,613
Payments for interfund services used	(148,405,194)	(157,161,733)
Payments to suppliers	(7,469,159)	(8,548,263)
Net cash provided by (used in) operating activities	15,415,689	3,666,617
Cash Flows From Investing Activities		
Proceeds from sale and maturities of investments	40,438,719	31,600,406
Purchases of investments	(57,297,378)	(41,644,242)
Interest received	3,408,604	2,754,461
Investment fees	(132,411)	(125,395)
Net cash provided by (used in) investing activities	(13,582,466)	(7,414,770)
Net increase (decrease) in cash and cash equivalents	1,833,223	(3,748,153)
Cash and Cash Equivalents, beginning of year	18,936,706	22,684,859
Cash and Cash Equivalents, end of year	$ 20,769,929	$ 18,936,706
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	$ 24,027,549	$ 4,412,500
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Receivables	(65,328)	11,999
Accounts and claims payable	(8,126,681)	(1,493,795)
Unearned revenue	(419,851)	735,913
Net cash provided by (used in) operating activities	$ 15,415,689	$ 3,666,617
Noncash Items Impacting Recorded Assets		
Increase (decrease) in fair value of investments	$ 2,970,270	$ (2,577,542)

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

Statements of Assets and Liabilities
Fiduciary Funds – Agency
June 30, 2019 and 2018

	Agency Funds	
	2019	**2018**
Assets		
Restricted cash and cash equivalents	$ 43,835,749	$ 38,479,826
Other	21,417	13,437
Total assets	$ 43,857,166	$ 38,493,263
Liabilities		
Due to other governments	$ 10,687,888	$ 8,104,304
Advances from other governments	33,169,278	30,388,959
Total liabilities	$ 43,857,166	$ 38,493,263

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

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Notes to the Financial Statements

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INDEX FOR THE NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

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, 61, and 80, 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; therefore, these financial statements do not purport to, and do not present fairly the financial position of the State of Missouri and the changes in its financial position and cash flows, where applicable. 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.oa.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 58 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, certain pension and other postemployment benefits (OPEB) contributions, other pension and OPEB related deferrals and asset retirement obligations 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 and OPEB obligations include pension and OPEB contributions made to the plan between the measurement date of the pension and OPEB obligations and the end of the fiscal year, differences between projected and actual earnings on pension plan investments and the change in proportional share of MoDOT's participation in the plans. Asset retirement obligations are reported as deferred outflows of resources to be recognized in future years as the disposal costs of nuclear gauges are incurred.

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 and OPEB obligations that are amortized over future periods. Pension-related items that impact deferred inflows of resources in the government-wide financial statements include changes in actuarial assumptions, investment income and demographic/economic assumptions. Other post-employment benefits items that affect deferred inflows of resources include changes in actuarial assumptions. Deferred inflows of resources presented in the government-wide financial statements also include gains on bond refundings amortized over the life of the bond, which is recognized in 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 $34,007,798 and $32,879,302 as of June 30, 2019 and 2018, 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. Bond issuance costs are expensed when paid.

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. Asset Retirement Obligations

The Department's financial statements reflect the accrual of asset retirement obligations. The Department's obligation to reitre nuclear gauge capital assets totaled $43,955 as of June 30, 2019. Nuclear gauges are used to measure physical properties of materials during construction projects. Nuclear density gauges are used to measure density of fill materials to ensure that the embankment, subgrade or other earthwork structures are built within specification to support its intended design load. The nuclear asphalt content gauges are used to determine asphalt content of our mixes to ensure contractor mixes meet design specification. All types of nuclear gauges have the anticipated useful life of 15 years.

11. 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.

12. Other Post-employment Benefits

Other post-employment benefit-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 actuary. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit term.

13. Fund Balances

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

Nonspendable – This consists of State Road Fund balances of $32,865,425 and $33,738,446 at June 30, 2019 and 2018, respectively, representing inventories held.

Unassigned – This consists of deficit fund balances in the Multimodal Federal Fund of $677,799 and $328,395 as of June 30, 2019 and 2018, respectively. Under the modified accrual basis of accounting, fund payables are recorded as expenditures when incurred; however, due to the timing of receipts, the corresponding federal revenue was deferred, resulting in a negative fund balance.

Restricted – This consists of fund balances that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. Total restricted fund balances of $826,588,941 and $872,201,437 at June 30, 2019 and 2018, 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, 2019 and 2018, $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, 2019 and June 30, 2018, $841,729,768 and $854,850,945, respectively, were a result of the inclusion of the net pension liability and other post-employment benefits 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, 2019 and 2018, the Department's portfolio of non-pooled funds had $147,188,183 and $127,359,253, respectively, of uninsured, unregistered investments held in the Commission's or State's name. Also at June 30, 2019 and 2018, the Department had book balances of $20,754,060 and $18,934,586, respectively, and bank balances of $22,690,794 and $19,351,561, 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, 2019 and June 30, 2018, the total non-pooled investments of $146,969,496 and $127,144,590, 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, 2019 and 2018, 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, 2019, the Department's cash and investments consisted of the following:

	State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Nonmajor Funds	Internal Service Funds	Agency Funds
Cash and investments:						
Cash and investments pooled in the State Treasury	$ 6,685,965	$652,347,617	$38,445,008	$23,863,122	$ ---	$ ---
Cash deposited with banks	---	---	---	---	13,124	---
U.S. agency obligations	---	---	---	---	146,969,496	---
U.S. Treasury obligations	---	---	---	---	18,687	---
Repurchase agreements	---	---	---	---	20,756,804	---
Total	$ 6,685,965	$652,347,617	$38,445,008	$23,863,122	$167,758,111	$ ---
Restricted assets:						
Cash and investments pooled in the State Treasury	$ ---	$ 18,558,500	$ ---	$ ---	$ ---	$ ---
Cash and investments pooled with the Mo. Dept. of Revenue	---	---	---	---	---	10,666,471
Cash deposited with banks	---	---	---	---	---	33,169,278
U.S. Treasury obligations	---	---	---	---	200,000	---
Certificate of deposit	---	---	---	---	100,000	---
Total	$ ---	$ 18,558,500	$ ---	$ ---	$ 300,000	$43,835,749

At June 30, 2018, 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	$16,935,418	$628,869,859	$47,163,389	$19,113,882	$ ---	$ ---
Cash deposited with banks	---	---	---	---	2,120	---
U.S. agency obligations	---	---	---	---	127,144,590	---
U.S. Treasury obligations	---	---	---	---	14,662	---
Repurchase agreements	---	---	---	---	18,934,586	---
Total	$16,935,418	$628,869,859	$47,163,389	$19,113,882	$146,095,958	$ ---
Restricted assets:						
Cash and investments pooled in the State Treasury	$ ---	$ 67,548,500	$ ---	$ ---	$ ---	$ ---
Cash and investments pooled with the Mo. Dept. of Revenue	---	---	---	---	---	8,090,867
Cash deposited with banks	---	---	---	---	---	30,388,959
U.S. Treasury obligations	---	---	---	---	200,000	---
Certificate of deposit	---	---	---	---	100,000	---
Total	$ ---	$ 67,548,500	$ ---	$ ---	$ 300,000	$38,479,826

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, 2019, MoDOT's investments held in depository banks have the following average maturities and ratings:

	Rating			Investment Maturities (in years)			Fair Value Measurements	
Investment by Type	Moody's	S&P	Total Investments	Less than 1 year	1-5 years	6-10 years	Level 1	Level 2
Repurchase agreements	Aaa	AA+	$ 20,756,804	$20,756,804	$ ---	$ ---	$ ---	$ 20,756,804
U.S. Treasury obligations	Aaa	AA+	218,687	---	218,687	---	218,687	---
U.S. agency obligations	Aaa	AA+	146,969,496	26,405,247	120,564,249	---	---	146,969,496
			$167,944,987	$47,162,051	$120,782,936	$ ---	$218,687	$167,726,300

At June 30, 2018, MoDOT's investments held in depository banks have the following average maturities and ratings:

	Rating			Investment Maturities (in years)			Fair Value Measurements	
Investment by Type	Moody's	S&P	Total Investments	Less than 1 year	1-5 years	6-10 years	Level 1	Level 2
Repurchase agreements	Aaa	AA+	$ 18,934,586	$18,934,586	$ ---	$ ---	$ ---	$ 18,934,586
U.S. Treasury obligations	Aaa	AA+	214,662	214,662	---	---	214,662	---
U.S. agency obligations	Aaa	AA+	127,144,590	12,502,376	112,121,796	2,520,418	---	127,144,590
			$146,293,838	$31,651,624	$112,121,796	$2,520,418	$214,662	$146,079,176

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 $467,354 and $748,291 at June 30, 2019 and 2018, 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, 2019 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	$105,884,151	$ 23,315,412	$17,249,301	$ 795,944
Federal government	---	72,718,790	---	7,558,253
Miscellaneous:				
Reimbursements	1,008,806	16,462,475	---	6,185,155
Interest	217,731	2,586,418	210,869	36,151
Contributions	---	---	---	---
Total miscellaneous	1,226,537	19,048,893	210,869	6,221,306
Loans	---	---	---	1,159,830
Total receivables	$107,110,688	$115,083,095	$17,460,170	$15,735,333

Receivables at June 30, 2018 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	$109,975,245	$ 23,479,267	$17,395,311	$ 1,116,993
Federal government	---	81,378,611	---	4,956,335
Miscellaneous:				
Reimbursements	789,254	17,953,781	---	4,793,825
Interest	121,100	1,667,277	148,497	39,471
Contributions	---	---	---	---
Total miscellaneous	910,354	19,621,058	148,497	4,833,296
Loans	---	---	---	1,457,681
Total receivables	$110,885,599	$124,478,936	$17,543,808	$12,364,305

Internal Service Funds	Total	Due Within One Year
$ ---	$ 147,244,808	$ 147,244,808
---	80,277,043	80,277,043
653,903	24,319,544	20,801,914
416,062	3,458,026	3,458,026
1,985,875	1,985,875	1,985,875
3,055,840	29,763,445	26,245,815
---	1,159,830	195,973
$ 3,055,840	$ 258,445,126	$ 253,963,639

Internal Service Funds	Total	Due Within One Year
$ ---	$ 151,966,816	$ 151,966,816
---	86,334,946	86,334,946
589,207	24,126,067	20,690,567
378,212	2,354,557	2,354,557
1,985,243	1,985,243	1,985,243
2,952,662	28,465,867	25,030,367
---	1,457,681	297,287
$ 2,952,662	$ 268,225,310	$ 263,629,416

Note 4: Capital Assets

Changes in capital assets for the year ended June 30, 2019 are summarized below:

	Beginning Balance	Additions	Deletions/ Retirements	Transfers	Ending Balance
Nondepreciable capital assets					
Land and permanent easements	$ 2,634,208,246	$ 329,190	$ 9,457,275	$ 823,932	$ 2,625,904,093
Software in progress	4,670,249	1,349,889	---	(1,347,330)	4,672,808
Construction in progress	13,802,273	10,508,427	---	(3,125,848)	21,184,852
Infrastructure in progress	1,550,463,759	783,729,677	---	(633,834,705)	1,700,358,731
Total nondepreciable capital assets	4,203,144,527	795,917,183	9,457,275	(637,483,951)	4,352,120,484
Depreciable/amortizable capital assets					
Land improvements	30,613,300	65,657	281,930	---	30,397,027
Buildings	284,352,046	2,856,049	2,581,018	2,301,916	286,928,993
Software	33,046,135	1,581,555	68,794	1,347,330	35,906,226
Equipment and vehicles	549,831,770	34,639,022	22,429,450	---	562,041,342
Temporary easements	1,491,872	---	971,775	---	520,097
Infrastructure	50,808,506,591	---	75,885,026	633,834,705	51,366,456,270
Total depreciable/amortizable capital assets	51,707,841,714	39,142,283	102,217,993	637,483,951	52,282,249,955
Accumulated depreciation/amortization					
Land improvements	16,628,869	1,168,749	125,282	---	17,672,336
Buildings	133,688,700	7,892,986	1,767,296	---	139,814,390
Software	24,013,121	3,210,677	68,794	---	27,155,004
Equipment and vehicles	344,019,972	31,124,893	21,266,492	---	353,878,373
Temporary easements	725,934	497,291	971,775	---	251,450
Infrastructure	24,961,412,710	501,858,011	67,648,850	---	25,395,621,871
Total accumulated depreciation/amortization	25,480,489,306	545,752,607	91,848,489	---	25,934,393,424
Total depreciable/amortizable capital assets, net	26,227,352,408	(506,610,324)	10,369,504	637,483,951	26,347,856,531
Total net capital assets	$30,430,496,935	$ 289,306,859	$ 19,826,779	$ ---	$30,699,977,015

Changes in capital assets for the year ended June 30, 2018, as restated, are summarized below:

Beginning Balance (as restated)	Additions	Deletions/ Retirements	Transfers	Ending Balance (as restated)
$ 2,636,340,552	$ 181,216	$ 5,348,165	$ 3,034,643	$ 2,634,208,246
3,346,615	3,005,581	---	(1,681,947)	4,670,249
16,739,104	6,418,342	---	(9,355,173)	13,802,273
1,478,649,496	800,003,458	---	(728,189,195)	1,550,463,759
4,135,075,767	809,608,597	5,348,165	(736,191,672)	4,203,144,527
30,583,162	77,133	51,496	4,501	30,613,300
275,116,354	3,803,744	884,081	6,316,029	284,352,046
31,605,404	1,489,362	1,730,578	1,681,947	33,046,135
536,316,174	39,606,247	26,090,651	---	549,831,770
1,508,642	285,846	302,616	---	1,491,872
50,156,855,442	---	76,538,046	728,189,195	50,808,506,591
51,031,985,178	45,262,332	105,597,468	736,191,672	51,707,841,714
15,470,966	1,194,837	36,934	---	16,628,869
126,034,862	8,217,675	563,837	---	133,688,700
22,433,347	3,136,704	1,556,930	---	24,013,121
338,730,842	29,780,333	24,491,203	---	344,019,972
525,669	502,881	302,616	---	725,934
24,546,855,614	477,787,446	63,230,350	---	24,961,412,710
25,050,051,300	520,619,876	90,181,870	---	25,480,489,306
25,981,933,878	(475,357,544)	15,415,598	736,191,672	26,227,352,408
$ 30,117,009,645	$ 334,251,053	$ 20,763,763	$ ---	$30,430,496,935

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 $2,865,330 and $2,804,046 for all claims arising out of a single accident or occurrence, and $429,799 and $420,606 for any one person in a single accident or occurrence, at June 30, 2019 and 2018, 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 three years are:

	Beginning Balance	Current Claims and Estimate Changes	Claim Payments	Ending Balance
2019	$81,443,727	$11,398,816	$17,596,450	$75,246,093
2018	82,576,362	20,180,005	21,312,640	81,443,727
2017	90,646,358	8,307,395	16,377,391	82,576,362

(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 $1,035,000 and $2,098,900 in claims and judgments payable at June 30, 2019 and 2018, 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 $3,675,000 and $5,113,900 as of June 30, 2019 and 2018, respectively. These estimates are within a range of $1,750,000 to $9,112,200 and $2,393,900 to $8,463,900 as of June 30, 2019 and 2018, 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 $9,600,000 and $12,500,000 were reported in the Medical and Life Insurance Plan as of June 30, 2019 and 2018, 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 three years are:

	Beginning Balance	Current Claims and Estimate Changes	Claim Payments	Ending Balance
2019	$12,500,000	$120,904,359	$123,804,359	$ 9,600,000
2018	12,300,000	129,546,056	129,346,056	12,500,000
2017	9,800,000	128,321,901	125,821,901	12,300,000

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 reduced 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 2019 and 2018 were 58.0 percent and 58.0 percent, respectively, of eligible (covered) payroll. Required employer contributions totaling $130,420,220 and $127,168,503 for fiscal years 2019 and 2018, 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 2019 contribution rate was based on a 7-year closed amortization period for unfunded retiree liabilities and a 22-year closed amortization period for other unfunded liabilities.

(B) Actuarial Information

The total pension liability was determined by actuarial valuations as of June 30, 2018 and 2017, using the following actuarial assumptions, applied to all prior periods included in the measurements:

	2018	2017
Inflation	2.25%	3.00%
Salary increases	3.00% to 12.45%	3.50% to 11.00%
Investment rate of return	7.00%	7.75%
Cost-of-living adjustments	1.80% compound	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 2018 and 2017 valuations were based on the results of an actuarial experience study for the period July 1, 2012 – June 30, 2017.

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, 2018 and 2017:

Asset Class	Target Allocation
Global equity	30.0%
Private equity	15.0
Fixed income	20.0
Real assets	7.5
Real estate	10.0
Hedge funds	10.0
Opportunistic debt	7.5
Cash	0.0

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, 2018 and 2017 are summarized in the following table:

Asset Class	2018	2017
Global equity	4.75%	4.80%
Private equity	6.50	6.50
Fixed income	0.25	0.50
Opportunistic debt	4.00	4.50
Real assets	4.75	4.75
Real estate	2.75	2.75
Hedge funds	2.75	2.75

A single discount rate of 7.0 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 7.0 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 7.0 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, 2018 and 2017.

Year	1 Percent Decrease (6.00%)	Current Discount Rate (7.00%)	1 Percent Increase (8.00%)
2019	$1,335,538,645	$1,040,233,956	$793,884,727
Year	**1 Percent Decrease (6.75%)**	**Current Discount Rate (7.75%)**	**1 Percent Increase (8.75%)**
2018	$1,287,001,967	$1,012,417,855	$782,743,516

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

The Department reported a liability of $1,040.2 million and $1,012.4 million for its proportionate share of the net pension liability at June 30, 2019 and 2018, respectively. The net pension liability was measured as of June 30, 2018 and June 30, 2017, 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, 2018 and 2017, the Department's proportion was 62.39 percent and 62.01 percent, respectively, which was an increase of 0.38 percent from the measurement period of June 30, 2017 to June 30, 2018 and a decrease from the measurement period of June 30, 2016 to June 30, 2017 of 0.02 percent. The Department recognized pension expense of $85.9 million and $76.7 million for the years ended June 30, 2019 and 2018, respectively.

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

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ ---	$38,779,374	$ ---	$34,577,149
Changes in proportion and differences between employer contributions and share of contributions	4,917,777	3,266,165	---	10,859,524
Net difference between projected and actual investment earnings on pension plan investment	---	708,522	6,493,361	---
Changes in Actuarial Assumptions	68,597,491	---	---	---
Contributions subsequent to measurement date	130,420,220	---	127,168,503	---
Total	$203,935,488	$42,754,061	$133,661,864	$45,436,673

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:

Year Ending	2019 Net Deferred Outflows of Resources	2018 Net Deferred Inflows of Resources
2019	$ ---	$29,832,568
2020	13,408,123	(820,526)
2021	12,961,312	(391,600)
2022	2,186,823	10,315,163
2023	2,204,949	---
Total	$30,761,207	$38,935,605

Note 8: Other Post-Employment Benefits (OPEB)

(A) General Information about the OPEB Plan

1. Plan Description

The Department provides a portion of healthcare insurance through the Medical and Life Insurance Plan, as discussed in Note 6, Medical and Life Insurance Plan, in accordance with Section 104.270, RSMo. As part of the Medical and Life Insurance Plan, health care benefits are provided to both active employees and retirees. For purposes of reporting OPEB costs and obligations in accordance with GASB Statement 75, the OPEB Insurance Plan (the Plan) is disclosed within the state of Missouri reporting entity as a single employer plan. In the Department's financial report the Plan is reported as a cost sharing multiple employer plan, as it includes the Department; Missouri State Highway Patrol; and the MoDOT and Patrol Employees Retirement System (MPERS). Only the Department's proportionate share is shown on the Department's financial statements.

The Plan is not a separate legal entity and is self-insured. The Plan does not maintain assets in a trust and pays expenses on a pay-as-you-go basis; therefore, many of the requirements in the GASB Statement 75 are not applicable. The criteria for a special funding situation are not met. The plan assets are neither legally protected from creditors nor are they dedicated to providing OPEB benefits. The Department has no legal obligation to pay the benefits.

2. Benefits Provided

Eligible members are employees who retire from the Department who participated in the Medical and Life Insurance Plan when they were an active employee and had a minimum of five years creditable service. The Plan provides healthcare insurance benefits. Coverage categories include retirees, certain disabled employees, spouses, certain dependents and survivors of deceased employees and retirees.

Participants covered by the Plan at June 30, 2018:	
Retirees or beneficiaries currently receiving benefit payments	4,776
Retirees entitled to but not yet receiving benefit payments	76
Active employees	5,160
Total participants	10,012

3. Contributions

The medical insurance benefits and employer and member contribution amounts are recommended by the Medical and Life Insurance Plan's Board of Trustees and are approved by the Commission. The Commission contributes a percentage of medical premiums for retirees. For those who retired on or prior to January 1, 2015, an amount ranging from 40-57 percent of the premium is contributed, dependent on the level of coverage. 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 percent of the total premium, with the retiree responsible for the remaining balance of the premiums. Required employer contributions totaling $17,623,418 and $17,146,161 were made for fiscal years 2019 and 2018, respectively.

(B) Actuarial Information

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using a measurement date of July 1, 2018 and July 1, 2017, respectively. The following actuarial assumptions and other inputs, applied to all periods included in the measurement:

	2019	2018
Inflation	2.00%	2.00%
Salary increases	2.50%	2.50%
Discount rate	3.87%	3.58%
Healthcare cost trend rates:	7.70% for 2018, decreasing to 4.60% through 2025	8.40% for 2017, decreasing to 4.60% through 2025
Retirees' share of benefit-related costs:	43-90% of projected health insurance premiums for retirees.	43-90% of projected health insurance premiums for retirees.

The inflation rate was based on the actuary's long-term estimate of inflation as of July 1, 2016 and 2017. The salary increases were based on projected salaries, which include COLA's, provided by the Department. The discount rate was based on Bond Buyer General Obligation 20-Bond Municipal Bond Index. Mortality rates were based on the 2018 Pub-2010 Public Retirement Plans Safety Employees Mortality Table weighted by Headcount project by MP-2018 and the RP 2014 Employees and Health Annuitants Mortality table, headcount weighted, fully generational projected by Scale MP-2016 for July 1, 2018 and July 1, 2017, respectively. The actuarial assumptions used in July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2017 through June 30, 2018. Changes of assumptions and other inputs reflect a change in the discount rate from 3.58 percent in 2018 to 3.87 percent in 2019.

The following presents the impact of interest rate sensitivity on the total OPEB liability for the fiscal years ended June 30, 2019 and 2018 for discount rates of 3.87% and 3.58%, respectively, using a discount rate that is one-percentage-point lower or one-percentage-point higher than the discount rate for each respective year.

Year	1 Percent Decrease (2.87%)	Current Discount Rate (3.87%)	1 Percent Increase (4.87%)
2019	$923,196,579	$772,731,539	$656,597,342
Year	**1 Percent Decrease (2.58%)**	**Current Discount Rate (3.58%)**	**1 Percent Increase (4.58%)**
2018	$932,741,416	$776,186,564	$655,597,342

The following illustrates the impact of healthcare cost trend sensitivity on the total OPEB liability for the Department for fiscal year ending June 30, 2019.

Measurement Date July 1, 2018	1 Percent Decrease (6.70%)	Current Trend Rates (7.70%)	1 Percent Increase (8.70%)
Total OPEB liability	$656,829,737	$772,731,539	$955,201,587
Plan fiduciary net position	---	---	---
Total OPEB liability	$656,829,737	$772,731,539	$955,201,587

The following illustrates the impact of healthcare cost trend sensitivity on the total OPEB liability for the Department for fiscal year ending June 30, 2018.

Measurement Date July 1, 2017	1 Percent Decrease (7.40%)	Current Trend Rates (8.40%)	1 Percent Increase (9.40%)
Total OPEB liability	$641,071,461	$776,186,564	$955,811,177
Plan fiduciary net position	---	---	---
Total OPEB liability	$641,071,461	$776,186,564	$955,811,177

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

The Department's total OPEB Liability is $772,731,539 and $776,186,564 at June 30, 2019 and 2018, respectively. The measurement date of the liability for June 30, 2019 was July 1, 2018. The liability was ased on the population of each employer.

	2019	2018
Beginning Balance	$ 776,186,564	$ 845,951,873
Changes for the year		
Service Cost	25,560,565	31,491,632
Changes of benefit terms	---	---
Differences between expected and actual experience	(1,758,191)	---
Interest	27,481,298	24,779,355
Changes in assumptions or other inputs	(37,481,882)	(110,051,435)
Benefit payments	(17,256,815)	(15,984,861)
Net changes	(3,455,025)	(69,765,309)
Balance, June 30, 2019	$ 772,731,539	$ 776,186,564

(D) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019 and 2018, the Department recognized total OPEB expense of $28,688,711 and $38,288,726, respectively. A breakdown of the OPEB expense is provided below.

	2019	2018
Reconciliation of OPEB Expense		
Beginning Balance	$ ---	$ ---
Service Cost	25,560,565	31,491,632
Interest	27,481,298	24,779,355
Amortization of Deferred Inflow Changes in Assumptions	(24,086,802)	(17,982,261)
Amortization of Deferred Inflow Changes in Liability (Gain)/Loss	(286,350)	---
Total OPEB expenses	$ 28,668,711	$ 38,288,726

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

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ ---	$ (1,471,841)	$ ---	$ ---
Changes of assumptions or other inputs		(105,464,254)	---	(92,069,174)
Contributions subsequent to measurement date	17,623,418	---	17,146,161	---
Total	$ 17,623,418	$ (106,936,095)	$ 17,146,161	$ (92,069,174)

Amounts reported as deferred inflows of resources related to OPEB will be recognized as a reduction of OPEB expense as follows:

Years ended June 30:

Year	2019	2018
2019	$ ---	$(17,982,261)
2020	(24,373,152)	(17,982,261)
2021	(24,373,152)	(17,982,261)
2022	(24,373,152)	(17,982,261)
2023	(24,373,152)	(17,982,261)
2024	(8,548,760)	(2,157,869)
2025-2029	(894,727)	---
Total	$(106,936,095)	$(92,069,174)

Note 9: Financing and Other Obligations

Changes in long-term obligations for the year ended June 30, 2019 were as follows:

Obligation	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
State road bonds	$1,832,370,000	$ 102,705,000	$320,655,000	$ 1,614,420,000	$168,600,000
Notes issued	644,499	---	---	644,499	---
Capital leases	36,822	---	35,798	1,024	1,024
Claims and judgments	2,098,900	50,000	1,113,900	1,035,000	600,000
Compensated absences	32,879,302	24,750,691	23,622,195	34,007,798	23,622,195
Pollution remediation	4,000	---	---	4,000	---
Asset retirement obligations	---	43,955	---	43,955	---
	$1,868,033,523	$ 127,549,646	$345,426,893	$ 1,650,156,276	$192,823,219
Amortization of financing activity:					
Premium				85,740,489	
				$ 1,735,896,765	

Changes in long-term obligations for the year ended June 30, 2018 were as follows:

Obligation	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
State road bonds	$ 2,032,555,000	$ ---	$ 200,185,000	$1,832,370,000	$209,355,000
Notes issued	644,499	---	---	644,499	---
Capital leases	88,532	---	51,710	36,822	35,946
Claims and judgments	537,500	1,673,900	112,500	2,098,900	2,098,900
Compensated absences	32,701,303	22,858,755	22,680,756	32,879,302	22,680,756
Pollution remediation	---	6,500	2,500	4,000	---
	$ 2,066,526,834	$ 24,539,155	$ 223,032,466	$ 1,868,033,523	$ 234,170,602
Amortization of financing activity:					
Premium				104,089,738	
				$ 1,972,123,261	

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

	2019	2018
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.	$ ---	$61,200,000
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. Defeased in 2019.	---	78,260,000
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. Defeased in 2019.	---	62,620,000
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.	241,145,000	261,325,000
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.	29,505,000	42,160,000
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	65,770,000
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.	529,265,000	550,250,000

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.	$ 185,520,000	$ 250,275,000
Series A 2019 Federal Reimbursement Refunding State road bonds, originally issued for $102,705,000, to current refund certain portions of Series A 2008 and Series A 2009 Federal Reimbursement State Road bonds; due in annual installments of $10,000,000 to $30,410,000 beginning May 1, 2020 through 2025; interest of 5.00 percent; secured by revenues collected from federal highway reimbursements.	102,705,000	---
	$1,614,420,000	$1,832,370,000

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, A 2010 and A 2019 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.

Fiscal Year	Principal Due	Interest Due	Total Due
2020	$ 168,600,000	$ 81,887,159	$ 250,487,159
2021	181,465,000	73,934,988	255,399,988
2022	195,215,000	64,942,492	260,157,492
2023	198,550,000	55,357,534	253,907,534
2024	173,200,000	45,512,942	218,712,942
2025-2029	533,090,000	112,840,317	645,930,317
2030-2034	164,300,000	22,755,472	187,055,472
	$1,614,420,000	$ 457,230,904	$2,071,650,904

4. Pledged Revenues

Pledged revenues for the year ended June 30, 2019 were as follows:

(Amounts in thousands)

Bond Lien Type	Principal	Interest	Total Debt Service	Pledged Revenue Type[4]	Net Pledged Revenue	Term of Commitment
Senior Lien[1]	$ 61,200	$ 6,347	$ 67,547	Article IV, Section 30(b) of the Missouri Constitution	$ 607,676	2019 – 2023
Federal Reimbursement[2]	42,235	24,849	67,084	Federal Highway Reimbursements	780,220	2019 – 2033
First, Second, Third Lien[3]	105,920	48,836	154,756	Article IV, Section 30(b) of the Missouri Constitution	718,133	2019 – 2029
	$209,355	$80,032	$ 289,387		$2,106,029	

[1] Bonds issued 2006 (2006 Ref), 2010 (2010 C)
[2] Bonds issued 2008 (2008 A), 2009 (2009 A, 2009 B), 2010 (2010 A, 2010 B), 2019 (2019 A)
[3] Bonds issued 2014 (2014 A, 2014 B), 2009 (2009 C)
[4] Pledged revenues include collections of motor vehicle sales tax, motor fuel sales tax, licensing fees and permits.

Pledged revenues for the year ended June 30, 2018 were as follows:

(Amounts in thousands)

Bond Lien Type	Principal	Interest	Total Debt Service	Pledged Revenue Type[4]	Net Pledged Revenue	Term of Commitment
Senior Lien[1]	$ 58,455	$ 9,270	$ 67,725	Article IV, Section 30(b) of the Missouri Constitution	$ 610,162	2018 – 2023
Federal Reimbursement[2]	40,470	26,663	67,133	Federal Highway Reimbursements	823,757	2018 – 2033
First, Second, Third Lien[3]	101,260	53,490	154,750	Article IV, Section 30(b) of the Missouri Constitution	725,200	2018 – 2029
	$200,185	$89,423	$ 289,608		$2,159,119	

[1] Bonds issued 2006 (2006 Ref), 2010 (2010 C)
[2] Bonds issued 2008 (2008 A), 2009 (2009 A, 2009 B), 2010 (2010 A, 2010 B)
[3] Bonds issued 2014 (2014 A, 2014 B), 2009 (2009 C)
[4] Pledged revenues include collections of motor vehicle sales tax, motor fuel sales tax, licensing fees and permits.

5. Defeased Debt – Fiscal Year 2019

In May 2019, the Commission issued $102.7 million in State Road Bonds with an interest rate of 5.00 percent to refund $111.3 million of outstanding 2008 A and 2009 A Series State Road Bonds with average interest rates of 4.91 percent and 4.50 percent, respectively. The net proceeds of $111.5 million were deposited into an irrevocable trust with an escrow agent to purchase State and Local Government Securities (SLGS) and U. S. Treasury Notes to provide for future debt service payments of portions of the Series A 2008 and Series A 2009 bonds. As a result, those portions of the bonds are considered defeased and the liability for those bonds has been removed from the Department's government-wide statements of net position. The net carrying amount of the old debt ($112.9 million) exceeded the reacquisition price ($111.5 million) is by $1.4 million. This difference, reported in the accompanying financial statements as a deferred inflow of resources, in being charged against interest expense through 2025 using the effective-interest method. This current refunding was undertaken to reduce total debt service payments by $10.0 million and resulted in an economic gain (net present value savings) of $9.5 million. The amounts of outstanding bonds considered defeased at June 30, 2019 are as follows:

Bond Series	Principal Due
Series A 2008	$ 68,605,000
Sereis A 2009	42,695,000
Total	$111,300,000

(B) Notes Issued

1. Notes Issued Detail

	2019	2018
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
	$644,499	$644,499

2. Notes Issued Debt Maturity

Annual debt service requirements to maturity for all notes issued are indicated in the following schedule.

Fiscal Year	Principal Due	Interest Due	Total Due
2020	$ ---	$ ---	$ ---
2021	644,499	---	644,499
2022	---	---	---
2023	---	---	---
2024	---	---	---
	$644,499	$ ---	$644,499

(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:

	2019	2018
Equipment	$ 41,999	$ 140,926
Less: accumulated depreciation	41,202	102,330
Capital leased assets, net	$ 797	$ 38,596

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, 2019:

Year Ending	Future Minimum Lease Payments
2020	$1,029
2021	---
2022	---
2023	---
2024	---
Total minimum lease payments	1,029
Less: amount representing interest	5
Present value of minimum lease payments	$1,024

(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.

(E) Asset Retirement Obligations

MoDOT is required by the Nuclear Regulatory Commission – NUREG 1556 Volume 1 Rev 2 to properly dispose of all nuclear gauges used in its operations. Nuclear gauges are used to measure physical properties of materials during construction projects. Nuclear density gauges are used to measure density of fill materials to ensure that the embankment, subgrade or other earthwork structures are built within specification to support its intended design load. The nuclear asphalt content gauges are used to determine asphalt content of our mixes to ensure contractor mixes meet design specification. All types of nuclear gauges have the anticipated useful life of 15 years. As of June 30, 2019, the Department had an asset retirement obligation of $43,955.

Note 10: Tax Revenues

Tax revenues for the fiscal years 2019 and 2018 were as follows:

	State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Nonmajor Funds	Total 2019
Fuel taxes	$512,096,886	$ 111,570	$ ---	$ 245,076	$512,453,532
Sales taxes	1,967,991	173,137,348	177,857,331	10,701,636	363,664,306
Total tax revenue	$514,064,877	$173,248,918	$ 177,857,331	$10,946,712	$ 876,117,838

	State Highways and Transportation Department Fund	State Road Fund	State Road Bond Fund	Nonmajor Funds	Total 2018
Fuel taxes	$520,888,087	$ 124,213	$ ---	$ 260,531	$521,272,831
Sales taxes	1,595,140	179,985,720	184,927,517	12,256,726	378,765,103
Total tax revenue	$522,483,227	$180,109,933	$184,927,517	$12,517,257	$900,037,934

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 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, 2019 and 2018 were as follows:

	2019		2018	
	Transfers In	Transfers Out	Transfers In	Transfers Out
State Highways and Transportation Department Fund	$ ---	$487,871,787	$ ---	$461,293,261
State Road Fund	487,871,787	---	461,281,574	---
Nonmajor Funds	---	---	11,687	---
Total transfers	$487,871,787	$487,871,787	$461,293,261	$461,293,261

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, 2019 and 2018 were as follows:

	2019		2018	
	Receivable	Payable	Receivable	Payable
State Road Fund	$72,732	$ ---	$130,552	$ ---
Nonmajor Funds	---	72,732	---	130,552
Total due to/from	$72,732	$72,732	$130,552	$130,552

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, 2019 and 2018. Consequently, this potential obligation is not included in the accompanying basic financial statements. Total reimbursements made by the Department were $113,695 and $115,187 for fiscal years 2019 and 2018, respectively.

(B) Construction Commitments

The State Road Fund had construction awards outstanding for both state and federal participating projects at June 30, 2019 and 2018 amounting to approximately $718,534,519 and $697,914,728, respectively. The federal portion of this total was $597,671,895 and $587,829,137, or approximately 83.18 percent and 84.23 percent, for 2019 and 2018, respectively.

(C) Operating Leases

The Department is committed under operating leases for buildings, as well as various office and maintenance equipment. Lease expenditures for the years ended June 30, 2019 and 2018 amounted to $2,527,853 and $$3,031,918, respectively. Future minimum lease payments for these leases are as follows:

	2019	2018
Year ending:		
2019	$ ---	$153,934
2020	318,838	5,544
2021	6,846	5,544
2022	6,846	5,544
2023	5,544	5,544
2024	5,544	---
	$343,618	$176,110

(D) Federal Funding

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

Note 13: Accounting Pronouncements

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

- 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements

MoDOT implemented GASB Statement 83, Certain Asset Retirment Obligations. Under the new requirements, in addition to expanded note disclosure, the Department's financial statements reflect the accrual of asset retirement obligations. The Department's obligation to retire nuclear gauge capital assets totaled $43,955 as of June 30, 2019. Nuclear gauges are used to measure physical properties of materials during construction projects. Nuclear density gauges are used to measure density of fill materials to ensure that the embankment, subgrade or other earthwork structures are built within specification to support its intended design load. The nuclear asphalt content gauges are used to determine asphalt content of our mixes to ensure contractor mixes meet design specification. All types of nuclear gauges have the anticipated useful life of 15 years. The Department has not restated its financial statements as of and for the year ended June 30, 2018, because of the immaterial impact of the obligation to the financial statements of prior years.

Note 14: Restatements

Infrastructure

During fiscal year 2019, fiscal year 2018 infrastructure and infrastructure accumulated depreciation were restated to correct errors. The following table presents a summary of these restatements:

	As Originally Stated	Restatement	As Restated
Government-wide financial statements			
Statement of Net Position			
Assets being depreciated, net	$ 26,193,311,608	$ 34,040,800	$ 26,227,352,408
Total noncurrent assets	30,517,194,243	34,040,800	30,551,235,043
Total assets	31,624,446,897	34,040,800	31,658,487,697
Net investment in capital assets	28,498,201,439	34,040,800	28,532,242,239
Statement of Activities			
Depreciation expense	$ 531,288,925	$(10,669,049)	$ 520,619,876
Changes in Net Position	554,182,816	10,669,049	564,851,865
Net Position, beginning of year	27,089,467,678	23,371,751	27,112,839,429
Net Position, end of year	27,643,650,494	34,040,800	27,677,691,294

Required Supplementary Information

Required Supplementary Information

Budgetary Comparison Schedules – State Highways and Transportation Department Fund

Year Ended June 30, 2019
With Summarized Financial Information for 2018

	Budgeted Amounts			Variances Between Final Budget and Actual	
	Original	**Final**	**Actual**	**2019**	**2018**
Budgetary fund balance, beginning of year	$ 17,071,525	$ 17,071,525	$ 17,071,525	$ ---	$ ---
Resources (inflows)					
Fuel taxes	495,766,436	495,766,436	517,119,040	21,352,604	3,652,278
License, fees and permits	204,034,000	204,034,000	214,667,099	10,633,099	(205,915)
Vehicle sales taxes	1,932,000	1,932,000	1,952,382	20,382	(229,603)
Interest	510,832	510,832	1,098,973	588,141	428,593
Intergovernmental/cost reimbursements/miscellaneous	3,620,000	3,620,000	2,635,953	(984,047)	(1,654,876)
Amount available for appropriation	722,934,793	722,934,793	754,544,972	31,610,179	1,990,477
Charges to appropriations (outflows)					
Appropriations spent by other state agencies	308,549,975	308,549,975	259,985,097	48,564,878	31,404,326
Total charges to appropriations	308,549,975	308,549,975	259,985,097	48,564,878	31,404,326
Transfers to State Road Fund	(510,000,000)	(510,000,000)	(487,871,787)	22,128,213	48,718,426
Budgetary fund balance, end of year	$ (95,615,182)	$ (95,615,182)	$ 6,688,088	$102,303,270	$82,113,229

Required Supplementary Information

Budgetary Comparison Schedules – State Road Fund

Year Ended June 30, 2019

With Summarized Financial Information for 2018

	Budgeted Amounts			Variances Between Final Budget and Actual	
	Original	Final	Actual	Original	Final
Budgetary fund balance, beginning of year	$ 702,009,159	$ 702,009,159	$ 702,009,159	$ ---	$ ---
Resources (inflows)					
Fuel taxes	109,000	109,000	111,570	2,570	12,213
License, fees and permits	90,179,000	90,179,000	105,996,634	15,817,634	10,025,664
Vehicle sales taxes	191,102,000	191,102,000	173,255,240	(17,846,760)	(3,220,644)
Interest	7,478,247	7,478,247	13,572,089	6,093,842	4,032,047
Intergovernmental/cost reimbursements/miscellaneous	96,380,000	96,380,000	57,153,441	(39,226,559)	(13,008,672)
Federal government	992,302,000	992,606,800	882,536,331	(110,070,469)	(12,244,830)
Amount available for appropriation	2,079,559,406	2,079,864,206	1,934,634,464	(145,229,742)	(14,404,222)
Charges to appropriations (outflows)					
Administration					
Personal service	18,524,954	18,524,954	17,424,824	1,100,130	896,260
Fringe benefits	34,511,289	34,511,289	31,365,974	3,145,315	2,615,804
Expense and equipment	13,121,217	15,287,347	13,122,811	2,164,536	5,205,845
Maintenance					
Personal service	141,680,832	142,948,471	139,660,458	3,288,013	3,961,815
Fringe benefits	132,063,175	133,182,433	126,789,850	6,392,583	4,811,845
Expense and equipment	213,632,061	210,000,142	199,453,713	10,546,429	363,681
Construction					
Personal service	65,093,687	64,864,110	63,156,533	1,707,577	3,008,940
Fringe benefits	54,751,126	54,762,973	50,494,961	4,268,012	4,026,717
Expense and equipment	17,303,365	18,273,784	17,084,882	1,188,902	1,734,243
Contracts	1,042,528,555	1,076,286,054	908,838,193	167,447,861	45,814,904
Right of way purchase	10,000,000	10,000,000	4,733,306	5,266,694	5,730,918
Fleet, facilities and information systems					
Personal service	11,464,708	11,360,128	9,988,837	1,371,291	1,171,719
Fringe benefits	9,922,648	9,827,558	8,507,967	1,319,591	1,074,720
Expense and equipment	60,175,052	68,476,179	59,434,413	9,041,766	8,485,902
Multimodal operations					
Personal service	450,747	450,747	468,381	(17,634)	3,106
Fringe benefits	376,304	376,304	342,076	34,228	99,676
Expense and equipment	34,852	34,852	319,886	(285,034)	291,778
Program	176,000	176,000	176,000	---	2
Bond principal and interest payments	100,557,044	100,557,044	100,554,870	2,174	16,267
Total charges to appropriations	1,926,367,616	1,969,900,369	1,751,917,935	217,982,434	89,314,142
Transfers from Highway Fund	510,000,000	510,000,000	487,871,787	(22,128,213)	(48,718,426)
Budgetary fund balance, end of year	$ 663,191,790	$ 619,963,837	$ 670,588,316	$ 50,624,479	$ 26,191,494

Required Supplementary Information

Budget Basis to GAAP Reconciliations and Disclosure

Years Ended June 30, 2019 and 2018

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 2019:

	State Highways and Transportation Department Fund	State Road Fund
Fund balance, budgetary basis	$ 6,688,088	$ 670,588,316
Receivables	107,110,688	115,083,095
Due from other funds	---	72,732
Inventories	---	32,865,425
Payables	(9,580,370)	(118,986,636)
Deposits	---	(2,102,908)
Unearned revenue	---	(4,848,493)
Unavailable revenues	(76,418)	(15,521,860)
Change in fair value of investments	3,211	330,508
Fund balance, GAAP basis	$ 104,145,199	$ 677,480,179

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 2018:

	State Highways and Transportation Department Fund	State Road Fund
Fund balance, budgetary basis	$ 17,071,525	$ 702,009,159
Receivables	110,885,599	124,478,936
Due from other funds	---	130,552
Inventories	---	33,738,446
Payables	(9,426,504)	(123,095,255)
Deposits	---	(1,378,015)
Unearned revenue	---	(4,305,682)
Unavailable revenues	(77,589)	(22,532,259)
Change in fair value of investments	(136,147)	(5,567,451)
Fund balance, GAAP basis	$ 118,316,884	$ 703,478,431

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)*

Actuarial Valuation Date	MoDOT's Proportion of NPL	MoDOT's Share of NPL	MoDOT's Covered Payroll	MoDOT's NPL as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
6/30/2018	62.39%	$1,040,233,956	$219,256,041	474.44%	58.13%
6/30/2017	62.01	1,012,417,855	219,668,222	460.88	57.06
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

Fiscal Year	Actuarially Determined Contributions	Actual Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as of Percentage of Covered Payroll
2019[1]	$130,420,220	$130,420,220	$ ---	$224,862,449	58.00%
2018	127,168,503	127,168,503	---	219,256,041	58.00
2017	127,407,569	127,407,569	---	219,668,223	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[2]	116,000,251	116,000,251	---	213,845,536	54.24
2013[3]	107,190,383	107,190,383	---	210,507,429	50.92
2012[4]	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

[1] For the plan year ended June 30, 2018, there were no changes to the plan's benefit terms. Assumed rates of withdrawal, disability, retirement and wage increases due to merit and longevity were adjusted to more closely track experience. Mortality tables were updated to use the RP-2014 Healthy Annuitant, Employee and Disabled Retiree Annuitant tables projected to 2022 using scale MP-2017. Economic assumptions lowered to 7.00% investment return, 3.00% wage inflation and 2.25% price inflation. Other miscellaneous changes were made for potential survivor benefits, sick leave, etc.

[2] For the plan year ended June 30, 2013, there were no changes to the plan's benefit terms. The assumptions and methods used were those adopted by the Board from the July 1, 2007 through June 30, 2012 Experience Study. The changes resulted in an increase in computed the computed contribution rate of 4.60% for Non-Uniform and 6.02% for Uniform employees.

[3] For the plan year ended June 30, 2012, the Governmental Accounting Standards Board implemented Statements No. 76 and 68. To minimize the difference between what is used for funding and what is used for reporting, the Board adopted the traditional entry age normal cost method for future valuations beginning with the June 30, 2012 valuation. The effect of these changes decreased the Non-Uniform contribution rate by 0.04% and increased the Uniform contribution rate by 3.33%. The amortization of the unfunded actuarial accrued liability was revised pursuant to the Department's estimates of future payroll.

[4] For the plan year ended June 30, 2012, there were no changes in the assumptions and methods for the June 30, 2011 valuation, other than the method change to reflect the near term downsizing of MoDOT in the financing of the unfunded actuarial accrued liability.

Required Supplementary Information

Schedule of Proportionate Share of Total OPEB Liability Last 10 Fiscal Years*

(Dollar amounts in thousands)

Fiscal Year	Department's Proportion of Total OPEB Liability	Department's Proportionate Share of the Total OPEB Liability	Department's Covered Employee Payroll	Department's Proportionate Share of The Total OPEB Liability as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2019	100.0%	$772,732	$226,598	341%	n/a
2018	100.0	776,187	226,826	342	n/a
2017	100.0	845,952	220,401	383	n/a

*The amounts presented for each fiscal year were determined as of the measurement date. This schedule will ultimately present ten years of data when available.

The Insurance Plan is an internal service fund of the Department and is funded on a pay-as-you-go basis. The Plan is not a trust and does not have a fiduciary net position.

Required Supplementary Information

Schedule of Proportionate Share of Total OPEB Contributions Last 10 Fiscal Years*

(Dollar amounts in thousands)

Fiscal Year	Required Contributions	Actual Contributions	Contribution Deficiency/Excess	Department's Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2019	$---	$17,623	$---	$226,598	7.8%
2018	---	17,146	---	226,826	8.0
2017	---	15,985	---	220,401	7.0

*The amounts presented for each year were determined as of the fiscal year end. This schedule will ultimately present ten years of data when available.

The Insurance Plan is an internal service fund of the Department and 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.

No assets have been accumulated in a trust to pay related benefits.

Required Supplementary Information

Schedule of Changes in the Department's Total OPEB Liability and Related Ratios*

(Dollar amounts in thousands)

	2019	2018
Service cost	25,561	31,492
Interest	27,481	24,779
Changes of benefit terms	---	---
Difference between expected and actual experience	(1,758)	---
Changes of assumptions or other inputs	(37,482)	(110,051)
Benefit payments	(17,257)	(15,985)
Net change in total OPEB liability	(3,455)	(69,765)
Total OPEB liability beginning	776,187	845,952
Total OPEB liability ending	772,732	776,187
Covered employee payroll	226,598	226,826
Total OPEB liability as a percentage of covered employee payroll	341%	342%

There were no changes in benefit terms. The change in assumption was the discount rate.

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each fiscal year. Discount rates used for fiscal years 2019 and 2018 were 3.87 percent and 3.58 percent, respectively.

No assets have been accumulated in a trust to pay related benefits.

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

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Combining
Financial Statements
Nonmajor Governmental Funds

Combining Balance Sheets

Nonmajor Governmental Funds – Special Revenue

June 30, 2019

With Summarized Financial Information for 2018

	Multimodal Federal and State Fund	State Transportation Fund	Aviation Trust Fund	State Transportation Assistance Revolving Fund	MCS Federal Fund
Assets					
Cash and cash equivalents	$ 2,210,930	$4,197,686	$9,390,087	$3,092,513	$504,243
State taxes and fees receivable	---	459,982	23,854	---	---
Federal government receivable	5,082,890	---	---	---	363,201
Miscellaneous receivables, net	6,187,696	---	---	24,802	---
Loans receivable	---	---	---	1,159,830	---
Total assets	$ 13,481,516	$4,657,668	$9,413,941	$4,277,145	$867,444
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	$ 12,709,986	$ 12,469	$ 350,922	$ ---	$ 735,110
Accrued payroll	22,420	9,775	35,385	---	---
Unearned revenue	1,410,394	---	---	---	---
Due to other funds	16,515	5,902	25,483	---	---
Total liabilities	14,159,315	28,146	411,790	---	735,110
Deferred Inflows of Resources					
Unavailable revenues	---	---	---	---	---
Total deferred inflows of resources	---	---	---	---	---
Fund Balances					
Unassigned	(677,799)	---	---	---	---
Restricted – highways and transportation	---	4,629,522	9,002,151	4,277,145	132,334
Total fund balances	(677,799)	4,629,522	9,002,151	4,277,145	132,334
Total liabilities, deferred inflows of resources and fund balances	$ 13,481,516	$4,657,668	$9,413,941	$4,277,145	$867,444

Grade Crossing Safety Fund	Railroad Expense Fund	Highway Safety Fund	Motorcycle Safety Fund	Total 2019	Total 2018
$2,979,715	$776,460	$ 602,986	$108,502	$ 23,863,122	$ 19,113,882
312,108	---	---	---	795,944	1,116,993
---	---	2,112,162	---	7,558,253	4,956,335
611	---	8,197	---	6,221,306	4,833,296
---	---	---	---	1,159,830	1,457,681
$3,292,434	$776,460	$2,723,345	$108,502	$ 39,598,455	$ 31,478,187
$ 426,734	$ 3,742	$2,407,414	$ 68,621	$ 16,714,998	$ 10,891,330
---	26,131	21,686	---	115,397	113,080
---	---	---	---	1,410,394	1,195,326
---	24,832	---	---	72,732	130,552
426,734	54,705	2,429,100	68,621	18,313,521	12,330,288
38,923	---	---	---	38,923	38,923
38,923	---	---	---	38,923	38,923
---	---	---	---	(677,799)	(328,395)
2,826,777	721,755	294,245	39,881	21,923,810	19,437,371
2,826,777	721,755	294,245	39,881	21,246,011	19,108,976
$3,292,434	$776,460	$2,723,345	$108,502	$ 39,598,455	$ 31,478,187

Combining Statements of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds – Special Revenue

Year Ended June 30, 2019

With Summarized Financial Information for 2018

	Multimodal Federal and State Fund	State Transportation Fund	Aviation Trust Fund	State Transportation Assistance Revolving Fund	MCS Federal Fund
Revenues					
Fuel taxes	$ ---	$ ---	$ 245,076	$ ---	$ ---
Sales taxes	---	4,742,849	5,958,787	---	---
Licenses, fees and permits	---	---	---	---	---
Intergovernmental/cost reimbursements/miscellaneous	1,369,216	---	38,117	---	111
Investment earnings	---	---	183,524	101,157	---
State government	19,493,781	---	---	---	---
Federal government	61,015,974	---	---	---	2,732,357
Total revenues	81,878,971	4,742,849	6,425,504	101,157	2,732,468
Expenditures					
Current					
Maintenance	---	---	---	---	2,732,467
Multimodal operations	82,091,392	4,800,384	4,476,264	606	---
Capital outlay	136,983	---	---	---	---
Total expenditures	82,228,375	4,800,384	4,476,264	606	2,732,467
Excess of revenues over (under) expenditures	(349,404)	(57,535)	1,949,240	100,551	1
Other Financing Sources (Uses)					
Capital asset sales	---	---	---	---	---
Transfers out	---	---	---	---	---
Total other financing sources (uses)	---	---	---	---	---
Net Changes in Fund Balances	(349,404)	(57,535)	1,949,240	100,551	1
Fund Balances, beginning of year	(328,395)	4,687,057	7,052,911	4,176,594	132,333
Fund Balances, end of year	$ (677,799)	$4,629,522	$ 9,002,151	$4,277,145	$ 132,334

Grade Crossing Safety Fund	Railroad Expense Fund	Highway Safety Fund	Motorcycle Safety Fund	Total 2019	Total 2018
$ ---	$ ---	$ ---	$ ---	$ 245,076	$ 260,531
---	---	---	---	10,701,636	12,256,726
1,566,924	1,215,223	---	245,689	3,027,836	2,675,764
---	---	13,086	---	1,420,530	2,205,696
---	---	---	---	284,681	141,146
---	---	---	---	19,493,781	13,911,843
---	---	16,330,839	---	80,079,170	69,464,632
1,566,924	1,215,223	16,343,925	245,689	115,252,710	100,916,338
---	---	16,335,734	350,119	19,418,320	16,215,816
1,274,343	917,383	---	---	93,560,372	86,596,022
---	---	---	---	136,983	440,372
1,274,343	917,383	16,335,734	350,119	113,115,675	103,252,210
292,581	297,840	8,191	(104,430)	2,137,035	(2,335,872)
---	---	---	---	---	1,650
---	---	---	---	---	(11,687)
---	---	---	---	---	(10,037)
292,581	297,840	8,191	(104,430)	2,137,035	(2,345,909)
2,534,196	423,915	286,054	144,311	19,108,976	21,454,885
$2,826,777	$ 721,755	$ 294,245	$ 39,881	$ 21,246,011	$ 19,108,976

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Combining Financial Statements Proprietary Funds

Combining Statements of Net Position

Proprietary Funds – Internal Service

June 30, 2019

With Summarized Financial Information for 2018

	MoDOT & MSHP Medical and Life Insurance Plan	MHTC Self Insurance Plan	Total 2019	Total 2018
Assets				
Current assets				
Cash and cash equivalents	$16,440,333	$ 4,329,596	$ 20,769,929	$ 18,936,706
Investments	5,730,069	20,675,178	26,405,247	12,517,039
Restricted investments	100,000	---	100,000	300,000
Miscellaneous receivables	2,601,077	454,763	3,055,840	2,952,662
Total current assets	24,871,479	25,459,537	50,331,016	34,706,407
Noncurrent assets				
Investments	34,226,013	86,356,923	120,582,936	114,642,214
Restricted investments	---	200,000	200,000	---
Total noncurrent assets	34,226,013	86,556,923	120,782,936	114,642,214
Total assets	59,097,492	112,016,460	171,113,952	149,348,621
Liabilities				
Current liabilities				
Accounts payable	2,450,116	32,900	2,483,016	1,512,063
Unearned revenue	9,316,849	---	9,316,849	9,736,699
Pending self insurance claims	---	17,461,000	17,461,000	18,800,000
Incurred but not reported claims	9,600,000	6,433,000	16,033,000	17,945,000
Total current liabilities	21,366,965	23,926,900	45,293,865	47,993,762
Noncurrent liabilities				
Pending self insurance claims	---	37,528,093	37,528,093	44,352,727
Incurred but not reported claims	---	13,824,000	13,824,000	12,846,000
Total noncurrent liabilities	---	51,352,093	51,352,093	57,198,727
Total liabilities	21,366,965	75,278,993	96,645,958	105,192,489
Net Position				
Restricted net position	100,000	200,000	300,000	300,000
Unrestricted net position	37,630,527	36,537,467	74,167,994	43,856,132
Total net position	$37,730,527	$ 36,737,467	$74,467,994	$ 44,156,132

Combining Statements of Revenues, Expenses and Changes in Net Position

Proprietary Funds – Internal Service

Year Ended June 30, 2019

With Summarized Financial Information for 2018

	MoDOT & MSHP Medical and Life Insurance Plan	MHTC Self Insurance Plan	Total 2019	Total 2018
Operating Revenues				
Self insurance premiums				
Highway workers' compensation	$ ---	$ 6,000,000	$ 6,000,000	$ 6,000,000
Highway patrol workers' compensation	---	2,400,000	2,400,000	2,400,000
Highway fleet vehicle liability	---	2,000,000	2,000,000	1,400,000
Highway general liability	---	9,000,000	9,000,000	10,500,000
Medical insurance premiums				
State	94,206,827	---	94,206,827	91,005,733
Member	47,665,381	---	47,665,381	47,072,328
Other	9,702,943	380,218	10,083,161	10,986,553
Total operating revenues	151,575,151	19,780,218	171,355,369	169,364,614
Operating Expenses				
Self insurance programs				
Highway workers' compensation	---	9,132,232	9,132,232	7,120,556
Highway patrol workers' compensation	---	2,984,337	2,984,337	3,585,391
Highway fleet vehicle liability	---	888,293	888,293	1,142,855
Highway general liability	---	(1,606,046)	(1,606,046)	8,331,203
Other	---	1,057,615	1,057,615	1,135,162
Medical and life insurance program				
Insurance premiums	6,584,534	---	6,584,534	7,238,950
Medical benefits	88,849,447	---	88,849,447	99,507,539
Prescription drug benefits	32,054,913	---	32,054,913	30,038,517
Professional fees	1,123,360	---	1,123,360	950,162
Administrative services	6,259,135	---	6,259,135	5,901,779
Total operating expenses	134,871,389	12,456,431	147,327,820	164,952,114
Operating income (loss)	16,703,762	7,323,787	24,027,549	4,412,500
Nonoperating Revenues				
Net appreciation and investment income	1,755,008	4,529,305	6,284,313	135,515
Total nonoperating revenues	1,755,008	4,529,305	6,284,313	135,515
Changes in Net Position	18,458,770	11,853,092	30,311,862	4,548,015
Net Position, beginning of year	19,271,757	24,884,375	44,156,132	39,608,117
Net Position, end of year	$ 37,730,527	$ 36,737,467	$ 74,467,994	$ 44,156,132

Combining Statements of Cash Flows

Proprietary Funds – Internal Service

Year Ended June 30, 2019

With Summarized Financial Information for 2018

	MoDOT & MSHP Medical and Life Insurance Plan	MHTC Self Insurance Plan	Total 2019	Total 2018
Cash Flows From Operating Activities				
Receipts from interfund services provided	$ 151,464,047	$ 19,825,995	$171,290,042	$169,376,613
Payments for interfund services used	(130,808,744)	(17,596,450)	(148,405,194)	(157,161,733)
Payments to suppliers	(6,411,544)	(1,057,615)	(7,469,159)	(8,548,263)
Net cash provided by (used in) operating activities	14,243,759	1,171,930	15,415,689	3,666,617
Cash Flows From Investing Activities				
Proceeds from sale and maturities of investments	12,844,702	27,594,017	40,438,719	31,600,406
Purchases of investments	(23,884,828)	(33,412,550)	(57,297,378)	(41,644,242)
Interest received	1,007,029	2,401,575	3,408,604	2,754,461
Investment fees	(31,469)	(100,942)	(132,411)	(125,395)
Net cash provided by (used in) investing activities	(10,064,566)	(3,517,900)	(13,582,466)	(7,414,770)
Net increase (decrease) in cash and cash equivalents	4,179,193	(2,345,970)	1,833,223	(3,748,153)
Cash and Cash Equivalents, beginning of year	12,261,140	6,675,566	18,936,706	22,684,859
Cash and Cash Equivalents, end of year	$ 16,440,333	$ 4,329,596	$ 20,769,929	$ 18,936,706
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating income (loss)	$ 16,703,762	$ 7,323,787	$ 24,027,549	$ 4,412,500
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Receivables	(111,105)	45,777	(65,328)	11,999
Accounts and claims payable	(1,929,047)	(6,197,634)	(8,126,681)	(1,493,795)
Unearned revenue	(419,851)	---	(419,851)	735,913
Net cash provided by (used in) operating activities	$ 14,243,759	$ 1,171,930	$ 15,415,689	$ 3,666,617
Noncash Items Impacting Recorded Assets				
Increase (decrease) in fair value of investments	$ 751,032	$ 2,219,238	$ 2,970,270	$ (2,577,542)

Combining Financial Statements Fiduciary Funds

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Combining Statements of Assets and Liabilities

Fiduciary Funds – Agency

June 30, 2019

With Summarized Financial Information for 2018

	Local Fund	MCS Agency Fund	Total 2019	Total 2018
Assets				
Restricted cash and cash equivalents	$33,169,278	$10,666,471	$43,835,749	$38,479,826
Other	---	21,417	21,417	13,437
Total assets	$33,169,278	$10,687,888	$43,857,166	$38,493,263
Liabilities				
Due to other governments	$ ---	$10,687,888	$10,687,888	$ 8,104,304
Advances from other governments	33,169,278	---	33,169,278	30,388,959
Total liabilities	$33,169,278	$10,687,888	$43,857,166	$38,493,263

Combining Statements of Changes in Assets and Liabilities

Fiduciary Funds – Agency

Years ended June 30, 2019 and 2018

	2019			
	Beginning Balance	Additions	Deductions	Ending Balance
Local Fund				
Assets				
Restricted cash and cash equivalents	$30,388,959	$ 17,045,759	$ 14,265,440	$33,169,278
Total assets	$30,388,959	$ 17,045,759	$ 14,265,440	$33,169,278
Liabilities				
Advances from other governments	$30,388,959	$ 14,045,759	$ 11,265,440	$33,169,278
Total liabilities	$30,388,959	$ 14,045,759	$ 11,265,440	$33,169,278
MCS Agency Fund				
Assets				
Restricted cash and cash equivalents	$ 8,090,867	$205,504,317	$202,928,713	$10,666,471
Other	13,437	222,290	214,310	21,417
Total assets	$ 8,104,304	$205,726,607	$203,143,023	$10,687,888
Liabilities				
Due to other governments	$ 8,104,304	$205,726,607	$203,143,023	$10,687,888
Total liabilities	$ 8,104,304	$205,726,607	$203,143,023	$10,687,888
Totals				
Assets				
Restricted cash and cash equivalents	$38,479,826	$222,550,076	$217,194,153	$43,835,749
Other	13,437	222,290	214,310	21,417
Total assets	$38,493,263	$222,772,366	$217,408,463	$43,857,166
Liabilities				
Due to other governments	$ 8,104,304	$205,726,607	$203,143,023	$10,687,888
Advances from other governments	30,388,959	14,045,759	11,265,440	33,169,278
Total liabilities	$38,493,263	$219,772,366	$214,408,463	$43,857,166

2018			
Beginning Balance	Additions	Deductions	Ending Balance
$35,194,260	$ 27,352,906	$ 32,158,207	$30,388,959
$35,194,260	$ 27,352,906	$ 32,158,207	$30,388,959
$35,194,260	$ 27,342,466	$ 32,147,767	$30,388,959
$35,194,260	$ 27,342,466	$ 32,147,767	$30,388,959
$ 4,721,160	$211,078,014	$207,708,307	$ 8,090,867
5,299	124,955	116,817	13,437
$ 4,726,459	$211,202,969	$207,825,124	$ 8,104,304
$ 4,726,459	$211,202,970	$207,825,125	$ 8,104,304
$ 4,726,459	$211,202,970	$207,825,125	$ 8,104,304
$39,915,420	$238,430,920	$239,866,514	$38,479,826
5,299	124,955	116,817	13,437
$39,920,719	$238,555,875	$239,983,331	$38,493,263
$ 4,726,459	$211,202,971	$ 207,825,125	$ 8,104,304
35,194,260	27,342,465	32,147,767	30,388,959
$39,920,719	$ 238,545,436	$ 239,972,892	$38,493,263

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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, 2019

With Summarized Financial Information for 2018

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual 2019	2018
Budgetary fund balance, beginning of year	$ 47,542,545	$ 47,542,545	$ ---	$ ---
Resources (inflows)				
Vehicle sales taxes	196,333,000	178,003,341	(18,329,659)	(3,383,358)
Interest	802,921	1,728,887	925,966	861,662
Amount available for appropriation	244,678,466	227,274,773	(17,403,693)	(2,521,696)
Charges to appropriations (outflows)				
Bond principal and interest payments	188,906,317	188,848,229	58,088	18,356
Total charges to appropriations	188,906,317	188,848,229	58,088	18,356
Budgetary fund balance, end of year	$ 55,772,149	$ 38,426,544	$(17,345,605)	$(2,503,340)

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 2019**
Budgetary fund balance, end of year	$38,426,544
Receivables	17,460,170
Change in fair value of investments	18,464
GAAP basis fund balance, end of year	$55,905,178

Budgetary Comparison Schedule and Reconciliation

Nonmajor Governmental – Multimodal Federal and State Fund

Year Ended June 30, 2019
With Summarized Financial Information for 2018

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual 2019	Variances Between Final Budget and Actual 2018
Budgetary fund balance, beginning of year	$ 2,084,801	$ 2,084,801	$ ---	$ ---
Resources (inflows)				
State government	19,930,696	18,060,986	(1,869,710)	(2,017,391)
Intergovernmental/cost reimbursement/miscellaneous	---	1,584,285	1,584,285	2,852,766
Federal government	101,393,013	58,768,934	(42,624,079)	(27,293,088)
Amount available for appropriation	123,408,510	80,499,006	(42,909,504)	(26,457,713)
Charges to appropriations (outflows)				
Multimodal operations				
Personal service	296,009	275,480	20,529	2,536
Fringe benefits	245,388	206,983	38,405	817
Expense and equipment	359,316	96,204	263,112	251,580
Program	120,435,896	77,709,409	42,726,487	26,288,209
Total charges to appropriations	121,336,609	78,288,076	43,048,533	26,543,142
Budgetary fund balance, end of year	$ 2,071,901	$ 2,210,930	$ 139,029	$ 85,429

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 2019
Budgetary fund balance, end of year	$ 2,210,930
Receivables	11,270,586
Payables	(12,732,406)
Unearned revenues	(1,410,394)
Due to other funds	(16,515)
GAAP basis fund balance, end of year	$ (677,799)

Budgetary Comparison Schedule and Reconciliation

Nonmajor Governmental - State Transportation Fund

Year Ended June 30, 2019

With Summarized Financial Information for 2018

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual 2019	Variances Between Final Budget and Actual 2018
Budgetary fund balance, beginning of year	$4,245,793	$4,245,793	$ ---	$ ---
Resources (inflows)				
Sales taxes	5,235,101	4,746,742	(488,359)	126,347
Amount available for appropriation	9,480,894	8,992,535	(488,359)	126,347
Charges to appropriations (outflows)				
Multimodal operations				
Personal service	135,403	115,056	20,347	868
Fringe benefits	110,059	91,371	18,688	4,875
Expense and equipment	66,452	44,710	21,742	28,737
Program	4,685,353	4,543,712	141,641	146,562
Total charges to appropriations	4,997,267	4,794,849	202,418	181,042
Budgetary fund balance, end of year	$4,483,627	$4,197,686	$(285,941)	$307,389

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 2019
Budgetary fund balance, end of year	$4,197,686
Receivables	459,982
Payables	(22,244)
Due to other funds	(5,902)
GAAP basis fund balance, end of year	$4,629,522

Budgetary Comparison Schedule and Reconciliation
Nonmajor Governmental - Aviation Trust Fund
Year Ended June 30, 2019
With Summarized Financial Information for 2018

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual 2019	Variances Between Final Budget and Actual 2018
Budgetary fund balance, beginning of year	$ 6,740,693	$ 6,740,693	$ ---	$ ---
Resources (inflows)				
Fuel taxes	263,134	255,481	(7,653)	(1,671)
Sales taxes	4,078,455	6,465,396	2,386,941	1,448,339
Interest	60,661	144,853	84,192	5,851
Intergovernmental/cost				
Reimbursements/miscellaneous	---	18,128	18,128	446
Amount available for appropriation	11,142,943	13,624,551	2,481,608	1,452,965
Charges to appropriations (outflows)				
Multimodal operations				
Personal service	494,243	487,665	6,578	1,865
Fringe benefits	404,101	371,689	32,412	27,138
Expense and equipment	207,972	176,201	31,771	38,935
Program	11,000,000	3,227,462	7,772,538	1,274,746
Total charges to appropriations	12,106,316	4,263,017	7,843,299	1,342,684
Budgetary fund balance, end of year	$ (963,373)	$ 9,361,534	$ 10,324,907	$ 2,795,649

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 2019
Budgetary fund balance, end of year	$9,361,534
Receivables	50,800
Payables	(386,307)
Due to other funds	(25,483)
Change in fair value of investments	1,607
GAAP basis fund balance, end of year	$9,002,151

Budgetary Comparison Schedule and Reconciliation

Nonmajor Governmental – State Transportation Assistance Revolving Fund

Year Ended June 30, 2019
With Summarized Financial Information for 2018

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual 2019	2018
Budgetary fund balance, beginning of year	$2,713,707	$2,713,707	$ ---	$ ---
Resources (inflows)				
License fees, and permits	---	---	---	---
Interest	---	89,044	89,044	61,904
Intergovernmental/cost reimbursements/miscellaneous	1,000,526	297,851	(704,675)	(509,394)
Amount available for appropriation	3,714,233	3,100,602	(613,631)	(447,490)
Charges to appropriations (outflows)				
Multimodal operations				
Expense and equipment	526	526	---	---
Program	1,000,000	8,144	991,856	67,497
Total charges to appropriations	1,000,526	8,670	991,856	67,497
Budgetary fund balance, end of year	$2,713,707	$3,091,932	$ 378,225	$ (379,993)

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 2019
Budgetary fund balance, end of year	$3,091,932
Receivables	1,184,632
Change in fair value of investments	581
GAAP basis fund balance, end of year	$4,277,145

Budgetary Comparison Schedule and Reconciliation

Nonmajor Governmental – MCS Federal Fund

Year Ended June 30, 2019
With Summarized Financial Information for 2018

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual 2019	2018
Budgetary fund balance, beginning of year	$ 127,897	$ 127,897	$ ---	$ ---
Resources (inflows)				
Intergovernmental/cost reimbursements/miscellaneous	---	111	111	1,715
Federal government	3,299,725	2,489,152	(810,573)	(1,091,874)
Amount available for appropriation	3,427,622	2,617,160	(810,462)	(1,090,159)
Charges to appropriations (outflows)				
Maintenance				
Program	3,299,725	2,112,917	1,186,808	1,088,020
Total charges to appropriations	3,299,725	2,112,917	1,186,808	1,088,020
Budgetary fund balance, end of year	$ 127,897	$ 504,243	$ 376,346	$ (2,139)

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 2019
Budgetary fund balance, end of year	$504,243
Receivables	363,201
Payables	(735,110)
GAAP basis fund balance, end of year	$132,334

Budgetary Comparison Schedule and Reconciliation

Nonmajor Governmental – Grade Crossing Safety Fund

Year Ended June 30, 2019
With Summarized Financial Information for 2018

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual 2019	Variances Between Final Budget and Actual 2018
Budgetary fund balance, beginning of year	$2,432,457	$2,432,457	$ ---	$ ---
Resources (inflows)				
License, fees and permits	1,409,102	1,387,418	(21,684)	5,394
Intergovernmental/cost reimbursements/miscellaneous	---	38,312	38,312	11,687
Amount available for appropriation	3,841,559	3,858,187	16,628	17,081
Charges to appropriations (outflows)				
Multimodal operations				
Expense and equipment	13,948	13,948	---	---
Program	2,500,000	864,524	1,635,476	1,695,220
Total charges to appropriations	2,513,948	878,472	1,635,476	1,695,220
Budgetary fund balance, end of year	$1,327,611	$2,979,715	$1,652,104	$1,712,301

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 2019
Budgetary fund balance, end of year	$2,979,715
Receivables	312,719
Payables	(426,734)
Unavailable revenues	(38,923)
GAAP basis fund balance, end of year	$2,826,777

Budgetary Comparison Schedule and Reconciliation

Nonmajor Governmental – Railroad Expense Fund

Year Ended June 30, 2019

With Summarized Financial Information for 2018

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual 2019	Variances Between Final Budget and Actual 2018
Budgetary fund balance, beginning of year	$ 537,824	$ 537,824	$ ---	$ ---
Resources (inflows)				
License, fees and permits	891,934	1,215,223	323,289	76,354
Amount available for appropriation	1,429,758	1,753,047	323,289	76,354
Charges to appropriations (outflows)				
Multimodal operations				
Personal service	411,902	388,708	23,194	3,773
Fringe benefits	348,470	300,236	48,234	52,493
Expense and equipment	695,302	287,643	407,659	189,652
Total charges to appropriations	1,455,674	976,587	479,087	245,918
Budgetary fund balance, end of year	$ (25,916)	$ 776,460	$802,376	$ 322,272

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 2019
Budgetary fund balance, end of year	$776,460
Payables	(29,873)
Due to other funds	(24,832)
GAAP basis fund balance, end of year	$721,755

Budgetary Comparison Schedule and Reconciliation

Nonmajor Governmental – Highway Safety Fund

Year Ended June 30, 2019

With Summarized Financial Information for 2018

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual 2019	2018
Budgetary fund balance, beginning of year	$ 122,719	$ 122,719	$ ---	$ ---
Resources (inflows)				
Intergovernmental/cost reimbursements/miscellaneous	---	4,889	4,889	13,876
Federal government	19,601,399	16,219,167	(3,382,232)	(6,987,119)
Amount available for appropriation	19,724,118	16,346,775	(3,377,343)	(6,973,243)
Charges to appropriations (outflows)				
Maintenance				
Personal service	295,528	261,359	34,169	44,952
Fringe benefits	251,478	224,315	27,163	25,639
Expense and equipment	54,393	54,382	11	4
Program	19,000,000	15,203,733	3,796,267	6,810,489
Total charges to appropriations	19,601,399	15,743,789	3,857,610	6,881,084
Budgetary fund balance, end of year	$ 122,719	$ 602,986	$ 480,267	$ (92,159)

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 2019
Budgetary fund balance, end of year	$ 602,986
Receivables	2,120,359
Payables	(2,429,100)
GAAP basis fund balance, end of year	$ 294,245

Budgetary Comparison Schedule and Reconciliation

Nonmajor Governmental – Motorcycle Safety Fund

Year Ended June 30, 2019
With Summarized Financial Information for 2018

	Final Budgeted Amounts	Actual	Variances Between Final Budget and Actual 2019	2018
Budgetary fund balance, beginning of year	$144,312	$144,311	$ (1)	$ ---
Resources (inflows)				
License, fees and permits	308,785	245,689	(63,096)	(8,730)
Amount available for appropriation	453,097	390,000	(63,097)	(8,730)
Charges to appropriations (outflows)				
Maintenance				
Expense and equipment	3,123	3,123	---	---
Program	425,000	278,374	146,626	60,558
Total charges to appropriations	428,123	281,497	146,626	60,558
Budgetary fund balance, end of year	$ 24,974	$108,503	$ 83,529	$ 51,828

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 2019
Budgetary fund balance, end of year	$108,503
Payables	(68,622)
GAAP basis fund balance, end of year	$ 39,881

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Statistical Section

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Index and Overview
Statistical Section

Sources:

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

Note:

The objective of this statistical section is to provide users with historical perspective by presenting information for multiple years. 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)

Year	Net Investment in Capital Assets	Restricted	Unrestricted	Total
2019	$29,025,481	$ 300	$ (841,730)	$28,184,051
2018	28,532,242	300	(854,851)	27,677,691
2017	28,001,891	300	(489,615)	27,512,576
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

Notes:

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, 2016, 2017 and 2018 were restated to correct errors related to infrastructure in progress, infrastructure and depreciation.

Amounts for fiscal year 2018 beginning balances were restated due to the implementation of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

Financial Trends
Changes in Net Position – Government-wide

Years Ended June 30

(Amounts in Thousands)

	2019	2018	2017	2016
Transportation Program Expenses				
Administration	$ 14,133	$ 8,890	$ 24,255	$ 25,374
Fleet, facilities and information systems	33,329	30,820	28,961	18,088
Maintenance	356,189	362,107	345,807	328,987
Construction	196,633	229,248	210,252	258,846
Multimodal operations	92,945	86,224	100,952	93,500
Interest	75,581	82,922	93,643	104,190
Other state agencies	228,881	224,811	234,614	225,148
Self insurance	12,456	21,315	9,671	21,604
Medical and life insurance	134,871	143,637	123,668	111,561
Pension obligations	85,991	76,746	87,675	78,196
Other post-employment benefit obligations	28,669	38,289	43,615	44,005
Depreciation	545,753	520,620	498,595	474,320
Total transportation program expenses	1,805,431	1,825,629	1,801,708	1,783,819
Transportation Program Revenues				
Charges for services				
Licenses, fees and permits	324,592	314,074	304,982	310,073
Member insurance premiums	47,665	47,072	44,803	41,989
Other	61,638	87,171	74,825	68,200
Total charges for services	433,895	448,317	424,610	420,262
Federal government				
American Recovery and Reinvestment Act	12,379	12,617	19,450	18,160
Operating	80,079	69,465	78,484	77,468
Capital	873,877	949,145	847,191	826,329
Total federal government	966,335	1,031,227	945,125	921,957
Total transportation program revenues	1,400,230	1,479,544	1,369,735	1,342,219
Net expense of transportation program	(405,201)	(346,085)	(431,973)	(441,600)
General Revenues				
Fuel taxes	512,454	521,273	512,713	517,366
Sales and use taxes	363,664	378,765	363,279	350,372
Unrestricted investment earnings	30,468	8,662	3,854	9,101
State appropriations	19,494	13,912	22,136	14,216
Gain (loss) on sale of capital assets	(14,519)	(11,675)	(13,028)	(7,451)
Total general revenues	911,561	910,937	888,954	883,604
Changes in Net Position	$ 506,360	$ 564,852	$ 456,981	$ 442,004

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, 2017 and 2018 include restatements to correct errors related to infrastructure in progress, infrastructure and infrastructure depreciation.

Amounts for fiscal year 2018 beginning balances were restated due to the implementation of GASB 75, *Accounting and Financial Reporting For Postemployment Benefits Other Than Pensions.*

2015	2014	2013	2012	2011	2010
$ 24,672	$ 32,791	$ 32,244	$ 30,040	$ 33,168	$ 33,648
29,865	32,790	34,905	37,268	44,866	55,543
329,098	420,000	398,274	389,803	412,469	433,729
274,462	194,552	222,767	321,048	318,551	268,009
84,259	89,148	89,184	68,282	64,873	110,151
112,690	129,873	136,493	140,710	147,720	138,106
226,370	208,610	199,660	214,696	198,814	177,646
21,376	19,407	15,336	13,894	29,222	31,967
106,453	97,483	94,695	97,137	94,472	90,644
91,858	---	---	---	---	---
50,179	50,586	75,152	75,896	79,025	83,132
454,219	442,734	413,382	323,238	747,674	876,501
1,805,501	1,717,974	1,712,092	1,712,012	2,170,854	2,299,076
290,319	290,153	283,022	284,677	274,673	284,337
39,870	38,169	37,328	35,636	32,591	30,868
55,454	85,389	108,043	131,371	150,871	108,214
385,643	413,711	428,393	451,684	458,135	423,419
14,628	28,765	49,912	99,266	248,894	298,421
82,521	87,531	87,689	73,930	57,953	84,212
763,952	839,912	892,031	860,754	1,228,181	974,391
861,101	956,208	1,029,632	1,033,950	1,535,028	1,357,024
1,246,744	1,369,919	1,485,025	1,485,634	1,993,163	1,780,443
(558,757)	(348,055)	(254,067)	(226,378)	(177,691)	(518,633)
493,076	489,984	486,529	496,608	499,416	503,488
335,420	311,761	304,163	291,279	269,336	250,432
10,569	13,755	(1,157)	13,309	13,950	12,123
15,010	14,347	11,630	11,130	11,132	12,111
(15,212)	(14,408)	(4,560)	(3,223)	(4,460)	(16,854)
838,863	813,439	796,605	809,103	789,374	761,300
$ 280,106	$ 465,384	$ 542,538	$ 582,725	$ 611,683	$ 242,667

Financial Trends
Changes in Fund Balances – Governmental Funds
Years Ended June 30

(Amounts in Thousands)

	2019	2018	2017	2016
Revenues				
Fuel taxes	$ 512,454	$ 521,273	$ 512,714	$ 517,366
Sales and use taxes	363,664	378,765	363,279	350,372
Licenses, fees and permits	324,592	314,073	305,001	310,073
Intergovernmental/cost reimbursements/miscellaneous	53,711	77,023	63,372	67,565
Investment earnings	24,220	8,553	3,565	6,359
American Recovery and Reinvestment Act	12,379	12,617	19,449	18,160
State government	19,494	13,912	22,136	14,216
Federal government	959,101	1,019,594	923,970	907,421
Total revenues	2,269,615	2,345,810	2,213,486	2,191,532
Expenditures				
Administration	61,251	55,773	50,824	51,365
Fleet, facilities and information systems	43,428	40,278	38,272	38,744
Maintenance	470,912	474,914	456,464	435,964
Construction	254,929	283,592	278,781	296,946
Multimodal operations	94,183	87,452	102,144	94,647
Capital outlay	835,059	854,871	711,180	690,878
Debt service - principal	209,391	200,237	308,650	175,103
Debt service - interest	92,834	102,274	117,312	125,274
Other state agencies	260,140	255,141	262,666	251,143
Total expenditures	2,322,127	2,354,532	2,326,293	2,160,064
Excess of revenues over (under) expenditures	(52,512)	(8,722)	(112,807)	31,468
Other Financing Sources (Uses)				
Notes issued	---	---	---	---
Bonds issued	---	---	---	---
Refunding bonds issued	102,705	---	---	---
Refunding bonds escrow payment	(111,483)	---	---	---
Premium on bonds	9,148	---	---	---
Capital leases issued	---	---	17	114
Capital asset sales	5,307	9,089	5,442	11,889
Transfers in	487,872	461,293	459,141	460,974
Transfers out	(487,872)	(461,293)	(459,141)	(460,974)
Total other financing sources (uses)	5,677	9,089	5,459	12,003
Net Changes in Fund Balances	$ (46,835)	$ 367	$ (107,348)	$ 43,471
Debt service as a percentage of noncapital expenditures	20%	20%	26%	20%
Debt service as a percentage of total revenues	13%	13%	19%	14%

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.

2015	2014	2013	2012	2011	2010
$ 493,076	$ 489,984	$ 486,529	$ 496,608	$ 499,416	$ 503,488
335,420	311,761	304,163	291,279	269,336	251,343
290,319	290,158	283,022	284,614	274,709	284,909
51,017	84,753	138,732	138,629	131,809	128,160
8,655	11,679	(1,149)	11,011	11,548	8,957
14,758	28,635	49,912	99,265	248,834	298,333
15,010	14,346	11,630	11,131	11,132	12,111
841,855	926,170	985,071	928,718	1,283,838	1,059,348
2,050,110	2,157,486	2,257,910	2,261,255	2,730,622	2,546,649
50,713	48,547	46,936	46,636	48,833	49,247
38,980	35,904	38,058	41,133	49,110	59,586
434,328	450,577	454,740	440,357	450,103	471,740
327,776	216,563	241,931	354,259	338,482	293,021
85,363	89,332	89,404	68,481	65,112	110,412
714,888	849,897	956,489	1,112,769	1,249,787	1,405,741
188,913	178,903	165,332	143,582	166,854	102,261
128,536	148,936	150,721	155,534	162,911	146,006
251,408	233,470	226,683	240,086	223,667	201,472
2,220,905	2,252,129	2,370,294	2,602,837	2,754,859	2,839,486
(170,795)	(94,643)	(112,384)	(341,582)	(24,237)	(292,837)
3,619	13,240	9,493	9,097	10,095	10,910
---	---	---	---	---	1,085,000
---	900,990	---	---	130,390	---
---	(1,082,245)	---	---	(150,477)	---
---	185,693	---	---	20,972	30,631
18	(2,044)	116	12	4,869	3,284
5,422	7,488	13,301	10,591	9,358	7,252
460,003	476,745	511,732	496,854	515,181	536,864
(460,003)	(476,745)	(511,732)	(496,854)	(515,181)	(536,864)
9,059	23,122	22,910	19,700	25,207	1,137,077
$ (161,736)	$ (71,521)	$ (89,474)	$ (321,882)	$ 970	$ (844,240)
21%	23%	22%	20%	22%	17%
15%	15%	14%	13%	12%	10%

Financial Trends
Fund Balances – Governmental Funds
Years Ended June 30

(Amounts in Thousands)

Year	Nonspendable - Inventories	Restricted - Highways and Transportation	Unassigned	Total
2019	$32,866	$ 826,589	$ (678)	$ 858,777
2018	33,738	872,201	(328)	905,611
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

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)

Year	Roads and Bridges	Multimodal	Motor Carriers	Highway Safety	Total
2018	$ 946,350	$ 59,464	$ 4,688	$ 13,713	$ 1,024,215
2017	844,971	61,564	4,627	16,782	927,944
2016	823,800	63,301	4,157	17,170	908,428
2015	761,537	56,670	3,828	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

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 2019 data is not yet available.

Revenue Capacity
Revenue Base – State Motor Fuel Taxes
Years Ended June 30

(Amounts in Thousands)

			Distribution		
Year	**Gallons**	**Net State Receipts**	**Cities**	**Counties**	**MoDOT**
2019	4,161,176	$706,383	$106,010	$83,142	$517,231
2018	4,145,912	705,833	105,364	82,637	517,832
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

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)

Year	Total Fuel Tax Rate	Local Governments	MoDOT
2019	17.00	4.55	12.45
2018	17.00	4.55	12.45
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

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)

	2019	2010
Gallons from top ten suppliers	3,582,591	3,358,595
Net revenue from top ten suppliers	$ 609,041	$ 570,961
Net revenue from all suppliers	$ 706,383	$ 684,164
Percentage from top ten suppliers	86%	83%

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)

	Debt Outstanding at June 30			
Year	**Road Bonds**	**Notes Issued**	**Capital Leases**	**Total**
2019	$1,614,420	$ 644	$ 1	$1,615,065
2018	1,832,370	644	37	1,833,051
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

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.

Ratio of Debt to Income		Ratio of Debt to Population	
Personal Income	Percentage of Personal Income	Population	Per Capita
$289,111,800	0.56%	6,126	$264
269,859,000	0.68	6,114	300
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

Debt Capacity
Pledged Revenue Coverage Related to Revenue Bonds

Years Ended June 30

(Amounts in Thousands Except Coverage)

Year	Senior Bond Revenues (1)	Operating Expenses (2)	Senior Net Pledged Revenues Available	Senior Lien Bonds Principal	Senior Lien Bonds Interest	Senior Lien Bonds Coverage
2019	$977,222	$389,546	$607,676	$61,200	$ 6,347	9.00
2018	994,132	383,969	610,162	58,455	9,270	9.01
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

Year	Federal Reimbursement Revenues (5)	Expenses	Federal Reimbursement Bonds Net Pledged Revenues	Federal Reimbursement Principal	Federal Reimbursement Interest (6)	Federal Reimbursement Coverage
2019	$ 780,220	$ ---	$ 780,220	$42,235	$24,849	11.63
2018	823,757	---	823,757	40,470	26,663	12.27
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

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
$178,003	$718,133	$20,985	$27,335	14.86	$64,755	$12,393	5.72	$20,180	$ 9,108	4.64
182,763	725,200	19,955	28,314	15.02	61,700	15,461	5.78	19,605	9,715	4.69
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

Demographic and Economic Information
Population, Personal Income and Unemployment Rate

Years Ended December 31

(Amounts in Thousands)

Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2018	6,126	$289,111,800	$47	2.3%
2017	6,114	269,859,000	44	3.3
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

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)

	2018			2009		
	Employees	Rank	Percentage	Employees	Rank	Percentage
Trade, transportation and utilities	553	1	19%	525	1	20%
Education and health services	483	2	17	408	3	14
Government	442	3	15	462	2	16
Professional and business services	389	4	13	317	4	12
Leisure and hospitality	301	5	10	263	6	10
Manufacturing	278	6	10	243	5	11
Financial activities	173	7	6	162	7	6
Construction, natural resources and mining	124	8	4	113	8	5
Other services	114	9	4	117	9	4
Information	51	10	2	61	10	2
Total	2,908		100%	2,671		100%

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)

Year	Licensed Drivers	Change in Licensed Drivers	Population	Change in Population
2018	4,273	(2)	6,114	21
2017	4,275	25	6,093	9
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

Sources:

Licensed Drivers: Missouri Department of Revenue for federal reporting

Population: United States Department of Commerce, Census Bureau

Notes:

Fiscal year 2019 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)

Fiscal Year	Registrations	Percentage Change in Registrations	Net State Fuel Tax Receipts	Percentage Change in Fuel Tax Receipts	Fuel Tax Receipts per Registration
2018	6,511	(1.0)%	$705,833	0.9%	$108
2017	6,580	(3.2)	699,355	0.3	106
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

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 2019 registrations data is not yet available.

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

	Daily Vehicle Miles Traveled (Amounts in Thousands)				
Year	State Highways	Non-State Highways	Total Public Highways	Population (Amounts in Thousands)	Average Daily Miles Per Capita
2018	140,915	67,462	208,377	6,126	34.0
2017	141,938	66,038	207,976	6,114	34.0
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

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

	Freight Tonnage By Mode (Amounts In Thousands) (1) (2)				Travel Information by Mode		
Year	Port (4)	Motor Carrier	Aviation	Rail	Number of Transit Passengers	Number of River Runner Rail Passengers	Number of Airline Passengers (Amounts in Millions) (2)
2019	n/a-cy	n/a-cy	n/a-cy	n/a-cy	n/a-src	n/a-src	n/a-cy
2018	39,000	532,000	192	360,000	58,600,000	173,000	n/a-src
2017	32,000	500,000	184	350,000	62,500,000	171,000	13.5
2016	35,000	462,000	186	352,000	59,100,000	172,000	12.8
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

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.

Road and Bridge Projects		Safety		
Percent of Programmed Project Cost As Compared To Final Project Cost (3)	**Percent of Projects Completed on Time**	**Number of Fatalities from Traffic Crashes (2) (4)**	**Number of Serious Injuries from Traffic Crashes (2) (4)**	**Percent of Stripes on Major Roads In Good Condition (2)**
(4.10)%	75%	n/a-cy	n/a-cy	n/a-cy
(6.00)	75	921	4,703	31.9%
(0.50)	68	931	4,858	77.0
(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

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

Year	Centerline Miles	Percentage of Major Highways In Good Condition	Number of Bridges in Poor Condition (2), (3)
2018	33,838	91.5%	909
2017	33,859	91.6	922
2016	33,856	90.1	883
2015	33,873	90.4	866
2014	33,892	89.2	852
2013	33,890	89.7	842
2012	33,885	88.5	817
2011	33,845	88.1	2,208
2010	33,702	85.8	2,486
2009	33,639	86.5	2,679

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.

(3) In 2017, MoDOT revised the definition of bridges in ‘poor condition’ to better align with FHWA standards. Fiscal years 2012-2016 have been restated to reflect the revision.

Operating Information
Capital Asset Indicators
Years Ended December 31

Functional Classification	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Rural										
Interstate	842	842	842	842	842	841	867	723	722	722
Freeway/expressway	1,125	1,125	1,020	926	920	923	878	967	953	2
Principal arterial	1,876	1,876	1,958	2,029	2,043	2,037	2,103	2,157	2,171	3,115
Minor arterial	3,980	3,976	3,935	3,959	3,953	3,964	3,962	3,959	3,944	3,948
Major collector	15,972	15,977	16,138	16,137	16,134	16,164	16,191	16,181	16,185	16182
Minor collector	5,978	5,979	5,940	5,943	5,946	5,953	5,961	5,954	5,944	5,948
Local	980	980	925	927	923	934	965	963	935	885
Urban										
Interstate	538	538	538	538	538	538	512	482	459	459
Freeway/expressway	483	483	476	468	461	446	434	455	470	398
Principal arterial	640	643	646	654	689	708	719	730	730	803
Minor arterial	584	587	591	597	582	571	565	549	527	526
Major collector	485	487	520	523	517	485	446	445	414	410
Minor collector	56	56	22	22	23	14	2	---	---	---
Local	299	310	305	308	321	312	280	280	248	241
Total centerline miles	33,838	33,859	33,856	33,873	33,892	33,890	33,885	33,845	33,702	33,639
Statewide Composite										
Interstate	1,380	1,380	1,379	1,380	1,380	1,379	1,379	1,206	1,181	1,181
Freeway/expressway	1,608	1,609	1,496	1,394	1,381	1,369	1,312	1,421	1,423	400
Arterial	7,080	7,081	7,130	7,239	7,267	7,280	7,349	7,394	7,372	8,392
Collector	22,491	22,499	22,621	22,625	22,620	22,616	22,600	22,580	22,542	22,540
Local	1,279	1,290	1,230	1,235	1,244	1,246	1,245	1,244	1,184	1,126
Total centerline miles	33,838	33,859	33,856	33,873	33,892	33,890	33,885	33,845	33,702	33,639

Operating Information
Employee Full-Time Equivalents (FTE)*
Years Ended June 30

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
District offices	4,655	4,572	4,597	4,493	4,610	4,653	4,501	4,685	5,183	5,541
Central office	754	759	755	763	771	765	765	886	1,028	1,096
Total	5,409	5,331	5,352	5,256	5,381	5,418	5,266	5,571	6,211	6,637

*A full-time equivalent is the total amount of hours worked or paid leave divided by 2,080 hours.

Other Information

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

Independent Auditor's Report

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

We have audited, 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, 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, 2019, 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 30, 2019. Our report contained an Emphasis of Matter paragraph regarding a correction of error as described in Note *14* and a paragraph relating to the financial reporting entity as described in *Note 1*.

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

This 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.

BKD, LLP

Springfield, Missouri
September 30, 2019

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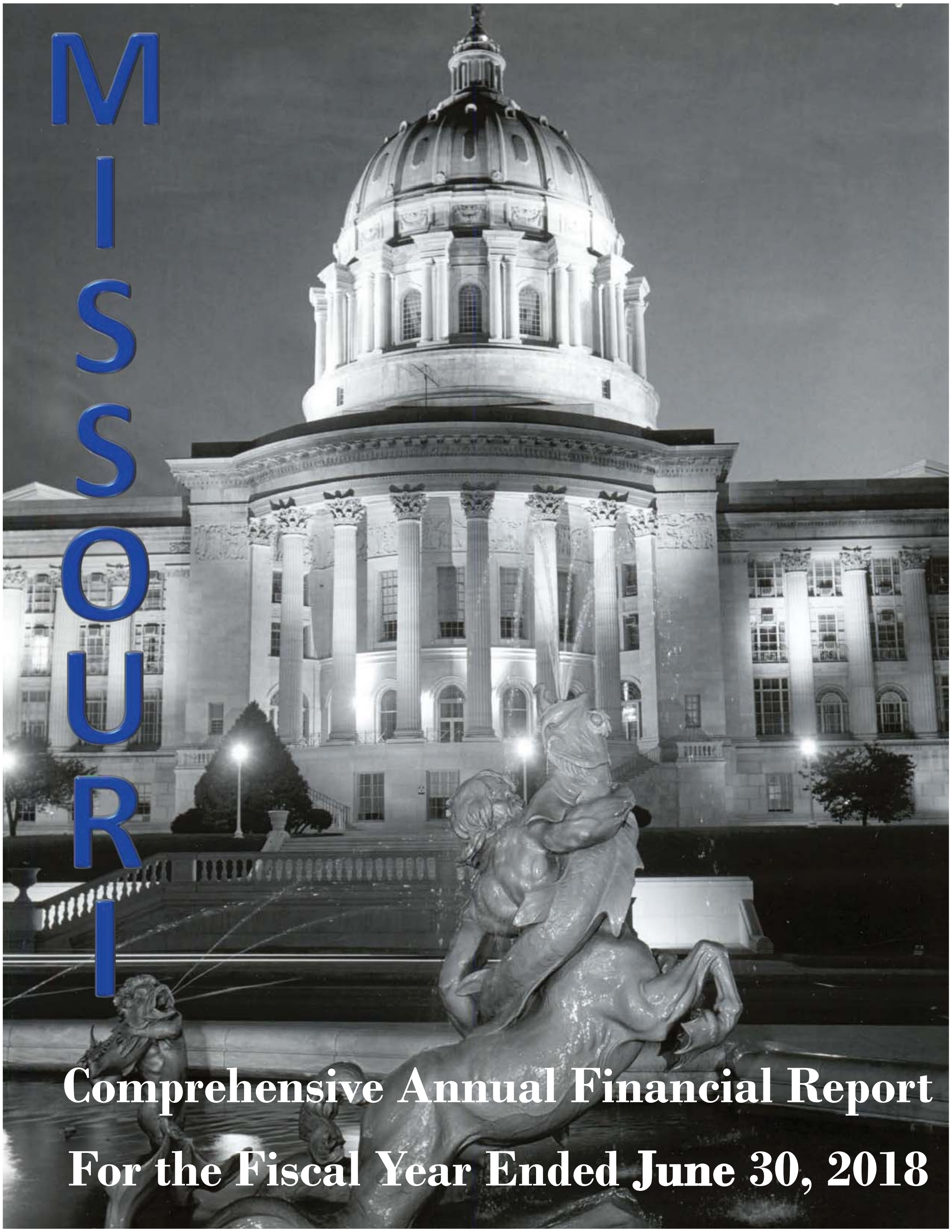
APPENDIX B

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE STATE OF MISSOURI

FOR THE FISCAL YEAR ENDED JUNE 30, 2018


MISSOURI
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2018

STATE OF MISSOURI

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2018

Michael L. Parson
Governor

SARAH H. STEELMAN
Commissioner
Office of Administration

STACY NEAL
Director
Division of Accounting

Prepared by
Office of Administration, Division of Accounting

On the Cover:

Missouri State Capitol, Centaur Fountain, Jefferson City, Missouri, Record Group 104; Missouri State Archives.

This report can be viewed on the Internet at http://oa.mo.gov/accounting/reports

STATE OF MISSOURI

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

The ***Introductory Section*** *includes material to familiarize the reader with the organizational structure of the State, the nature and scope of services the State provides, and a summary of the financial activities of the State and the factors that influence these activities.*

Michael L. Parson
Governor

Sarah Steelman
Commissioner

State of Missouri
OFFICE OF ADMINISTRATION
Division of Accounting
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Stacy Neal
Director

January 24, 2019

The Honorable Michael L. Parson
The Honorable Members of the Legislature
Citizens of the State of Missouri

In accordance with generally accepted accounting principles, I submit to you the Comprehensive Annual Financial Report (CAFR) of the State of Missouri for the fiscal year ended June 30, 2018. This report was prepared by the Office of Administration, Division of Accounting, whose management is responsible for its contents.

The report is prepared to show the financial position and operating results of the State. The State's internal accounting controls provide reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or disposal and the reliability of financial records for preparing financial statements. The concept of reasonable assurance recognizes that the cost of a control should not exceed the resulting benefit. We believe the data presented is accurate in all material respects and that all disclosures necessary to enable the reader to gain a reasonable understanding of the State's financial activities have been included.

An annual audit of the basic financial statements is completed each year by the State Auditor's Office. The State Auditor conducts the audit in accordance with generally accepted government auditing standards, and her opinion has been included in this report. The State Auditor conducts a "Single Audit" of all federal funds in accordance with the Federal Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform guidance).

A narrative introduction, overview, and analysis of the basic financial statements is presented in the *Management's Discussion and Analysis (MD&A)* section of this report. This letter of transmittal is intended to complement MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

PROFILE OF THE GOVERNMENT

Missouri was organized as a territory in 1812 and was the second state (after Louisiana) of the Louisiana Purchase to be admitted to the Union. Statehood was granted on August 10, 1821, making Missouri the 24th state. The State encompasses 68,945 square miles.

The State operates under three branches of government: executive, legislative, and judicial. The executive branch consists of the Governor, Lieutenant Governor, Secretary of State, State Auditor, State Treasurer, and Attorney General. The legislative branch consists of 34 members of the Senate and 163 members of the House of Representatives. The judicial branch is a three-tier court system: the Supreme Court, the State's highest court, has statewide jurisdiction; a court of appeals that consists of districts established by the General Assembly; and a system of circuit courts that has original jurisdiction over all cases and matters, civil and criminal.

The State provides a range of services in the areas of agriculture, education, health and social services, transportation systems, public safety, judicial systems, economic development, conservation and natural resources, labor relations, and general administration.

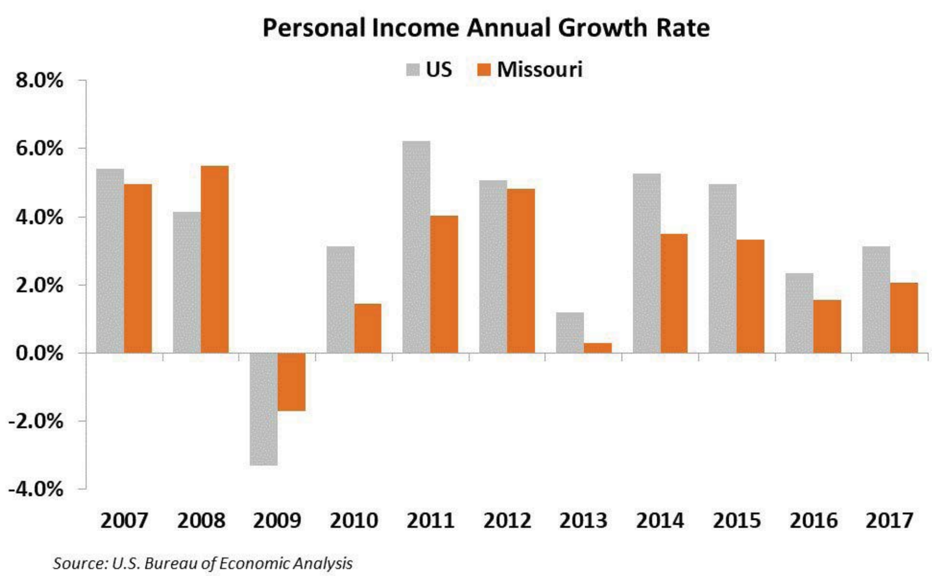
The State operates on a legally adopted budget in order to ensure compliance with legal provisions embodied in the annual appropriated budget passed by the General Assembly and approved by the Governor prior to the beginning of the fiscal year. If appropriations are not sufficient for a fiscal year, supplemental amounts are requested during the next legislative session by the same process that original appropriations are requested. Budgets are established at the program level. Expenditures cannot exceed the individual appropriation amount. The Governor has the authority to reduce the allotments of appropriations in any fund if it appears that the revenue estimate will not be met. Article IV, Section 27 of the Missouri Constitution, amended in 2014, requires the Governor to notify the General Assembly if the Governor reduces allotments when it appears revenues will be less than estimated. This Section then gives the General Assembly the authority to overturn any of the Governor’s restrictions with a two-thirds vote, similar to the procedure to overturn a veto. Unexpended appropriations lapse at the end of each fiscal year, unless reappropriated to the following budget fiscal year.

The financial reporting entity of the State includes all of the funds of the primary government as well as component units for which the State is financially accountable. The transmittal letter, MD&A, and the financial statements focus on the primary government and its activities. Although information pertaining to the component units is provided, their separately issued financial statements should be read to obtain a complete overview of their financial position.

ECONOMIC CONDITION AND OUTLOOK

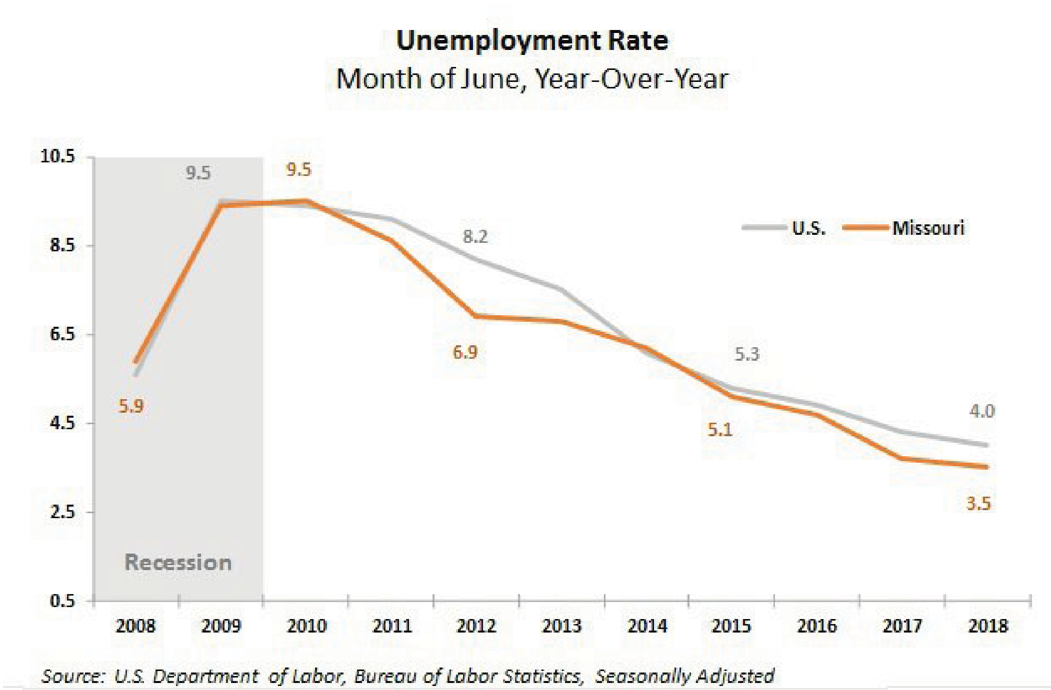
State Economy

Missouri's economy saw its sixth consecutive year of Annual Real GDP growth in 2017. Missouri's GDP was $263.1 billion in inflation-adjusted dollars; this is a 1.1% increase over 2016. Missouri's per capita personal income was $43,661 in 2017, up 1.7% from 2016. The national per capita income is $50,932. While the State's per capita income is lower than the national average, so is the cost of living. In 2017, Missouri ranked 6th lowest in cost of living for states.



Source: MERIC 2018 Missouri Economic Report

In June 2018, Missouri's unemployment rate was 3.5%, its lowest level since September 2000, while the nation's unemployment rate was 4.0%. June 2018 makes 16 consecutive months of unemployment rates below 4%. Between June 2017 to June 2018, Missouri added over 34,300 jobs, a 1.2% employment growth for Missouri.



Source: MERIC 2018 Missouri Economic Report

Long-Term Financial Planning

During the 2014 legislative session, the legislature passed Senate Bill 509 and Senate Bill 496, relating to changes to the State's income tax structure. The legislation reduced the maximum tax rate on personal income and created an income tax deduction for business income. The implementation of the tax cut is gradual with a 0.10% decline each calendar year and will go into effect following fiscal years where net general revenue collections grow at least $150 million. Estimates indicate that the bills will cost at least $620 million annually once fully in effect, which will occur in fiscal year 2023 at the earliest, due to a phased implementation. General revenue growth for fiscal year 2017 triggered the first income tax reduction in tax year 2018. General revenue growth for fiscal year 2018 triggered the second income tax rate reduction for tax year 2019. The estimated income tax revenue reduction for fiscal year 2019 is $240 million.

The Tax Cuts and Jobs Act (JCTA) became effective January 1, 2018. The tax package made multiple changes to the federal individual and corporate tax codes. Due to Missouri's rolling conformity with the majority of the federal tax code, many of the changes will also directly impact Missouri's tax collections. The most notable individual income tax change was an increase, of nearly double, to the standard deduction and elimination of the personal and dependent deductions. Missouri estimates that the individual income tax changes made at the federal level will reduce Missouri tax collections by $58 million annually beginning with fiscal year 2019.

The State has continued to implement a program of renovating capital assets by issuing bonds at historically low interest rates. The Board of Public Buildings issued Series A 2017 for $77,165,000 in August 2017 and Series A 2018 bonds for $47,740,000 in April 2018, utilizing Senate Bill 723 authorization. Senate Bill 723 authorized the Board to issue $314.3 million in bonds to provide continued funding for capital improvement projects for the State Capitol Building, State buildings, Veteran's homes, Correctional facilities, State Parks, and State educational institutions. No new bond issuances are planned for fiscal year 2019.

Relevant Financial Policies

Article X, Sections 16-24 of the Constitution of Missouri (the “Tax Limitation Amendment”), imposes a limit on the amount of taxes that may be imposed by the General Assembly in any fiscal year. This limit is tied to total state revenues for fiscal year 1981, as defined in the Tax Limitation Amendment and adjusted annually based on a formula, which is tied to increases in the personal income of Missouri for certain designated periods. If the revenue limit is exceeded by one percent or more in any fiscal year, the excess revenue will be refunded based on the liability reported on state income tax returns. If the excess revenue collected is less than one percent of the revenue limit, the excess revenue shall be transferred to the General Revenue Fund.

The revenue limit can be exceeded by a constitutional amendment duly adopted by the people or, if the General Assembly approves by a two-thirds vote, an emergency declaration by the Governor. Strong economic growth resulted in revenues above the total state revenue limit in fiscal years 1995-1999. The State has refunded to income taxpayers $979 million in excess revenue for these fiscal years. The revenue limit was not exceeded in fiscal years 2000 through 2018, inclusive. The State is currently $4.06 billion below the limit and does not expect the limit to be exceeded in fiscal year 2019.

Major Initiatives

Missouri will continue to focus on streamlining government functions and investing in its citizens. Major initiatives include a focus on tax reform, education and the well-being of Missouri citizens.

2018 Tax Legislation

- **Individual Income Tax** - The General Assembly passed multiple individual income tax-related bills (HB 1796, HB 1858, HB 2540, SB 573, and SB 882). HB 1796 will grant a first-time home buyer savings contributions income tax deduction. This provision is expected to reduce income tax collections by $2.7 million annually once fully implemented. HB 1858 will change the amount of interest granted to individual income tax refunds that have not been paid within 45 days. HB 1858 is expected to reduce general revenue by $2.7 million annually. HB 2540 will reduce the federal tax deduction granted, offsetting reductions to the top individual income tax rate. This provision is estimated to increase fiscal year 2019 revenues by $1.7 million. Once fully implemented, this legislation will reduce tax collections by an estimated $5.8 million annually. SB 573 will exempt all non-active duty and National Guard military pay from individual income tax. This exemption will be phased in by 20% increments over five years. This provision is estimated to reduce income tax collections by $2.8 to $7.4 million, once fully implemented. SB 882 will allow transfers between certain types of savings accounts to be exempt from individual income tax.

- **Sales Tax** - The General Assembly passed multiple sales tax exemption-related bills (HB 1831, SB 627, and SB 768). HB 1831 will exempt 501(c)(7) organizations from paying sales tax on membership dues and initiation fees. SB 627 will add bison and honey bees to the current agriculture sales tax exemptions. SB 768 will permanently extend the manufacturing sales tax exemption currently granted to telecommunications businesses. These provisions are estimated to reduce general revenue by less than $1 million annually.

- **Corporate Income Tax** - The General Assembly passed three corporate income tax-related bills (SB 769, SB 773, and SB 884). SB 769 will grant a tax rate reduction to financial institutions in the event of a corporate tax rate reduction. SB 769 is estimated to reduce general revenue by $300 thousand once fully implemented. SB 773 will exempt intercompany transactions from corporate income tax. SB 884 will reduce the corporate tax rate, exempt affiliated member transactions from corporate income tax, and require corporations to use a single-sales income apportionment method. SB 884 is estimated to impact general revenue by a range of positive $9.7 million to a loss of $8.8 million, once fully implemented.

- **Tax Credits** - The General Assembly passed three tax credit-related bills. (HB 1288, SB 590, and SB 629). HB 1288 extends existing tax credits and creates two new tax credit programs. HB 1288 is expected to reduce general revenue by more than $3 million once fully implemented. SB 590 makes multiple changes to the historic preservation tax credit program, including reducing the authorization cap from $140 million to $120 million ($90 million for all projects plus an additional $30 million for certain projects). SB 629 reduces the authorization cap for the Missouri Supplemental TIF Fund. SB 629 is estimated to increase general revenue by up to $12 million annually once fully implemented.

Public Infrastructure. Senate Bill 564 allows electrical utility companies to offer discounts to consumers for economic development and caps customer rate increases. It will increase investment from electric companies in Missouri solar facilities while making available rebates for solar power use. House Bill 1991 enacts the Uniform Small Wireless Facility Deployment Act, which will modernize infrastructure by establishing a streamlined statewide framework for internet service providers to work with localities to construct small cell nodes on existing infrastructure in the public right-of-way. These nodes are used to implement 5G wireless technologies in rural and urban communities.

Reforming the State Employee Merit System. Senate Bill 1007 modifies the state employee merit system to make most State of Missouri employees at-will employees and removes barriers to hiring, rewarding, and promoting effective employees. The bill streamlines the employee discipline and appeals process while restructuring and broadening pay scales to grant departments and agencies greater flexibility in compensation. Whistleblower protections for state employees are expanded to protect those who come forward to report improprieties within state agencies.

Federal Reimbursement Allowance. Senate Bill 775 extends the Federal Reimbursement Allowance (FRA) program. Under the program, health care providers pay an assessment to the state, which uses these revenues to earn federal matching dollars to fund the state's Medicaid program. FRA allows the state to draw down additional federal dollars to fund health care for low-income families, children, seniors, and Missourians with disabilities. The state statutes authorizing the program include sunset provisions so the provider assessments can be reviewed periodically.

Labor Reforms. House Bill 1413 modifies the membership dues withholding process for public employees represented by a labor union. Public sector employees will now need to annually opt-in to automatic withholdings from their paychecks rather than opting-out. The bill also reforms the financial reporting requirements for public sector unions to match federal requirements of private and public sector unions and increase transparency. House Bill 1729 reforms Missouri's prevailing wage law for public construction projects to reduce the cost burden of public projects especially for rural communities.

ACKNOWLEDGEMENTS

While the Office of Administration, Division of Accounting, is responsible for the contents of this report, no one division could do it alone. Many people were involved in the compilation of materials necessary to complete the report.

We want to issue a special thanks to all the personnel at the State agencies who provided us with information quickly and accurately so that we could issue the CAFR in a timely manner. We also owe thanks to the professionalism and dedication demonstrated by technical and management personnel within the State Auditor's Office, the State Treasurer's Office, Office of Administration, Information Technology Services Division, and the State Printing Center. We appreciate all their efforts.

Sincerely,

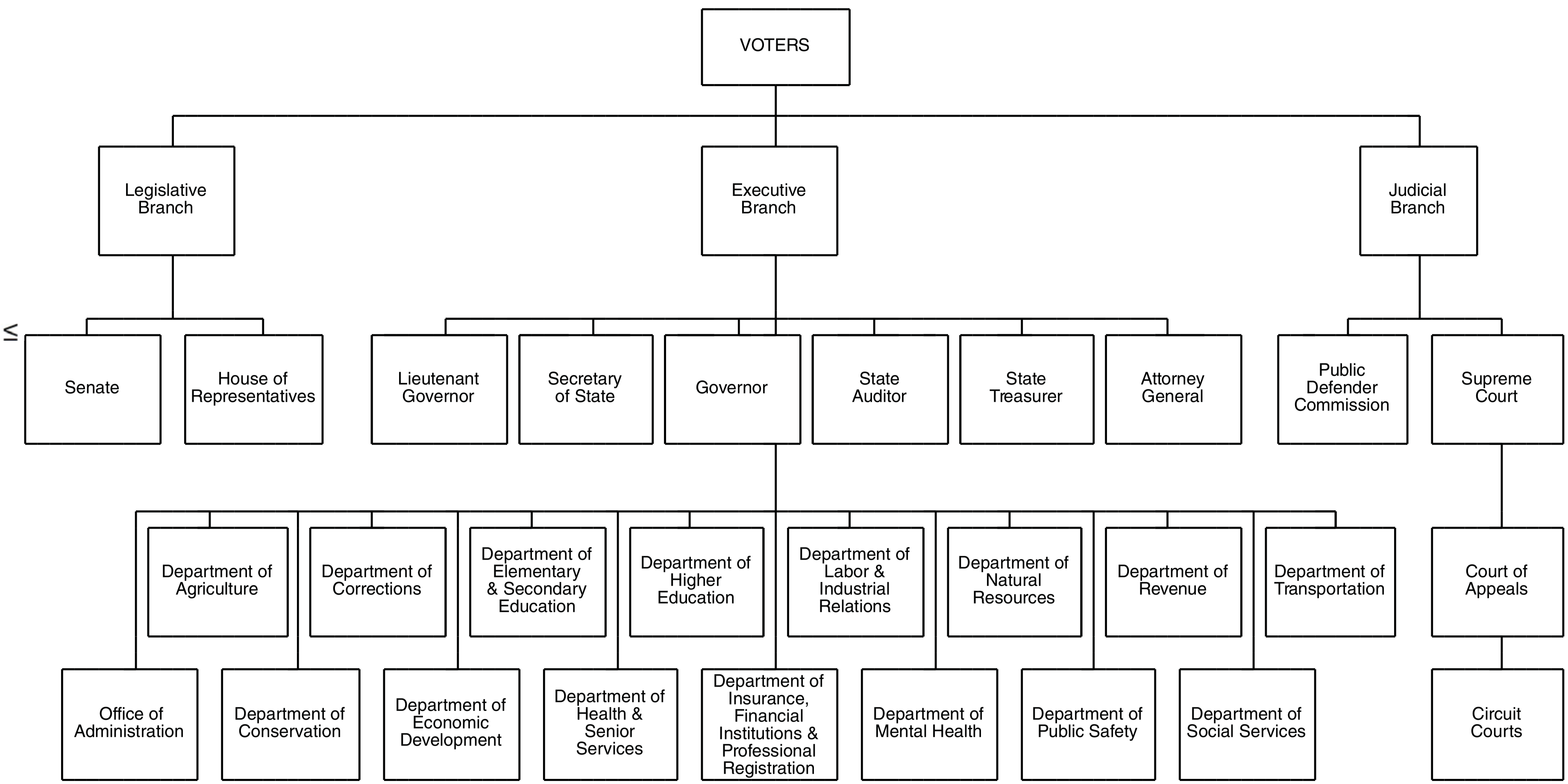
Stacy Neal

Stacy Neal, CPA
Director

STATE OF MISSOURI

ORGANIZATIONAL CHART

June 30, 2018



STATE OF MISSOURI
PRINCIPAL STATE OFFICIALS
as of June 30, 2018

EXECUTIVE

Michael L. Parson
Governor

Mike Kehoe
Lieutenant Governor

John R. Ashcroft
Secretary of State

Nicole Galloway, CPA
State Auditor

Eric Schmitt
State Treasurer

Joshua D. Hawley
Attorney General

LEGISLATIVE

Ron Richard
President Pro Tem of the Senate

Todd Richardson
Speaker of the House of Representatives

JUDICIAL

Zel M. Fischer
Chief Justice of the Supreme Court

*The **Financial Section** includes the Independent Auditor's Report, Management's Discussion and Analysis, Basic Financial Statements, Required Supplementary Information, and Supplementary Information.*

NICOLE GALLOWAY, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT

Honorable Michael L. Parson, Governor
and
Members of the General Assembly

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information 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 state'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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain entities. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the reports of the other auditors. Those entities were:

1. The Missouri Road Fund, a major fund; the Missouri Road Bond Fund; the Conservation Employees' Insurance Plan; the Transportation Self-Insurance Plan; the Missouri State Employees' Insurance Plan; the Missouri Consolidated Health Care Plan; and the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan which represent 77 percent of the assets and 11 percent of the revenues of the governmental activities.

2. The State Lottery and the Petroleum Storage Tank Insurance Fund which are both major funds and represent 12 percent of the assets and 73 percent of the revenues of the business-type activities.

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3. The aggregate discretely presented component units.

4. The pension (and other employee benefit) trust funds and the Missouri Department of Transportation agency funds which represent 93 percent of the assets and 97 percent of the additions of the fiduciary funds.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Conservation Employees' Insurance Plan, the Missouri State Employees' Insurance Plan, and the Missouri Consolidated Health Care Plan, internal service funds; the Missouri Development Finance Board and the Missouri Agricultural and Small Business Development Authority, discretely presented component units; and the pension (and other employee benefit) trust funds were not audited in accordance with *Government Auditing Standards*.

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 qualified audit opinions on the governmental activities and the General Fund opinion units and our unmodified opinions on all remaining opinion units.

Basis for Qualified Opinions on the Governmental Activities and the General Fund

We were not allowed access to tax returns and related source documents for income taxes. Access was denied based on the Department of Revenue's interpretation of the decision rendered by the Missouri Supreme Court in the case of *Director of Revenue v. State Auditor* 511 S.W.2d 779 (Mo. 1974). Approximately 28 percent of governmental activity revenues and 33 percent of General Fund revenues are from this source. We were unable to satisfy ourselves by appropriate audit procedures as to the income tax revenue beyond the amounts recorded.

Qualified Opinions

In our opinion, based on our audit and the reports of other auditors, and except for the possible effects of the matter described in the "Basis for Qualified Opinions on the Governmental Activities and the General Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the General Fund of the state of Missouri, as of June 30, 2018, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, each major fund excluding the General Fund, and the aggregate remaining fund information of the state of Missouri, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, for the fiscal year ended June 30, 2018, the state of Missouri implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. Our opinions are 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; the Budgetary Comparison Schedule-General Fund, Major Special Revenue Funds; the Schedule of Changes in Net Pension Liability and Related Ratios; the Schedule of Proportionate Share of the Net Pension Liability; the Schedule of State Contributions; the Schedule of Changes in Total OPEB Liability and Related Ratios, the Schedule of Changes in Net OPEB Liability and Related Ratios; and the Schedule of Proportionate Share of the Collective Net OPEB Liability, as listed in the table of contents, 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 and other auditors 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the state of Missouri's basic financial statements. The supplementary information, as listed in the table of contents, and the other information, which consists of the introductory and statistical sections, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the audit procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, and except for the possible effects on the supplementary information of the matter discussed in the "Basis for Qualified Opinions on the Governmental Activities and the General Fund" paragraph, the supplementary information, as listed in the table of contents, is fairly stated in all material respects, in relation to the basic financial statements as a whole.

The information in the introductory and statistical sections has not been subjected to the audit 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*, our report dated January 24, 2019, on our consideration of the state of Missouri'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 is issued under separate cover in the Single Audit Report. The purpose of our report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the state of Missouri's internal control over financial reporting or on compliance. Our report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the state of Missouri's internal control over financial reporting and compliance.

Nicole R. Galloway

Nicole R. Galloway, CPA
State Auditor

January 24, 2019

*The **Management's Discussion and Analysis** provides a narrative overview and analysis of the financial activities of the State.*

Management's Discussion and Analysis

The following is a discussion and analysis of the State of Missouri's financial activities for the fiscal year ended June 30, 2018. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal.

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

Government-Wide:

- *Net Position.* Assets and deferred outflows of the State of Missouri exceeded liabilities and deferred inflows at the close of fiscal year 2018 by $27.5 billion. Of the $27.5 billion, "unrestricted net position" is reported as a negative $7.1 billion, offset by $4.1 billion in "restricted net position" and $30.5 billion net investment in capital assets. Unrestricted net position declined significantly due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The total restatement due to the implementation was $1.9 billion.

- *Changes in Net Position.* The State's total net position increased by $283.4 million in fiscal year 2018. Net position for governmental-type activities increased by $186.6 million.

- *Excess of Revenues over (under) Expenses.* During fiscal year 2018, the State's total revenues of $27.6 billion were $271.9 million greater than total expenses of $27.4 billion (excluding capital contributions, transfers, and extraordinary items). Of these expenses, $15.5 billion were covered by program revenues. General revenues, generated primarily from various taxes, totaled $12.1 billion.

Fund-Level:

- *Governmental Funds – Fund Balance.* At the close of fiscal year 2018, the State's governmental fund assets exceeded liabilities by $5.2 billion, an increase of $110.0 million or 2.2% from the prior year. The increase was due to the net effect of several factors. Taxes increased $273.8 million primarily from an increase in individual income tax received. Revenues from Contributions and Intergovernmental increased $317.7 million and related expenditures in Human Services increased $382.4 million due to an increase for Medicaid and Other Assistance Programs. Capital outlay expenditures for Transportation and Law Enforcement increased $142.0 million mainly due to an increase in expenditures for infrastructure.

- *General Fund – Fund Balance.* At the end of the current fiscal year, the State's General Fund reported a balance of $1.5 billion.

Additional information regarding individual funds begins on Page 8.

Debt Issued and Outstanding:

- The primary government's total long-term obligations related to bonds payable decreased $186.7 million, or 6.0%, over the prior year. The outstanding bonds payable represents 30.4% of financial assets (cash, receivables, and investments) and 6.8% of total assets. The Board of Public Buildings issued bonds Series A 2017 and Series A 2018 in the amounts of $77,165,000 and $47,740,000, respectively. Additionally, bond payments of $311,625,000 were made during the fiscal year. Additional detail is available in *Note 12*.

Revenue Limit:

- The State Constitution limits the State's ability to retain revenue collected over an amount set by a constitutional amendment known as Article X. Excess revenue of 1.0% or more must be refunded to the taxpayers each year. During fiscal year 2018, the State did not exceed the revenue limit.

OVERVIEW OF THE FINANCIAL STATEMENTS

The State's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements:

The government-wide financial statements are designed to provide readers with a broad overview of the State's finances in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the State's assets, deferred outflows, liabilities, and deferred inflows, with the difference between them reported as *net position.* Increases or decreases in net position may serve as a useful indicator of the State's financial position.

The *Statement of Activities* presents information showing how the State's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of when the cash is received. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements report three activities:

Governmental Activities are primarily supported by taxes and intergovernmental revenues. They include general government, education, natural and economic resources, transportation and law enforcement, and human services.

Business-Type Activities are intended to recover all or a significant portion of their costs through user fees and charges. They include constructing or operating state park facilities, fairgrounds, historical properties and office buildings, hospital services, warehousing, merchandising, publishing maps and documents, and insurance coverage. Also included are the operations of the State Lottery, Unemployment Compensation, and the Petroleum Storage Tank Insurance funds.

Discretely Presented Component Units are operations for which the State has financial accountability, but are legally separate. They include the college and universities, Missouri Development Finance Board, Missouri Agricultural and Small Business Development Authority, Missouri Transportation Finance Corporation, and Missouri Wine and Grape Board.

Fund Financial Statements:

The fund financial statements present more detailed information about the government's operations than the government-wide statements. The State uses fund accounting to ensure and demonstrate compliance with statutory requirements. The funds of the State can be divided into three categories: governmental, proprietary, and fiduciary.

Governmental funds. Governmental funds are used to account for most of the basic services provided by the State. Unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of current financial resources and utilize the modified accrual basis of accounting. This presentation focuses on when cash will be received and disbursed making the statements useful in evaluating a government's financing requirements in the near future.

Governmental funds include the general, special revenue, capital projects, debt service, and permanent funds. Major funds include general, public education, conservation and environmental protection, and the Missouri Road Fund which are presented in separate columns. Data from other governmental funds are combined into a single column for aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements in supplementary information.

A user can compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. A reconciliation to facilitate this comparison is provided on the page immediately following each governmental fund financial statement.

Proprietary funds. Proprietary funds are used to account for activities similar to private businesses in which goods and services are sold for specified fees. Generally, the State uses enterprise funds to account for activities that provide goods and services to the general public. These include constructing or operating state park facilities, fairgrounds, historical properties and office buildings, hospital services, warehousing, merchandising, and publishing maps and documents. Also included are the operations of the State Lottery, Unemployment Compensation, and the Petroleum Storage Tank Insurance funds. Internal service funds report activities that provide supplies and services for the State's other programs and activities. The State uses internal service funds to account for insurance and health care plans, as well as administrative services for other state agencies, such as fleet management, data processing, and telecommunication services. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds focus on economic resources and utilize the full accrual basis of accounting. The proprietary fund financial statements provide separate information for the State Lottery, Unemployment Compensation, and Petroleum Storage Tank Insurance, which are considered major enterprise funds. Non-major enterprise funds are also combined into a single column for aggregated presentation. All internal service funds are combined into a single column in the proprietary fund financial statements. Individual fund data for the non-major enterprise and internal service funds is provided in the form of combining statements in supplementary information.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside State government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the State's own programs. The fiduciary funds are presented using the full accrual basis of accounting.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information (RSI) including a budgetary comparison schedule for the General Fund and major special revenue funds and schedules for pension and other postemployment benefits. Other supplementary information includes the combining statements for the general, non-major governmental, non-major enterprise, internal service, fiduciary, and non-major component unit funds. It also includes the statistical section as well as budgetary comparison schedules for the Missouri Road Fund, non-major special revenue, debt service, capital projects, and permanent funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position:

The State's total net position increased $283.4 million or 1.0% during fiscal year 2018. Cash and cash equivalents and investments increased $431.1 million due to a large influx of sales and withholding tax payments during the latter part of June and due to the uncertainty of cash flows in the capital projects funds. Capital assets increased $367.3 million mainly due to an increase in capital improvements and in the State's infrastructure. Net pension liability increased $337.1 million while bonds payable decreased $186.7 million. The State issued a Board of Public Buildings Bond Series A 2017 and Series A 2018 bonds in the amount of $124.9 million for continued funding for capital improvement of the State's capital assets, while making bond payments in the amount of $311.6 million.

Net investment in capital assets, which includes capital assets, bonds payable, and capital lease obligations, is the largest component of the State's net position at $30.5 billion or 110.9%. These assets include construction in progress, software in progress, infrastructure in progress, land, easements, land improvements, buildings, equipment, software, and trademarks which are not easily converted to cash or readily available to pay state debts as they come due. Net investment in capital assets and restricted net position, which do not represent resources available to pay day-to-day operating expenses, increased by $512.4 million or 1.5%. The increase was primarily due to the increase in capital assets of $367.3 million and a decrease in related outstanding bond and capital lease obligation of $187.8 million.

Restricted net position of the primary government totaled $4.1 billion or 14.8% of total net position vs. 15.1% from the prior year. Net position is restricted for several reasons including constitutional, legal, enabling legislation, or external requirements. Examples of restricted net position include lottery proceeds restricted for public education, funds restricted for debt service, and certain sales taxes restricted for the maintenance of highways or state parks and conservation areas. Also, many federal funds are restricted to funding certain programs.

The following table displays the current and prior year government-wide condensed Statement of Net Position.

STATEMENT OF NET POSITION
(In Thousands of Dollars)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017*	2018	2017*	2018	2017*
ASSETS:						
Current and Other Assets	$ 8,431,704	$ 8,162,803	$ 1,221,345	$ 1,120,155	$ 9,653,049	$ 9,282,958
Capital Assets, Net	33,014,334	32,658,829	127,209	115,456	33,141,543	32,774,285
Total Assets	41,446,038	40,821,632	1,348,554	1,235,611	42,794,592	42,057,243
DEFERRED OUTFLOWS:	1,916,669	1,886,708	55,135	51,705	1,971,804	1,938,413
LIABILITIES:						
Other Liabilities	1,795,865	1,666,035	30,852	29,440	1,826,717	1,695,475
Long-Term Liabilities	14,705,678	14,590,877	387,731	371,278	15,093,409	14,962,155
Total Liabilities	16,501,543	16,256,912	418,583	400,718	16,920,126	16,657,630
DEFERRED INFLOWS:	384,182	161,028	3,107	1,399	387,289	162,427
NET POSITION:						
Net Investment in Capital Assets	30,336,702	29,793,477	127,209	115,327	30,463,911	29,908,804
Restricted	4,062,810	4,103,890	5,616	7,239	4,068,426	4,111,129
Unrestricted	(7,922,530)	(7,606,967)	849,174	762,633	(7,073,356)	(6,844,334)
Total Net Position	$ 26,476,982	$ 26,290,400	$ 981,999	$ 885,199	$ 27,458,981	$ 27,175,599

*Fiscal year 2017 amounts have been restated.

Changes in Net Position:

The schedule below reflects how the State's net position changed during the year. The State collected program revenues of $15.5 billion and general revenues of $12.1 billion for total revenues of $27.6 billion during fiscal year 2018. Expenses for the State during fiscal year 2018 were $27.4 billion. Total net position, net of contributions and transfers, increased by $283.4 million.

The following table displays the current and prior year government-wide condensed Statement of Activities.

STATEMENT OF ACTIVITIES
(In Thousands of Dollars)

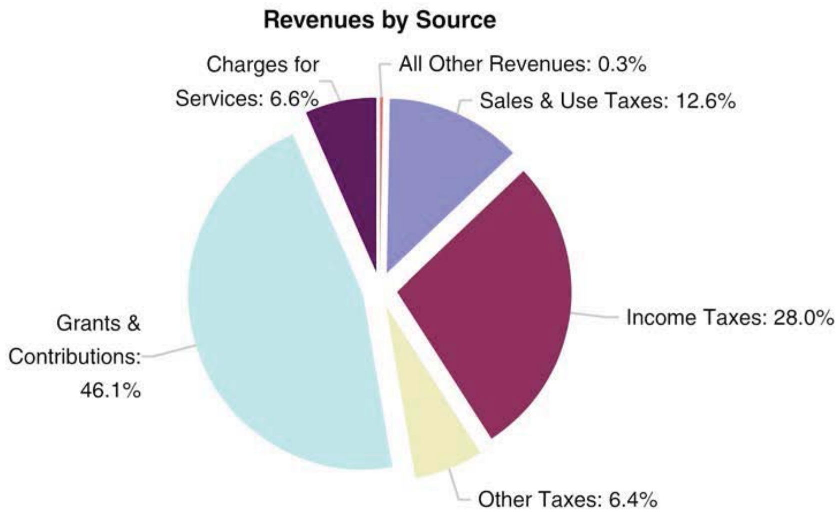
	Governmental Activities		Business-Type Activities		Total	
	2018	2017*	2018	2017*	2018	2017*
REVENUES:						
Program Revenues:						
Charges for Services	$ 1,702,084	$ 1,741,625	1,474,419	$1,423,224	$ 3,176,503	$ 3,164,849
Operating Grants and Contributions	10,812,026	10,403,733	466,750	553,591	11,278,776	10,957,324
Capital Grants and Contributions	1,020,695	923,748	—	—	1,020,695	923,748
General Revenues:						
Sales and Use Taxes	3,235,110	3,267,442	—	—	3,235,110	3,267,442
Income Taxes	7,200,130	7,041,356	—	—	7,200,130	7,041,356
Other Taxes	1,632,411	1,638,463	—	—	1,632,411	1,638,463
Other Revenues	85,545	74,799	18,338	13,156	103,883	87,955
Total Revenues	25,688,001	25,091,166	1,959,507	1,989,971	27,647,508	27,081,137
EXPENSES:						
General Government	1,265,879	1,176,204	—	—	1,265,879	1,176,204
Education	7,053,441	7,086,927	—	—	7,053,441	7,086,927
Natural and Economic Resources	1,079,319	1,074,411	—	—	1,079,319	1,074,411
Transportation and Law Enforcement	1,974,299	2,157,349	—	—	1,974,299	2,157,349
Human Services	14,339,906	13,682,277	—	—	14,339,906	13,682,277
State Lottery	—	—	1,086,926	1,070,595	1,086,926	1,070,595
Unemployment Compensation	—	—	294,271	318,782	294,271	318,782
Petroleum Storage Tank Insurance	—	—	21,298	19,392	21,298	19,392
State Fair Fees	—	—	4,878	4,726	4,878	4,726
State Parks and DNR	—	—	8,919	14,025	8,919	14,025
Historic Preservation	—	—	725	1,248	725	1,248
Veterans' Homes	—	—	123,094	115,078	123,094	115,078
Surplus Property	—	—	2,416	2,523	2,416	2,523
Revenue Information	—	—	12	12	12	12
All Other Expenses	120,206	128,108	—	—	120,206	128,108
Total Expenses	25,833,050	25,305,276	1,542,539	1,546,381	27,375,589	26,851,657
Increase (Decrease) in Net Position before Capital Contributions, Transfers, and Extraordinary Items	(145,049)	(214,110)	416,968	443,590	271,919	229,480
Capital Contributions	—	—	11,463	920	11,463	920
Transfers and Extraordinary Items	331,631	289,683	(331,631)	(289,836)	—	(153)
Change in Net Position	186,582	75,573	96,800	154,674	283,382	230,247
Net Position – July 1	26,290,400	26,214,827	885,199	730,525	27,175,599	26,945,352
Net Position – June 30	$ 26,476,982	$ 26,290,400	$ 981,999	$ 885,199	$ 27,458,981	$ 27,175,599

*Fiscal year 2017 amounts have been restated.

Governmental Activities

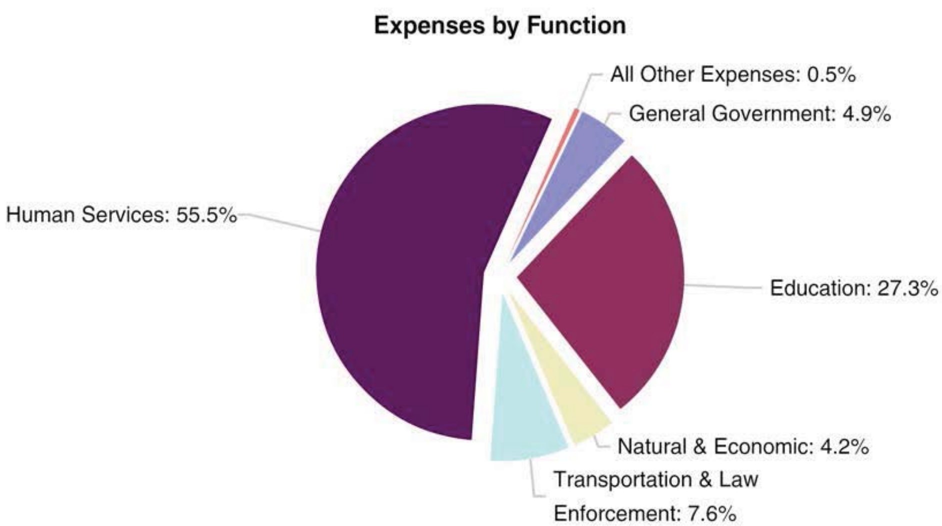
The net position of governmental activities increased $186.6 million in fiscal year 2018. General and program revenues of governmental activities were $596.8 million more in fiscal year 2018 than in fiscal year 2017, due mainly to an increase in operating grants and contributions and income tax.

As shown in the Revenues by Source chart below, approximately 47.0% of revenues from all sources earned came from taxes. Grants and contributions, which represents amounts received from other governments/entities, primarily the federal government, provided 46.1% of total revenue. Charges for services contributed 6.6% and various other revenues provided 0.3% of the remaining governmental activity revenue sources.



The State's governmental activities program expenses for fiscal year 2018 were $527.8 million more than fiscal year 2017. The most notable increase is $657.6 million in Human Services. This is mainly due to an increase for Medicaid and Other Assistance Programs.

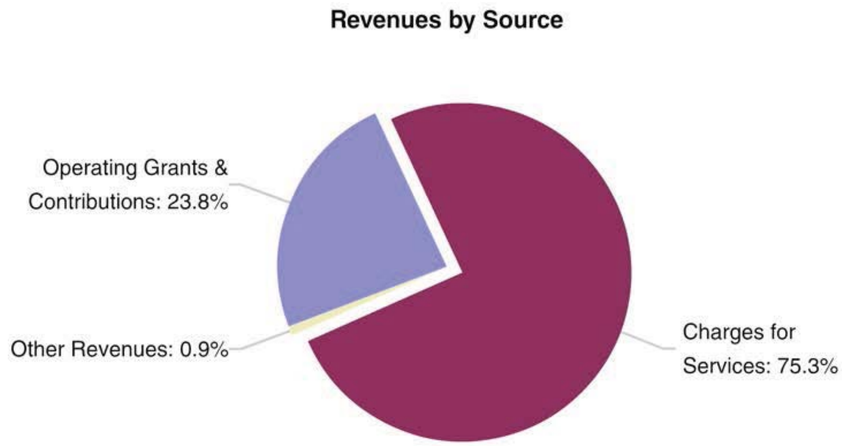
As shown in the Expenses by Function chart below, expense for Human Services makes up the largest portion, 55.5%, of total governmental activities expenses and followed by 27.3% for Education.



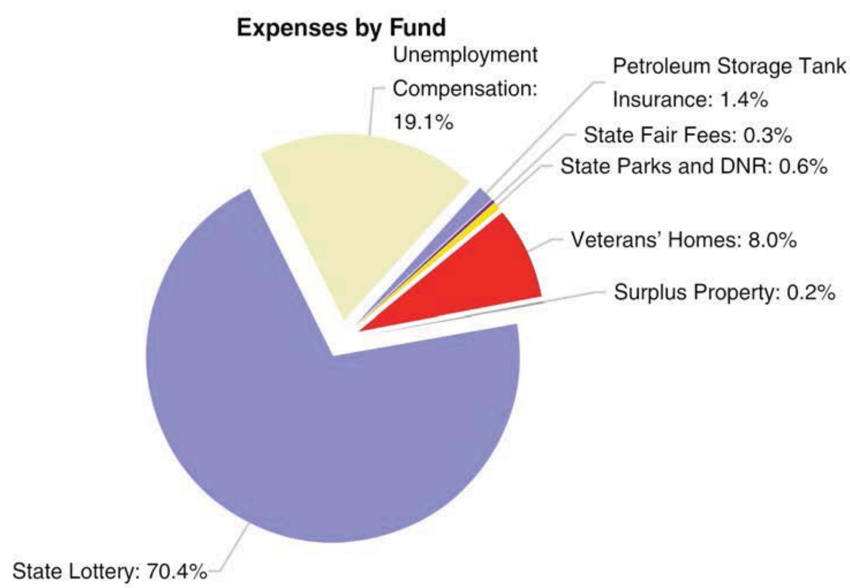
Business-Type Activities

Net position of the State's business-type activities increased $96.8 million in fiscal year 2018, mainly due to an increase in cash in Unemployment Compensation. The increase was due to an improved economy and a low unemployment rate which is allowing excess cash to remain in the fund.

Revenues of business-type activities totaled $2.0 billion. As shown in the Revenues by Source chart below, 75.3% of the revenues came from charges for services. Operating grants and contributions provided 23.8% of the total revenues and all other revenues provided 0.9%.



Expenses of business-type activities totaled $1.5 billion. As shown in the Expenses by Fund chart below, State Lottery makes up the largest portion with 70.4% of total business-type expenses. Unemployment Compensation comes in second at 19.1%, followed by Veterans' Homes at 8.0%, Petroleum Storage Tank Insurance at 1.4%, State Parks and DNR at 0.6%, State Fair Fees at 0.3%, and Surplus Property at 0.2%.



FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS

Governmental Funds:

At the end of fiscal year 2018, the State's governmental funds reported combined ending fund balances of $5.2 billion. Approximately 62.5% is unrestricted and available for spending at the government's discretion. The remainder of fund balance is nonspendable and restricted to indicate that it is not available for new spending because it has already been allocated for: 1) inventories, 2) to pay debt service, 3) for loans receivable, and 4) for a variety of other purposes.

Fund balances (in thousands) for governmental funds are as follows:

	General Fund	Public Education	Conservation and Environmental Protection	Missouri Road Fund	Non-Major Funds	Total
Nonspendable	$ 48,944	$ 123	$ 380	$ 33,738	$ 61,198	$ 144,383
Restricted	307,913	233,381	140,010	669,740	447,291	1,798,335
Committed	617,661	2,184	1,621,793	—	39,120	2,280,758
Assigned	86,705	46,399	108,411	—	255,376	496,891
Unassigned	457,634	—	—	—	—	457,634
Total	$ 1,518,857	$ 282,087	$ 1,870,594	$ 703,478	$ 802,985	$ 5,178,001

The General Fund is the chief operating fund of the State. At the end of fiscal year 2018, the State's General Fund reported a total fund balance of $1.5 billion, an increase of $84.6 million from fiscal year 2017. Total revenues increased $415.2 million. The increase was due primarily to an increase in individual income tax and sales and use tax and an increase in funds received from the federal government for Medicaid and Other Assistance programs. Total expenditures went from $18.5 billion to $18.9 billion between fiscal years 2017 and 2018, an increase of $340.8 million. The largest component of this increase was in human services of $377.0 million relating to the increase in funds received and related expenditures due to an increase in the number people utilizing Medicaid and Other Assistance Programs.

The Public Education Fund provides general and special education services to the children of the State and other related functions, such as library services and student loans. Total fund balance increased from $278.0 million last year to $282.1 million this year, an increase of $4.1 million or 1.5%. Revenues and expenditures were relatively stable verses fiscal year 2017.

The Conservation and Environmental Protection Fund provides the preservation of the State's wildlife and environment. At the end of fiscal year 2018, the fund balance was $1.9 billion, an increase of $52.0 million from fiscal year 2017. Revenues totaled $404.5 million while expenditures totaled $351.4 million, remaining relatively stable verses fiscal year 2017.

The Missouri Road Fund accounts for revenues from highway users' fees, federal reimbursements for highway projects, and bond proceeds to be used for costs of constructing and maintaining an adequate state highway system. Total fund balance decreased $20.1 million from fiscal year 2017. Revenues totaled $1.3 billion while expenditures totaled $1.8 billion. Total revenues increased by $127.0 million from fiscal year 2017 mostly due to the timing of reimbursements related to project expenditures and preventative maintenance, as well as an increase in the total number of projects billed due to the increase in contractor awards.

Proprietary Funds:

The State has three major proprietary funds: State Lottery, Unemployment Compensation, and the Petroleum Storage Tank Insurance Fund. The State Lottery Fund was established in 1986 to account for the sale of lottery tickets and lottery operations. Since 1992, public education has been the sole beneficiary of lottery proceeds. Unemployment Compensation accounts for contributions and payments collected from Missouri employers under the provision of the "Unemployment Compensation Law." This tax finances benefits for workers who become unemployed through no fault of their own. The Petroleum Storage Tank Insurance Fund accounts for moneys collected from transport load fees and participating owners of petroleum storage tanks. The fund pays cleanup expenses for petroleum leaks or spills from underground storage tanks and certain above ground storage tanks as well as third party property damage or bodily injury resulting from such discharges. This fund is one of the largest insurers of storage tanks in the country.

The State Lottery Fund's net position decreased by $2.0 million in fiscal year 2018, which is partly the result of fluctuations in market yields, which increase or reduce the unrealized gain on investments. Total operating revenues increased by 4.1%, while operating expenses increase by 1.5% in fiscal year 2018. Prize expense increased by $7.4 million, while ticket sales increased by $57.6 million. The sales increase was the result of an increase in Scratchers sales by $37.9 million, or 4.4%, an increase in Draw Game sales by $40.8 million, or 11.1%, and a decrease in Pull-Tab sales by $21.1 million, or 19.7%. The increase in fiscal year 2018 Scratchers sales can be attributed to the launch of a second $30 Scratchers game in late April 2018.

The Unemployment Compensation Fund's net position increased by $103.7 million during fiscal year 2018, which is mainly due to an increase in cash of $126.2 million and a decrease in accounts receivables of $22.0 million. The increase in cash is due to an improved economy and low unemployment rate, which allows excess cash to remain in the fund. During fiscal year 2018, the cash balance in the fund reached the statutorily established levels that trigger contribution rate reductions and decreases in the taxable wage base. The employer contribution rates decreased during fiscal year 2018, from 2.7% to 2.5%, and the taxable wage base decreased from $13,000 to $12,500, which were the main reasons for the accounts receivable decrease.

The Petroleum Storage Tank Insurance Fund's net position decreased by $7.8 million due to an increase in claims paid in fiscal year 2018.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget is the appropriated budget that is truly agreed to and finally passed by the legislature, and signed by the Governor at the beginning of the fiscal year. The final budget includes emergency and supplemental appropriations, reverted amounts, and increases to estimated appropriations, which occur during the fiscal year.

Budgeted appropriations for fiscal year 2018 from the General Fund were $26.9 billion original budget and $27.7 billion final budget. Actual spending was $24.6 billion. Reasons for the final budget variances include:

- Appropriation authority exceeded cash available for expenditures.
- Lapse of various appropriations.
- Multiple year grants are appropriated in one year, but the expenditures may occur over several years.
- Capital improvement appropriations were restricted during the budget process.

Budgeted revenues/transfers in for fiscal year 2018 for the General Fund were $26.8 billion original budget and $26.7 billion final budget. Actual revenue/transfers in was $24.9 billion.

Refer to the *Notes to RSI*, Budgetary Reporting, on page 140 for more information on budgetary variances.

GOVERNMENT-WIDE CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets:

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2018, was $33.1 billion (net of accumulated depreciation/amortization). This investment in capital assets includes construction in progress, software in progress, infrastructure in progress, land, permanent easements, land improvements, temporary easements, buildings and improvements, equipment, software, trademarks, and infrastructure.

Capital Assets of the State include (in thousands):

	Governmental Activities	Business-Type Activities	Total
Construction in Progress	$ 413,543	$ 14,847	$ 428,390
Software in Progress	99,119	189	99,308
Infrastructure in Progress	1,550,464	—	1,550,464
Land	3,093,739	32,602	3,126,341
Permanent Easements	4,091	—	4,091
Land Improvements	221,328	38,541	259,869
Temporary Easements	1,496	50	1,546
Buildings and Improvements	3,414,850	56,779	3,471,629
Equipment	1,352,483	52,781	1,405,264
Software	251,965	631	252,596
Trademarks	17	—	17
Infrastructure	50,828,842	—	50,828,842
Subtotal	61,231,937	196,420	61,428,357
Less Accumulated Depreciation/ Amortization	(28,217,603)	(69,211)	(28,286,814)
Total Capital Assets, Net	$ 33,014,334	$ 127,209	$ 33,141,543

Additional information on capital assets can be found in *Note 5* of this report.

Debt Administration:

At the end of fiscal year 2018, the primary government had total general obligation and other bonded debt outstanding of $2.9 billion. Of this amount, $104.7 million comprises debt backed by the full faith and credit of the government.

Principal amounts retired or refunded in fiscal year 2018 were $50.1 million for general obligation bonds and $261.5 million for other bonds.

The State of Missouri is proud to have maintained a Triple-A credit rating since 1989 from all three major credit rating agencies (Moody's Investor Services, Inc., Standard and Poor's, and Fitch Ratings, Inc.) on the State's General Obligation Bonds.

Outstanding Bonds Payable of the State include (in thousands):

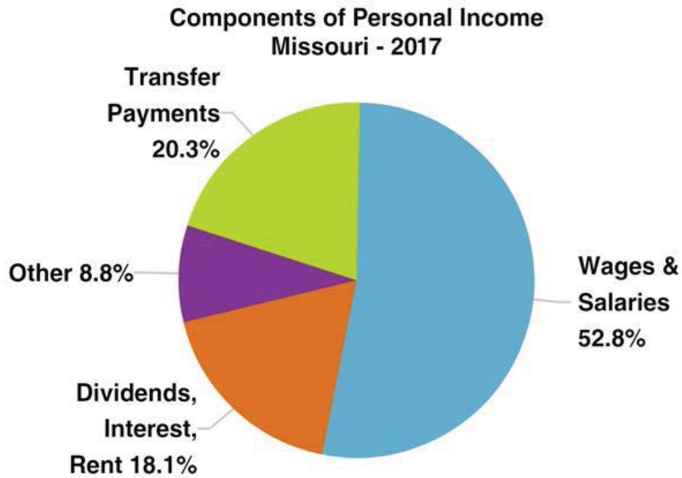
	Governmental Activities	Component Units	Total
General Obligation Bonds	$ 104,695	$ —	$ 104,695
Other Bonds	2,807,240	2,050,869	4,858,109
Total	$ 2,911,935	$ 2,050,869	$ 4,962,804

Additional information on long-term debt can be found in *Notes 11, 12, and 13* of this report.

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

As a major manufacturing, financial, and agricultural state, Missouri's economic health is tied closely to that of the nation. The expansion after the recession that ended in the summer of 2009 has continued, despite European fiscal and geopolitical troubles, volatile stock markets, and national policy uncertainty. Missouri's personal income, which directly impacts individual income tax and sales tax, increased 2.1% in 2017. Personal income growth began to accelerate in 2017, following weak growth during 2016. Missouri's employment stood at 2.9 million in June 2018, about 1.2% above June 2017. The State's seasonally adjusted unemployment rate registered 3.5% in June 2018, compared to 3.7% one year earlier. The national rate was 4.0% in June 2018.

Since 2010, personal incomes have increased, on average, 2.5% annually for the State and 3.6% for the nation. Missouri's per capita personal income grew 1.3% compared to national growth in per capita income of 1.6% from 2016 to 2017. The below graph depicts the components of personal income, with transfer payments (such as social security, Medicare, etc.) comprising 20.3% of the State's total personal income, due in part to the State's aging population.



Source: U.S. Bureau of Economic Analysis 2017

The State of Missouri's net general revenue collections in Fiscal Year 2018 were $9.4 billion, a 5.0% increase from fiscal year 2017 collections.

The State's economic outlook for fiscal year 2019 anticipates continued improvement in employment and wages, with continued growth in state revenue collections. During the fiscal year 2019 budget process, staff from the House, Senate, the University of Missouri and the Division of Budget and Planning developed a revenue estimate of 1.9% growth for fiscal year 2018 and 2.5% growth for fiscal year 2019. The actual fiscal year 2018 revenue collections increased by 5.0% when compared to the fiscal year 2017 collections, well above forecast and amount originally budgeted for fiscal year 2018. Net general revenue collections could decline by 0.5% in fiscal year 2019 and still reach forecast for net collections of $9.4 billion. Because of the conditions listed above, the Governor has begun fiscal year 2019 with no restrictions placed on general revenue spending. However, if necessary, the Governor may restrict spending at some point during the fiscal year.

The outlook for general revenue for fiscal year 2019 remains uncertain. Most economic forecasts are calling for moderate economic growth; however, escalating trade tensions and recent federal and state tax reforms may dampen Missouri growth. Equity markets have been strong in the first half of 2018, but have become more volatile as national and global uncertainty continues. While the number of jobs is steadily improving, the rate of growth has continued to slow as the labor market reaches full employment. Growth in sales tax is expected to be moderate as energy prices and inflation continue to increase.

The General Assembly passed several tax-related bills during the 2018 legislative session. The combined impact to general revenue during fiscal year 2019 ranges from a $1.3 million to $1.7 million gain. Once fully implemented, the legislation could impact general revenue by positive $10.1 million to a loss greater than $31.7 million.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the State's finances for all those with an interest in the State's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of Administration, Division of Accounting, P.O. Box 809, Jefferson City, MO 65102.

The ***Basic Financial Statements*** *include the Government-Wide Financial Statements, the Governmental Fund Financial Statements, the Proprietary Fund Financial Statements, the Fiduciary Fund Financial Statements, the Component Unit Financial Statements, and the accompanying notes to the statements.*

STATE OF MISSOURI
STATEMENT OF NET POSITION
June 30, 2018
(In Thousands of Dollars)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Cash and Cash Equivalents (Note 3)	$ 1,453,898	$ 976,917	$ 2,430,815	$ 481,438
Investments (Note 3)	2,577,761	72,350	2,650,111	2,783,012
Invested Securities Lending Collateral (Note 3)	—	—	—	5,012
Receivables, Net (Note 14)	4,227,898	170,475	4,398,373	635,202
Internal Balances	32,800	(32,800)	—	—
Inventories	70,074	1,605	71,679	55,025
Deposits and Prepaid Expenses	196	—	196	50,979
Restricted Assets:				
Cash and Cash Equivalents (Note 3)	28,225	—	28,225	234,934
Investments (Note 3)	40,852	32,798	73,650	1,543,485
Receivables, Net	—	—	—	47,692
Other Assets	—	—	—	19,371
Capital Assets (Note 5):				
Non-Depreciable	5,160,956	47,638	5,208,594	383,574
Depreciable, Net	27,853,378	79,571	27,932,949	5,073,560
Total Assets	41,446,038	1,348,554	42,794,592	11,313,284
Deferred Outflows of Resources (Note 15)	1,916,669	55,135	1,971,804	600,814
Liabilities				
Bank Overdraft (Notes 3 and 10)	2	—	2	—
Payables (Note 14)	1,584,776	29,199	1,613,975	631,828
Securities Lending Obligation (Note 3)	—	—	—	5,012
Unearned Revenue (Note 1)	98,623	1,653	100,276	161,266
Escheat/Unclaimed Property	112,464	—	112,464	—
Long-Term Liabilities (Note 11):				
Due Within One Year	764,945	96,837	861,782	470,912
Due in More Than One Year	13,940,733	290,894	14,231,627	4,203,447
Total Liabilities	16,501,543	418,583	16,920,126	5,472,465
Deferred Inflows of Resources (Note 15)	384,182	3,107	387,289	104,390
Net Position				
Net Investment in Capital Assets	30,336,702	127,209	30,463,911	3,115,586
Restricted for:				
Budget Reserve	614,386	—	614,386	—
Debt Service	395,152	—	395,152	—
Grants	303,480	—	303,480	—
Enabling Legislation (Note 1)	500,692	—	500,692	—
Loans Receivable	1,346,256	—	1,346,256	—
Permanent Trusts:				
Expendable	112	—	112	610,644
Non-Expendable	57,524	—	57,524	1,245,997
External Parties	845,208	5,616	850,824	100,584
Unrestricted	(7,922,530)	849,174	(7,073,356)	1,264,432
Total Net Position	$ 26,476,982	$ 981,999	$ 27,458,981	$ 6,337,243

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

STATE OF MISSOURI
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018
(In Thousands of Dollars)

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	$ 1,265,879	$ 589,009	$ 83,497	$ —
Education	7,053,441	40,328	1,171,355	—
Natural and Economic Resources	1,079,319	262,421	311,421	—
Transportation and Law Enforcement	1,974,299	227,737	225,979	1,020,660
Human Services	14,339,906	559,855	9,019,774	35
Interest on Debt (Excluding Direct Expense)	120,206	22,734	—	—
Total Governmental Activities	25,833,050	1,702,084	10,812,026	1,020,695
Business-Type Activities:				
State Lottery	1,086,926	1,418,409	—	—
Unemployment Compensation	294,271	—	386,428	—
Petroleum Storage Tank Insurance	21,298	12,937	—	—
State Fair Fees	4,878	4,755	319	—
State Parks and DNR	8,919	10,919	4,896	—
Historic Preservation	725	1	—	—
Missouri Veterans' Homes	123,094	24,540	75,107	—
Surplus Property	2,416	2,098	—	—
Revenue Information	12	760	—	—
Total Business-Type Activities	1,542,539	1,474,419	466,750	—
Total Primary Government	$ 27,375,589	$ 3,176,503	$ 11,278,776	$ 1,020,695
Component Units:				
College and Universities	$ 4,689,124	$ 3,173,090	$ 1,443,009	$ 84,629
Non-Major Component Units	7,304	7,961	—	—
Total Component Units	$ 4,696,428	$ 3,181,051	$ 1,443,009	$ 84,629

General Revenues:
Taxes:
Sales and Use
Individual Income
Corporate Income
County Foreign Insurance
Alcoholic Beverage
Corporate Franchise
Fuel
Miscellaneous Taxes
Grants and Contributions not Restricted to Specific Programs
Unrestricted Investment Earnings
Capital Contributions
Extraordinary Item
Transfers
Total General Revenues and Transfers
Change in Net Position
Net Position - Beginning
Net Position - Ending

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (593,373)	$ —	$ (593,373)	$ —
(5,841,758)	—	(5,841,758)	—
(505,477)	—	(505,477)	—
(499,923)	—	(499,923)	—
(4,760,242)	—	(4,760,242)	—
(97,472)	—	(97,472)	—
(12,298,245)	—	(12,298,245)	—
—	331,483	331,483	—
—	92,157	92,157	—
—	(8,361)	(8,361)	—
—	196	196	—
—	6,896	6,896	—
—	(724)	(724)	—
—	(23,447)	(23,447)	—
—	(318)	(318)	—
—	748	748	—
—	398,630	398,630	—
(12,298,245)	398,630	(11,899,615)	—
—	—	—	11,604
—	—	—	657
—	—	—	12,261
3,235,110	—	3,235,110	—
6,796,359	—	6,796,359	—
403,771	—	403,771	—
272,497	—	272,497	—
32,602	—	32,602	—
1,968	—	1,968	—
640,767	—	640,767	—
684,577	—	684,577	—
59,236	—	59,236	6,292
26,309	18,338	44,647	212,079
—	11,463	11,463	—
—	—	—	(17,908)
331,631	(331,631)	—	—
12,484,827	(301,830)	12,182,997	200,463
186,582	96,800	283,382	212,724
26,290,400	885,199	27,175,599	6,124,519
$ 26,476,982	$ 981,999	$ 27,458,981	$ 6,337,243

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

*The **Governmental Funds** focus on current financial resources.*

Governmental Fund Financial Statements

Major Funds

General Fund - Accounts for all current financial resources not required by law or administrative action to be accounted for in another fund.

Major Special Revenue Funds:

Public Education - Provides general and special education needs of the State and other related areas such as library services and student loans.

Conservation and Environmental Protection - Provides for the preservation of the State's wildlife and environment.

Major Capital Projects Fund:

Missouri Road Fund - Accounts for revenues from highway users' fees, federal reimbursements for highway projects, and bond proceeds to be used for costs of constructing and maintaining an adequate state highway system.

Non-Major Funds

Non-Major Governmental Funds are presented in the Combining and Individual Fund Statements and Schedules for non-major funds as part of Supplementary Information.

STATE OF MISSOURI
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018
(In Thousands of Dollars)

	General Fund	Public Education	Conservation and Environmental Protection	Missouri Road Fund	Non-Major Funds	Totals June 30, 2018
ASSETS						
Cash and Cash Equivalents (Note 3)	$ 657,525	$ 61,838	$ 180,949	$ 251,327	$ 241,656	$ 1,393,295
Investments (Note 3)	1,096,486	85,999	355,983	377,543	468,608	2,384,619
Accounts Receivable, Net	2,278,917	161,538	55,418	122,942	183,845	2,802,660
Interest Receivable	6,149	1,154	3,937	1,667	1,410	14,317
Due from Other Funds (Note 16)	—	27,950	—	—	630	28,580
Due from Component Units (Note 16)	—	—	250	—	—	250
Inventories	22,990	123	380	33,738	3,674	60,905
Advance to Component Units (Note 16)	—	—	267	—	—	267
Loans Receivable	25,954	855	1,315,949	—	3,498	1,346,256
Restricted Assets:						
Cash and Cash Equivalents (Note 3)	—	—	—	26,997	—	26,997
Investments (Note 3)	—	—	—	40,552	—	40,552
Total Assets	$ 4,088,021	$ 339,457	$ 1,913,133	$ 854,766	$ 903,321	$ 8,098,698
LIABILITIES						
Accounts Payable	$ 1,233,795	$ 63	$ 12,588	$ 107,010	$ 79,611	$ 1,433,067
Accrued Payroll	59,100	191	4,980	17,213	11,931	93,415
Due to Other Funds (Note 16)	4,988	14	551	227	1,189	6,969
Unearned Revenue (Note 1)	62,030	—	157	4,306	—	66,493
Escheat/Unclaimed Property	112,464	—	—	—	—	112,464
Total Liabilities	1,472,377	268	18,276	128,756	92,731	1,712,408
DEFERRED INFLOWS OF RESOURCES (Note 15)	1,096,787	57,102	24,263	22,532	7,605	1,208,289
FUND BALANCES (Note 4)						
Nonspendable	48,944	123	380	33,738	61,198	144,383
Restricted	307,913	233,381	140,010	669,740	447,291	1,798,335
Committed	617,661	2,184	1,621,793	—	39,120	2,280,758
Assigned	86,705	46,399	108,411	—	255,376	496,891
Unassigned	457,634	—	—	—	—	457,634
Total Fund Balances	1,518,857	282,087	1,870,594	703,478	802,985	5,178,001
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 4,088,021	$ 339,457	$ 1,913,133	$ 854,766	$ 903,321	$ 8,098,698

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

STATE OF MISSOURI
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2018
(In Thousands of Dollars)

Total Fund Balances - Governmental Funds		$ 5,178,001
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental funds are not financial resources and are not reported in the funds. These assets consist of (Note 5):		
Construction in Progress	413,204	
Software in Progress	98,040	
Infrastructure in Progress	1,550,464	
Land	3,085,405	
Permanent Easements	4,091	
Land Improvements	217,736	
Temporary Easements	1,496	
Buildings and Improvements	2,922,434	
Equipment	1,221,546	
Software	224,675	
Trademarks	17	
Infrastructure	50,828,842	
Accumulated Depreciation/Amortization	(27,860,161)	
		32,707,789
Deferred inflows of resources related to the State's revenues that will be collected after year-end, but are not available soon enough to pay for the current period's expenditures are deferred in the funds.		1,208,289
Deferred outflows of resources related to pensions and OPEB (Other Postemployment Benefits) are applicable to future reporting periods and therefore, not reported in the funds.		1,815,550
Deferred inflows of resources related to pensions and OPEB are applicable to future reporting periods and therefore, not reported in the funds.		(380,973)
Deferred outflows of resources related to deferred charges or credits on debt refundings are applicable to future reporting periods and therefore, not reported in the funds.		57,242
Deferred inflows of resources related to deferred charges or credits on debt refundings are applicable to future reporting periods and therefore, not reported in the funds.		(632)
Some liabilities are not due and payable in the current period and therefore, not reported in the funds. Those liabilities consist of (Note 11):		
Due to Other Entities	(1,420)	
General Obligation and Other Bonds Payable	(2,911,935)	
Unamortized Bond Premium	(166,876)	
Accrued Interest on Bonds	(26,785)	
Obligation under Lease Purchases	(46,175)	
Pollution Remediation	(46,239)	
Compensated Absences	(168,057)	
Claims Liability	(32,740)	
Contingent Liabilities	(2,002,091)	
Net Other Postemployment Benefit Obligation	(2,897,555)	
Net Pension Liability	(6,076,857)	
		(14,376,730)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities are included in governmental activities in the Statement of Net Position.		268,446
Net Position of Governmental Activities		$ 26,476,982

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

STATE OF MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2018
(In Thousands of Dollars)

	General Fund	Public Education	Conservation and Environmental Protection	Missouri Road Fund	Non-Major Funds	Eliminations	Totals June 30, 2018
Revenues:							
Taxes	$ 9,333,308	$ 1,288,433	$ 215,194	$ 180,110	$1,134,033	$ —	$ 12,151,078
Licenses, Fees, and Permits	92,915	1,452	82,991	106,029	392,060	—	675,447
Sales	531	—	7,599	—	1,397	—	9,527
Leases and Rentals	12	—	143	—	2	—	157
Services	147,851	—	2	—	800	—	148,653
Contributions and Intergovernmental	10,259,288	50,791	83,977	958,038	360,680	—	11,712,774
Investment Earnings:							
Net Increase (Decrease) in the Fair Value of Investments	(2,981)	(203)	(1,994)	(7,971)	(2,235)	—	(15,384)
Interest	23,358	2,312	11,584	14,872	8,063	—	60,189
Penalties and Unclaimed Properties	54,888	1,013	812	—	13,944	—	70,657
Cost Reimbursement/ Miscellaneous	304,767	73,220	4,169	66,211	65,422	—	513,789
Total Revenues	20,213,937	1,417,018	404,477	1,317,289	1,974,166	—	25,326,887
Expenditures:							
Current:							
General Government	654,849	525	2,297	—	252,270	—	909,941
Education	4,262,676	2,711,671	—	—	56,885	—	7,031,232
Natural and Economic Resources	268,990	5,717	347,288	—	247,573	—	869,568
Transportation and Law Enforcement	298,995	136	1,030	835,184	347,880	—	1,483,225
Human Services	13,293,352	12,833	824	—	705,210	—	14,012,219
Capital Outlay:							
General Government	—	—	—	—	1,320	—	1,320
Education	—	—	—	—	106	—	106
Natural and Economic Resources	—	—	—	—	3,549	—	3,549
Transportation and Law Enforcement	—	—	—	854,431	276	—	854,707
Human Services	—	—	—	—	64,467	—	64,467
Debt Service:							
Principal	77,610	—	—	79,917	175,953	—	333,480
Interest	29,407	—	—	40,196	75,373	—	144,976
Bond Issuance Costs	356	—	—	—	—	—	356
Underwriter's Discount	—	—	—	—	985	—	985
Total Expenditures	18,886,235	2,730,882	351,439	1,809,728	1,931,847	—	25,710,131
Excess Revenues (Expenditures)	1,327,702	(1,313,864)	53,038	(492,439)	42,319	—	(383,244)
Other Financing Sources (Uses):							
Proceeds from Notes/Capital Leases	6,852	—	—	—	82	—	6,934
Proceeds From Bonds	—	—	—	—	124,905	—	124,905
Bond Premium (Note 11)	—	—	—	—	9,751	—	9,751
Proceeds from Sale of Capital Assets	932	—	39	9,087	7,976	—	18,034
Transfers In (Note 17)	53,596	1,345,373	2,074	463,282	308,227	(1,829,573)	342,979
Transfers Out (Note 17)	(1,303,557)	(27,513)	(3,234)	—	(504,446)	1,829,573	(9,177)
Total Other Financing Sources (Uses)	(1,242,177)	1,317,860	(1,121)	472,369	(53,505)	—	493,426
Net Change in Fund Balances	85,525	3,996	51,917	(20,070)	(11,186)	—	110,182
Fund Balances - Beginning (Note 18)	1,434,253	278,039	1,818,628	723,548	813,506	—	5,067,974
Increase (Decrease) in Reserve for Inventory	(921)	52	49	—	665	—	(155)
Fund Balances - Ending	$ 1,518,857	$ 282,087	$ 1,870,594	$ 703,478	$ 802,985	$ —	$ 5,178,001

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

STATE OF MISSOURI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES IN GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018
(In Thousands of Dollars)

Net Change in Fund Balances - Total Governmental Funds		$ 110,182
Amounts reported for governmental activities in the Statement of Activities are different because:		
Inventories, which are recorded under the purchases method for governmental fund reporting, are reported under the consumption approach on the Statement of Activities. As a result of this change, the Increase in Reserve for Inventories on the fund statement has been reclassified as a functional expense on the government-wide statement.		(155)
Governmental funds report capital outlays as expenditures. In the Statement of Activities, however, the cost of these assets is allocated over their estimated useful lives and reported as depreciation/ amortization expense. This is the amount that capital outlays of $1,083,057 exceeds depreciation/ amortization of $686,978 in the current period.		396,079
In the Statement of Activities only the gain/loss on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sales increase financial resources. Thus the change in net position differs from the change in governmental fund balance by the net book value of the assets sold.		(24,254)
The net effect of the donation of capital assets increased net position.		82
Deferred inflows do not provide current financial resources and are not recognized as revenues until available in governmental funds.		105,210
Pension and OPEB (Other Postemployment Benefits) contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability and OPEB liability are measured a year before the report date. Pension expense and OPEB expense, which are the change in the net pension liability and the net change in OPEB liablity, adjusted for changes in deferred outflows and inflows of resources related to pensions and OPEB, is reported in the Statement of Activities.		
Pension Contributions		534,220
Pension Expense		(874,729)
OPEB Contributions		90,630
OPEB Expense		(180,015)
Proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. In governmental funds, repayment of principal is an expenditure, but the repayment reduces long-term liabilities in the Combined Statement of Net Position (Note 11):		
Bonds Issued	(124,905)	
Bond Premiums and Refunding Costs	(9,751)	
Bonds Retired	311,625	
Capital Leases Issued	(6,874)	
Capital Lease Payments	21,854	
		191,949
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, not reported as expenditures in governmental funds (Note 11):		
Amortization of Bond Premium and Refunding Costs	24,022	
Decrease in Accrued Interest	1,806	
Decrease in Pollution Remediation	1,192	
Increase in Due to Other Entities	(59)	
Decrease in Compensated Absences	2,204	
Increase in Contingent Liabilities	(90,755)	
Decrease in Claims Liability	5,249	
		(56,341)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue and expense of internal service funds are reported with governmental activities.		(106,276)
Change in Net Position of Governmental Activities		$ 186,582

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

*The **Proprietary Funds** focus on economic resources and are operated in a manner similar to private business enterprises.*

Proprietary Fund Financial Statements

Major Funds

State Lottery - Accounts for proceeds from the sale of lottery tickets and all other moneys credited or transferred to this fund. A minimum of 45% of the moneys are used for prizes.

Unemployment Compensation - Accounts for contributions and payments collected under the provisions of the "Unemployment Compensation Law" to pay benefits.

Petroleum Storage Tank Insurance - Accounts for moneys collected from transport load fees and participating owners of petroleum storage tanks for cleanup of contamination caused by releases from petroleum storage tanks.

Non-Major Funds

Non-major enterprise funds and all internal service funds are presented in our combining non-major fund financial statements as part of Supplementary Information.

STATE OF MISSOURI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018
(In Thousands of Dollars)

	Business-Type Activities - Enterprise Funds						
	Major Funds					Totals	
	State Lottery	Unemployment Compensation	Petroleum Storage Tank Insurance	Non-Major Funds	Eliminations	June 30, 2018	Governmental Activities Internal Service Funds
ASSETS							
Current Assets:							
Cash and Cash Equivalents (Note 3)	$ 30,996	$ 919,775	$ 16,382	$ 9,764	$ —	$ 976,917	$ 60,603
Investments (Note 3)	27,898	—	28,031	16,421	—	72,350	78,499
Restricted:							
Investments (Note 3)	3,402	—	—	—	—	3,402	300
Accounts Receivable, Net	53,296	108,220	1,678	6,768	—	169,962	63,725
Interest Receivable	110	—	112	69	—	291	421
Due from Other Funds (Note 16)	—	—	—	380	(2)	378	7,017
Due from Component Units (Note 16)	—	—	—	—	—	—	2
Inventories	—	—	—	1,605	—	1,605	9,169
Prepaid Items	—	—	—	—	—	—	196
Loans Receivable	—	—	—	222	—	222	—
Total Current Assets	115,702	1,027,995	46,203	35,229	(2)	1,225,127	219,932
Non-Current Assets:							
Investments	—	—	—	—	—	—	114,643
Restricted:							
Cash and Cash Equivalents (Note 3)	—	—	—	—	—	—	1,228
Investments (Note 3)	29,396	—	—	—	—	29,396	—
Capital Assets (Note 5):							
Construction in Progress	248	—	—	14,599	—	14,847	339
Software in Progress	—	—	—	189	—	189	1,079
Land	353	—	—	32,249	—	32,602	8,334
Land Improvements	—	—	—	38,541	—	38,541	3,592
Temporary Easements	—	—	—	50	—	50	—
Buildings	5,270	—	—	51,509	—	56,779	492,416
Equipment	7,153	—	151	45,477	—	52,781	130,937
Software	461	—	—	170	—	631	27,290
Less Accumulated Depreciation/Amortization	(10,891)	—	(143)	(58,177)	—	(69,211)	(357,442)
Total Non-Current Assets	31,990	—	8	124,607	—	156,605	422,416
Total Assets	147,692	1,027,995	46,211	159,836	(2)	1,381,732	642,348
DEFERRED OUTFLOWS OF RESOURCES (Note 15)	6,201	—	847	48,087	—	55,135	43,877
LIABILITIES							
Current Liabilities:							
Bank Overdraft (Note 3 and 10)	—	—	—	—	—	—	2
Accounts Payable	4,216	20,153	85	2,062	—	26,516	29,553
Accrued Payroll	283	—	44	2,356	—	2,683	1,956
Due to Other Funds (Note 16)	28,007	630	6	87	(2)	28,728	278
Unearned Revenue (Note 1)	524	—	525	604	—	1,653	32,130
Claims Liability (Note 11)	—	—	13,200	—	—	13,200	86,014
Grand Prize Winner Liability (Note 11)	79,233	—	—	—	—	79,233	—
Obligations under Lease Purchase (Note 11)	—	—	—	—	—	—	4,632
Compensated Absences (Note 11)	649	—	92	3,663	—	4,404	3,735
Total Current Liabilities	112,912	20,783	13,952	8,772	(2)	156,417	158,300
Non-Current Liabilities:							
Claims Liability (Note 11)	—	—	70,818	—	—	70,818	57,199
Grand Prize Winner Liability (Note 11)	27,352	—	—	—	—	27,352	—
Obligations under Lease Purchase (Note 11)	—	—	—	—	—	—	29,153
Compensated Absences (Note 11)	—	—	—	56	—	56	937
Net OPEB Liability (Note 11)	7,473	—	898	47,455	—	55,826	50,195
Net Pension Liability (Note 11)	18,004	—	2,324	116,514	—	136,842	123,868
Total Non-Current Liabilities	52,829	—	74,040	164,025	—	290,894	261,352
Total Liabilities	165,741	20,783	87,992	172,797	(2)	447,311	419,652
DEFERRED INFLOWS OF RESOURCES (Note 15)	348	—	48	2,711	—	3,107	2,577
NET POSITION							
Net Investment in Capital Assets	2,594	—	8	124,607	—	127,209	272,760
Restricted for:							
Other Purposes	2,012	3,604	—	—	—	5,616	1,528
Unrestricted	(16,802)	1,003,608	(40,990)	(92,192)	—	853,624	(10,292)
Total Net Position (Note 19)	$ (12,196)	$ 1,007,212	$ (40,982)	$ 32,415	$ —	$ 986,449	$ 263,996
Total Net Position Reported Above						$ 986,449	
Consolidation Adjustment of Internal Service Activities Related to Enterprise Funds						(4,450)	
Net Position of Business-Type Activities						$ 981,999	

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

STATE OF MISSOURI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2018
(In Thousands of Dollars)

	Business-Type Activities - Enterprise Funds					
	Major Funds				Totals	
	State Lottery	Unemployment Compensation	Petroleum Storage Tank Insurance	Non-Major Funds	June 30, 2018	Governmental Activities Internal Service Funds
Operating Revenues:						
Employer Contributions	$ —	$ 380,353	$ —	$ —	$ 380,353	$ 455,640
Employee Contributions	—	—	—	—	—	166,744
Federal Contracts	—	6,075	—	—	6,075	—
Medicare Part D Subsidy	—	—	—	—	—	8,107
Licenses, Fees, and Permits	—	—	12,937	10,499	23,436	3,834
Sales	1,418,267	—	—	4,387	1,422,654	26,711
Leases and Rentals	—	—	—	4,118	4,118	63,276
Charges for Services	—	—	—	24,205	24,205	127,811
Cost Reimbursement/Miscellaneous	142	—	—	268	410	40,678
Total Operating Revenues	1,418,409	386,428	12,937	43,477	1,861,251	892,801
Operating Expenses:						
Cost of Goods Sold	26,731	—	—	1,696	28,427	20,928
Personal Service	12,192	—	1,690	102,513	116,395	86,848
Operations	98,609	—	4,369	29,151	132,129	117,833
Prizes Expense	939,480	—	—	—	939,480	—
Specific Programs	—	—	15,244	1,669	16,913	13,321
Insurance Benefits	—	—	—	—	—	722,094
Unemployment Benefits	—	294,271	—	—	294,271	—
Depreciation/Amortization	1,069	—	4	4,865	5,938	24,213
Other Charges	8,746	—	—	650	9,396	13,107
Total Operating Expenses	1,086,827	294,271	21,307	140,544	1,542,949	998,344
Operating Income (Loss)	331,582	92,157	(8,370)	(97,067)	318,302	(105,543)
Non-Operating Revenues (Expenses):						
Contributions and Intergovernmental	(49)	—	—	80,322	80,273	47
Interest Expense	—	—	—	(1)	(1)	(1,059)
Investment Earnings:						
Net Increase (Decrease) in the Fair Value of Investments	(1,730)	—	(66)	(64)	(1,860)	(2,773)
Interest	523	18,807	590	278	20,198	4,228
Penalties and Unclaimed Properties	—	—	—	399	399	1
Disposal of Capital Assets	32	—	—	662	694	(43)
Total Non-Operating Revenues (Expenses)	(1,224)	18,807	524	81,596	99,703	401
Income (Loss) Before Transfers	330,358	110,964	(7,846)	(15,471)	418,005	(105,142)
Capital Contributions	—	—	—	11,463	11,463	—
Transfers In (Note 17)	49	—	—	9,098	9,147	114
Transfers Out (Note 17)	(332,453)	(7,277)	—	(1,048)	(340,778)	(2,285)
Change in Net Position	(2,046)	103,687	(7,846)	4,042	97,837	(107,313)
Total Net Position - Beginning (Note 18)	(10,150)	903,525	(33,136)	28,373	888,612	371,309
Total Net Position - Ending (Note 19)	$ (12,196)	$ 1,007,212	$ (40,982)	$ 32,415	$ 986,449	$ 263,996

Total Net Change in Net Assets Reported Above	$ 97,837
Consolidation Adjustment of Internal Services Activities Related to Enterprise Funds	(1,037)
Change in Net Assets of Business-Type Activities	$ 96,800

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

STATE OF MISSOURI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2018
(In Thousands of Dollars)

	Business-Type Activities - Enterprise Funds					
	Major Funds				Totals	
	State Lottery	Unemployment Compensation	Petroleum Storage Tank Insurance	Non-Major Funds	June 30, 2018	Governmental Activities Internal Service Funds
Cash Flows from Operating Activities:						
Receipts from Internal Customers and Users	$ —	$ 1,889	$ —	$ 646	$ 2,535	$ 649,100
Receipts from External Customers and Users	1,415,392	406,515	12,792	44,758	1,879,457	206,413
Payments to Suppliers	(126,084)	—	(4,311)	(28,555)	(158,950)	(135,217)
Payments to Employees	(10,237)	—	(1,397)	(87,571)	(99,205)	(73,621)
Payments to Other Funds for Services Provided	(729)	—	—	(2,305)	(3,034)	—
Payments Made for Program Expense	(944,080)	(290,988)	(13,094)	(1,669)	(1,249,831)	(731,891)
Other Receipts	142	—	—	268	410	40,678
Other Payments	(8,746)	—	—	(650)	(9,396)	(13,107)
Net Cash Provided (Used) by Operating Activities	325,658	117,416	(6,010)	(75,078)	361,986	(57,645)
Cash Flows from Non-Capital Financing Activities:						
Loans Made to Outside Entities	—	—	—	266	266	—
Due to Other Funds	—	(2,747)	2	28	(2,717)	130
Due from Other Funds	26,422	—	—	(363)	26,059	57
Contributions and Intergovernmental	(49)	—	—	79,933	79,884	36
Transfers to Other Funds	(332,453)	(7,277)	—	(1,048)	(340,778)	(2,285)
Transfers from Other Funds	49	—	—	9,098	9,147	79
Net Cash Provided (Used) by Non-Capital Financing Activities	(306,031)	(10,024)	2	87,914	(228,139)	(1,983)
Cash Flows from Capital and Related Financing Activities:						
Interest Expense	—	—	—	(1)	(1)	(1,059)
Purchases and Construction of Capital Assets	(693)	—	(1)	(4,770)	(5,464)	(5,593)
Capital Lease Downpayment/Obligations	—	—	—	(128)	(128)	(7,091)
Disposal of Capital Assets	32	—	—	286	318	—
Net Cash Provided (Used) by Capital and Related Financing Activities	(661)	—	(1)	(4,613)	(5,275)	(13,743)
Cash Flows from Investing Activities:						
Proceeds from Sales and Investment Maturities	—	—	9,619	761	10,380	1,224,274
Purchase of Investments	(3,193)	—	—	(4,044)	(7,237)	(1,225,045)
Interest and Dividends Received	464	18,807	565	250	20,086	4,162
Investment Fees	—	—	—	—	—	(31)
Penalties and Other Receipts	—	—	—	399	399	1
Net Cash Provided (Used) by Investing Activities	(2,729)	18,807	10,184	(2,634)	23,628	3,361
Net Increase (Decrease) in Cash	16,237	126,199	4,175	5,589	152,200	(70,010)
Cash and Cash Equivalents, Beginning of Year	14,759	793,576	12,207	4,175	824,717	131,839
Cash and Cash Equivalents, End of Year	$ 30,996	$ 919,775	$ 16,382	$ 9,764	$ 976,917	$ 61,829
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	$ 331,582	$ 92,157	$ (8,370)	$ (97,067)	$ 318,302	$ (105,543)
Depreciation/Amortization Expense	1,069	—	4	4,865	5,938	24,213
Changes in Assets and Liabilities:						
Accounts Receivable	(2,584)	21,976	(146)	2,280	21,526	2,354
Inventories	—	—	—	(51)	(51)	993
Deferred Outflows of Resources	(254)	—	(45)	(3,131)	(3,430)	(3,228)
Prepaid Items	—	—	—	—	—	(6)
Accounts Payable	(1,473)	3,283	58	38	1,906	2,557
Accrued Payroll	(6)	—	10	(123)	(119)	(27)
Unearned Revenue	(291)	—	1	(85)	(375)	1,036
Grand Prize Winner Liability	(4,600)	—	—	—	(4,600)	—
Claims Liability	—	—	2,150	—	2,150	3,524
Compensated Absences	18	—	16	(178)	(144)	(82)
Net OPEB Liability	221	—	30	1,709	1,960	1,437
Net Pension Liability	1,791	—	255	15,169	17,215	13,719
Deferred Inflows of Resources	185	—	27	1,496	1,708	1,408
Net Cash Provided (Used) by Operating Activities	$ 325,658	$ 117,416	$ (6,010)	$ (75,078)	$ 361,986	$ (57,645)
Non-Cash Financing and Investing Activities:						
Capital Lease Issuance	$ —	$ —	$ —	$ —	$ —	$ 2,215
Capital Asset Donations	49	—	—	389	438	11
Increase (Decrease) in Fair Value of Investments	(1,730)	—	(66)	(64)	(1,860)	(2,773)
Net Non-Cash Financing and Investing Activities	$ (1,681)	$ —	$ (66)	$ 325	$ (1,422)	$ (547)

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

*The **Fiduciary Funds** account for assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs.*

Individual fund financial statements for pension (and other employee benefit) trust funds, private-purpose trust funds, and agency funds are presented as part of Supplementary Information.

STATE OF MISSOURI
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2018
(In Thousands of Dollars)

	Pension (and Other Employee Benefit) Trust Funds	Private-Purpose Trust Funds	Agency Funds
ASSETS			
Cash and Cash Equivalents (Note 3)	$ 3,540,263	$ 12,884	$ 90,543
Investments at Fair Value (Note 3):			
U.S. Government Securities	4,588,785	2,654	596,996
U.S. Agency Sponsored Securities	—	18,475	2,270
Repurchase	321	—	—
Stocks	653,542	73	15
Bonds	1,303,026	—	—
International Equities	853,977	—	—
Mutual and Index Funds	1,330,903	—	—
Limited Partnership	3,928,630	—	—
Other Investments	465,322	3,838	471
Invested Securities Lending Collateral (Note 3)	133,616	—	—
Assets Held in Escheat	—	12,653	—
Receivables:			
Accounts Receivable	149,207	26	516,171
Interest Receivable	56,078	13	1,076
Inventories	—	1	—
Prepaid Expenses	45	—	—
Capital Assets:			
Land	351	—	—
Buildings	4,829	—	—
Equipment	1,636	65	—
Software	4,028	99	—
Accumulated Depreciation/Amortization	(6,735)	(128)	—
Total Capital Assets, Net	4,109	36	—
Total Assets	17,007,824	50,653	$ 1,207,542
TOTAL DEFERRED OUTFLOWS OF RESOURCES (Note 15)	335	524	$ —
LIABILITIES			
Accounts Payable	186,230	946	$ 36
Obligations under Repurchase Agreements	3,853,969	—	—
Accrued Payroll	—	24	—
Due to Other Entities	—	—	1,179,795
Due to Individuals	—	—	27,711
Securities Lending Obligation (Note 3)	138,841	—	—
Unearned Revenue (Note 1)	4,183	—	—
Claims Liability	11,908	—	—
Compensated Absences	686	44	—
Net OPEB Liability	8,817	550	—
Net Pension Liability	—	1,276	—
Total Liabilities	4,204,634	2,840	$ 1,207,542
TOTAL DEFERRED INFLOWS OF RESOURCES (Note 15)	271	29	$ —
Net Position Restricted for Pension Benefits, OPEB, Deferred Compensation, and Other Purposes	$ 12,803,254	$ 48,308	

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

STATE OF MISSOURI
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Fiscal Year Ended June 30, 2018
(In Thousands of Dollars)

	Pension (and Other Employee Benefit) Trust Funds	Private-Purpose Trust Funds
Additions:		
Contributions:		
Employer	$ 690,342	$ —
Plan Member	145,773	—
Other	105,599	—
Total Contributions	941,714	—
Investment Earnings:		
Increase (Decrease) in Appreciation of Assets	882,079	(709)
Interest and Dividends	187,212	788
Securities Lending Income	986	—
Other Income	160	—
Total Investment Earnings	1,070,437	79
Less Investment Expenses:		
Investment Activity Expense	(134,452)	—
Securities Lending Expense	(793)	—
Total Investment Expense	(135,245)	—
Net Investment Earnings (Loss)	935,192	79
Unclaimed Property	—	42,692
Cost Reimbursement/Miscellaneous	3,204	11,677
Total Additions	1,880,110	54,448
Deductions:		
Benefits	1,312,248	—
Administrative Expenses	25,316	2,389
Program Distributions	86,866	55,599
Inactive-vested Buyout Payments	61,041	—
Service Transfer Payments	2,060	—
Depreciation/Amortization	347	39
Total Deductions	1,487,878	58,027
Change in Net Position	392,232	(3,579)
Net Position - Beginning of Year (Note 18)	12,411,022	51,887
Net Position - End of Year	$ 12,803,254	$ 48,308

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

*The **Component Units** account for all transactions relating to legally separate entities which, for reporting purposes, are a part of the State.*

Component Unit Financial Statements

Major

College and Universities

Non-Major

Non-Major proprietary component unit statements are found in the combining fund financial statements as part of Supplementary Information.

STATE OF MISSOURI
STATEMENT OF NET POSITION
COMPONENT UNITS
June 30, 2018
(In Thousands of Dollars)

	College and Universities	Non-Major	Totals June 30, 2018
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 457,645	$ 23,793	$ 481,438
Investments	378,075	41,221	419,296
Invested Securities Lending Collateral	5,012	—	5,012
Receivables, Net	481,039	2,622	483,661
Inventories	55,023	2	55,025
Restricted Assets:			
Cash and Cash Equivalents	211,034	567	211,601
Investments	40,597	15,339	55,936
Receivables, Net	21,254	2,980	24,234
Deposits and Prepaid Expenses	50,610	369	50,979
Other Assets	1,059	—	1,059
Total Current Assets	1,701,348	86,893	1,788,241
Non-Current Assets:			
Investments	2,319,082	44,634	2,363,716
Receivables, Net	125,999	25,542	151,541
Restricted Assets:			
Cash and Cash Equivalents	11,701	11,632	23,333
Investments	1,482,560	4,989	1,487,549
Receivables, Net	1,601	21,857	23,458
Other Assets	18,312	—	18,312
Capital Assets, Net of Accumulated Depreciation/Amortization (Note 5)	5,391,156	65,978	5,457,134
Total Non-Current Assets	9,350,411	174,632	9,525,043
Total Assets	11,051,759	261,525	11,313,284
DEFERRED OUTFLOWS OF RESOURCES (Note 15)	599,464	1,350	600,814
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	474,092	271	474,363
Due to Primary Government (Note 16)	—	252	252
Securities Lending Obligation	5,012	—	5,012
Unearned Revenue (Note 1)	143,397	—	143,397
Deposits	93,367	—	93,367
Claims Liability (Note 22)	45,045	—	45,045
Compensated Absences	73,888	52	73,940
Capital Lease Obligations (Note 6)	5,832	—	5,832
Bonds and Notes Payable (Note 12)	345,872	223	346,095
Total Current Liabilities	1,186,505	798	1,187,303
Non-Current Liabilities:			
Accounts Payable and Accrued Liabilities	51,355	—	51,355
Advance from Primary Government (Note 16)	—	267	267
Unearned Revenue (Note 1)	17,080	789	17,869
Deposits and Reserves	451	11,773	12,224
Claims Liability (Note 22)	42,225	—	42,225
Compensated Absences	32,865	58	32,923
Capital Lease Obligations (Note 6)	34,219	—	34,219
Bonds and Notes Payable (Note 12)	1,974,583	16,929	1,991,512
Net OPEB Liability	462,891	484	463,375
Net Pension Liability	1,636,738	2,455	1,639,193
Total Non-Current Liabilities	4,252,407	32,755	4,285,162
Total Liabilities	5,438,912	33,553	5,472,465
DEFERRED INFLOWS OF RESOURCES (Note 15)	104,214	176	104,390
NET POSITION			
Net Investment in Capital Assets	3,066,760	48,826	3,115,586
Restricted for:			
Expendable	610,644	—	610,644
Non-Expendable	1,245,997	—	1,245,997
Other Purposes	—	100,584	100,584
Unrestricted	1,184,696	79,736	1,264,432
Total Net Position	$ 6,108,097	$ 229,146	$ 6,337,243

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

STATE OF MISSOURI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION/STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the Fiscal Year Ended June 30, 2018
(In Thousands of Dollars)

	College and Universities	Non-Major	Totals June 30, 2018	Adjustments	Statement of Activities
Revenues:					
Operating Revenues:					
Licenses, Fees, and Permits	$ —	$ 1,687	$ 1,687	$ —	$ 1,687
Student Tuition and Fees (Net of Scholarship Allow.)	1,017,485	—	1,017,485	—	1,017,485
Sales and Services of Educational Departments	51,352	—	51,352	—	51,352
Auxiliary Enterprises	2,020,189	—	2,020,189	—	2,020,189
Leases and Rentals	—	5,988	5,988	—	5,988
Cost Reimbursement/Miscellaneous	86,718	286	87,004	(2,654)	84,350
Total Charges for Services					3,181,051
Federal Appropriations, Grants, and Contracts	189,910	—	189,910	205,662	395,572
State Grants and Contracts	85,960	—	85,960	726,641	812,601
Private Gifts, Grants, and Contracts	84,068	—	84,068	101,207	185,275
Additions to Endowments	1,172	—	1,172	48,389	49,561
Total Operating Grants and Contributions					1,443,009
Interest Revenue	—	1,854	1,854	(1,854)	
Total Operating Revenues	3,536,854	9,815	3,546,669	1,077,391	
Expenses:					
Operating Expenses:					
Personal Service	2,833,720	1,748	2,835,468	—	2,835,468
Operations	—	3,628	3,628	—	3,628
Specific Programs	—	592	592	—	592
Scholarships and Fellowships	142,406	—	142,406	—	142,406
Utilities	34,407	—	34,407	—	34,407
Supplies and Other Services	1,196,154	—	1,196,154	—	1,196,154
Contracted Services	32,397	—	32,397	—	32,397
Interest Expense	—	—	—	97,038	97,038
Depreciation/Amortization	317,434	2,056	319,490	—	319,490
Miscellaneous	34,337	99	34,436	412	34,848
Total Operating Expenses	4,590,855	8,123	4,598,978	97,450	4,696,428
Operating Income (Loss)	(1,054,001)	1,692	(1,052,309)	979,941	
Non-Operating Revenues (Expenses):					
Federal Appropriations, Grants, and Contracts	205,662	—	205,662	(205,662)	—
State Appropriations, Grants, and Contracts	726,641	—	726,641	(726,641)	—
Private Gifts, Grants, and Contracts	101,207	—	101,207	(101,207)	—
Contributions and Intergovernmental	—	6,292	6,292	—	6,292
Total Unrestricted Grants and Contributions					6,292
Investment Earnings:					
Increase (Decrease) in the Fair Value of Investments	(70)	(602)	(672)	—	(672)
Investment and Endowment Income (Loss)	209,246	—	209,246	—	209,246
Interest	—	1,651	1,651	1,854	3,505
Interest and Bond Related Expenses	(96,424)	(614)	(97,038)	97,038	—
Gain (Loss) on Sale of Capital Assets	(1,845)	—	(1,845)	1,845	—
Miscellaneous Revenues (Expenses)	(2,654)	1,433	(1,221)	1,221	—
Total Unrestricted Investment Earnings					212,079
Total Non-Operating Revenues (Expenses)	1,141,763	8,160	1,149,923	(931,552)	
Income Before Other Revenues (Expenses) Or Gains (Losses)	87,762	9,852	97,614	48,389	
State Capital Appropriations	84,629	—	84,629	—	84,629
Total Capital Grants and Contributions					84,629
Additions to Endowments	48,389	—	48,389	(48,389)	—
Extraordinary Item	(17,908)	—	(17,908)	—	(17,908)
Change in Net Position	202,872	9,852	212,724	—	212,724
Net Position - Beginning of Year (Note 18)	5,905,225	219,294	6,124,519	—	6,124,519
Net Position - End of Year	$ 6,108,097	$ 229,146	$ 6,337,243	$ —	$ 6,337,243

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

*The **Notes to the Financial Statements** provide a summary of significant accounting policies and other disclosures required for a fair presentation of the basic financial statements.*

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Index of Notes

Note 1 - Significant Accounting Policies

A. Financial Statements and Reporting Entity

The accompanying financial statements of the State of Missouri (primary government) and its component units have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

The financial statements include the departments, agencies, boards, commissions, and other organizational units over which the State has financial accountability. GASB set forth the following criteria in Statement No. 14, *The Financial Reporting Entity,* for determining financial accountability: appointment of a voting majority of an organization's governing body and either: 1) the ability to impose the State's will on the organization; or 2) the organization's ability to provide specific benefits to, or impose specific burdens on, the primary government. Where the State does not appoint a voting majority of the governing body, the entity would still be included if it is fiscally dependent on the State. Statement No. 39, *Determining Whether Certain Entities are Component Units,* added a requirement to include all entities whose relationship with the State would make it misleading to exclude it. Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34,* improves financial reporting by amending GASB Statement No. 14, *The Financial Reporting Entity,* and Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* in blending component units: 1) if there is a financial benefit or burden relationship with the primary government; 2) management of the primary government has operational responsibility for the component unit's activities; and 3) if the total outstanding debt is expected to be repaid entirely or almost entirely with the resources of the primary government. GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14,* requires component units to be blended if they are incorporated as not-for-profit corporations and the primary government is the sole corporate member.

In addition to the legislative, executive, and judicial branches, the following organizations are included in these financial statements:

Component Units (Blended):

Blended component units are legally separate entities from the State, but are so intertwined with the State that they are, for all practical purposes, the same as the State. They are reported as part of the primary government and blended into the appropriate funds. The following component units are blended because they provide services entirely or almost entirely to the primary government:

Governmental Funds:

Board of Fund Commissioners – The Board was created by state law and is comprised of the Governor, Lieutenant Governor, Attorney General, State Treasurer, and the Commissioner of Administration. The Board's purpose is to issue, redeem, and cancel state general obligation bonds and perform other administrative activities related to state general obligation debt as assigned by law. Separate financial statements are not required or issued for the Board.

Board of Private Investigator and Private Fire Investigator Examiners – The Board was created by state law and is charged with the licensure and regulation of the practice of private investigators and private fire investigators in Missouri. The seven member board shall consist of three private investigators, two private fire investigators, and two public members, appointed by the Governor. The Board is appointed by the primary government. It is therefore considered blended special revenue fund and shown in the financial statements as part of the primary government.

Note 1 - Significant Accounting Policies (cont.)

Coordinating Board for Early Childhood – The Board was created by state law within the Missouri Children's Services Commission. The Board's purpose is to develop a comprehensive statewide long-range strategic plan for a cohesive early childhood system, and to work with public and private entities for the purpose of promoting and improving the development of Missouri's children from birth through age five. The 17 member Board is composed of representatives from the Governor's Office; the following departments: Health and Senior Services, Mental Health, Social Services, and Elementary and Secondary Education; the judiciary; the Family and Community Trust Board; the Head Start Program; and nine members appointed by the Governor. The majority of the board members are appointed by the primary government and, therefore, separate financial statements are not required for the Board.

Missouri State Penitentiary Redevelopment Commission – The Commission was established to coordinate the planning and redevelopment of the old Jefferson City Correctional Center. The ten member commission consists of three members appointed by the Jefferson City mayor, three members appointed by the Cole County Commission, and four members appointed by the Governor. The majority of the board members are appointed by the primary government. Therefore, it is considered a blended special revenue fund and is shown in the financial statements as part of the primary government.

Internal Service Funds:

Board of Public Buildings – This is reported with the State Facility Maintenance and Operation Fund. The Board was created by state law and its governing body is made up of the Governor, the Lieutenant Governor, and the Attorney General. Its purpose is to provide state buildings by issuing revenue bonds and to supervise the operations of these facilities. All construction contracts must be approved by the Division of Facilities Management, Design and Construction, and its projects must be approved by the General Assembly. The Board can require state agencies to occupy its projects. The General Assembly appropriates to the Board, on behalf of the state agencies, amounts sufficient to pay the principal and interest on the bonds and pay the costs of operations.

Conservation Employees' Insurance Plan – The Plan provides health and life insurance coverage to eligible employees and retirees of the Missouri Department of Conservation. The Plan is administered by a five member board of trustees made up of three members of the Plan appointed by the Conservation Commission which consist of two Conservation employees and Division Chief, the Chief Financial Officer, and the Human Resources Division Chief. Copies of the Plan's financial statements may be requested from:

Missouri Department of Conservation
P.O. Box 180
Jefferson City, Missouri 65102

Transportation Self-Insurance Plan – The Plan provides fleet vehicle liability, workers' compensation, and general liability insurance. The Plan is administered by the Missouri Department of Transportation. Additional information may be requested from:

Missouri Department of Transportation
Financial Services Division
P.O. Box 270
Jefferson City, Missouri 65102

Note 1 - Significant Accounting Policies (cont.)

Missouri State Employee's Insurance Plan – The Plan was created to provide basic life insurance to eligible members and is administered through the Missouri State Employees' Retirement System (MOSERS). Death benefits, optional life insurance, and long-term disability benefits are also provided by the Plan for certain members. Copies of the System's financial statements may be requested from:

Missouri State Employees' Retirement System
P.O. Box 209
Jefferson City, Missouri 65102-0209

Missouri Consolidated Health Care Plan (MCHCP) – The Plan was created by state law to provide medical benefits to its members and is administered by a board of trustees. The Board consists of two members of the Senate; two members of the House; six members appointed by the Governor; the Director of the Department of Health and Senior Services; the Director of the Department of Insurance, Financial Institutions and Professional Registration; and the Commissioner of Administration. The management of MCHCP is the responsibility of the Executive Director who is appointed by the Board. Copies of the Plan's financial statements may be requested from:

Missouri Consolidated Health Care Plan
P.O. Box 104355
832 Weathered Rock Court
Jefferson City, Missouri 65110-4355

MoDOT/MSHP Medical and Life Insurance Plan – The Plan provides health and life insurance coverage to eligible employees, retirees, and their dependents of the Missouri Department of Transportation (MoDOT) and the Missouri State Highway Patrol (MSHP). The Plan is administered by a board of trustees consisting of four active MoDOT employees, one retired MoDOT employee appointed by the Director of MoDOT, two active MSHP employees, and one retired MSHP employee appointed by the Superintendent of MSHP. Additional information may be requested from:

Missouri Department of Transportation
Financial Services Division
P.O. Box 270
Jefferson City, Missouri 65102

Pension (and other employee benefit) trust funds:

Missouri State Employees' Retirement System (MOSERS) – The System was created by state law and provides retirement, survivor, and disability benefits to its members and is administered by a board of trustees. The Board consists of two members of the Senate, two members of the House, two members appointed by the Governor, three members elected by the System's members, the State Treasurer, and the Commissioner of Administration. The management of MOSERS is the responsibility of the Executive Director who is appointed by the Board. The MOSERS Board of Trustees also oversees the State's Deferred Compensation Plan which is administered by a third party. Copies of the System's financial statements may be requested from:

Missouri State Employees' Retirement System
P.O. Box 209
Jefferson City, Missouri 65102-0209

Note 1 - Significant Accounting Policies (cont.)

Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS) – The System provides retirement, survivor, and disability benefits to qualified employees of the Missouri Department of Transportation, uniformed and non-uniformed members of the Missouri State Highway Patrol, and MPERS staff. The System is administered by a board of trustees consisting of three members of the Missouri Highways and Transportation Commission, the Director of the Missouri Department of Transportation, the Superintendent of the Missouri State Highway Patrol, one member of the Senate, one member of the House, one member elected by MoDOT employees, one member elected by the Missouri State Highway Patrol employees, one retired member elected by retired MoDOT employees, and one retired member elected by retired Missouri State Highway Patrol employees. Copies of the System's financial statements may be requested from:

Missouri Department of Transportation and
Highway Patrol Employees' Retirement System
P.O. Box 1930
Jefferson City, Missouri 65102-1930

Missouri Consolidated Health Care Plan (MCHCP) State Retiree Welfare Benefit Trust – The Trust was established on June 27, 2008, to provide health and welfare benefits for the exclusive benefit of current and future retired employees of the State and their dependents who meet eligibility requirements, except those covered by other State sponsored post-employment benefit plans. The Trust is administered by the MCHCP board of trustees, which also administers the benefits for the active participants of the Plan. The net position and activity related to active participants are reported in an internal service fund. Copies of the Plan's financial statements may be requested from:

Missouri Consolidated Health Care Plan
P.O. Box 104355
832 Weathered Rock Court
Jefferson City, Missouri 65110-4355

Missouri State Public Employees' Deferred Compensation Plan – The Missouri State Public Employees' Deferred Compensation Plan is administered by ICMA-RC and oversight of the Plan is provided by the MOSERS board of trustees. Under this Plan, employees are permitted to defer a portion of their current salary until future years. In addition, eligible employees have the opportunity to participate in the Missouri State Employees' Deferred Compensation Incentive Plan. Under this Plan, the State contributes $25, $30, or $35 per month on behalf of any employee who contributes at least that amount to the Missouri State Public Employees' Deferred Compensation Plan and who has been an employee of the State for at least one year. However, due to budget constraints, the State's contribution amount was suspended in March 2010. Copies of financial statements for both Plans may be requested from:

Plan Administrator
c/o MOSERS
P.O. Box 209
Jefferson City, Missouri 65102-0209

Note 1 - Significant Accounting Policies (cont.)

Component Units (Discretely Presented):

Discretely presented component units are legally separate entities for which the State is financially accountable. The financial data for these entities is reported separately from the financial data of the primary government.

Major

College and Universities - The Coordinating Board for Higher Education has certain responsibilities for these institutions and they receive State support. Following are the public college and universities included in the financial statements:

Harris-Stowe State University
3026 Laclede Avenue
St. Louis, Missouri 63103

Lincoln University
820 Chestnut Street
Jefferson City, Missouri 65102

Missouri Southern State University
3950 East Newman Road
Joplin, Missouri 64801-1595

Missouri State University
901 South National Avenue, Room 119
Springfield, Missouri 65897

Missouri Western State University
4525 Downs Drive
St. Joseph, Missouri 64507

Northwest Missouri State University
107 Administration Building
800 University Drive
Maryville, Missouri 64468-6001

Southeast Missouri State University
One University Plaza, Mail Stop 3200
Cape Girardeau, Missouri 63701

State Technical College of Missouri
One Technology Drive
Linn, Missouri 65051

Truman State University
Business Office
100 East Normal
Kirksville, Missouri 63501

University of Central Missouri
316 Administration Building
Warrensburg, Missouri 64093

University of Missouri System
118 University Hall
Columbia, Missouri 65211

Non-Major

Missouri Development Finance Board - The Board was created by state law as an independent, self-supporting, body corporate and politic to promote economic development of the State and was created within the Department of Economic Development. The Board is empowered to issue taxable, tax-exempt, and public purpose infrastructure industrial revenue bonds or notes; provide loans or loan guarantees to eligible businesses; provide loans and grants to political subdivisions to fund public infrastructure improvements; and issue tax credits against certain state income taxes in exchange for contributions made to the Board. The twelve member board is made up of the Lieutenant Governor and the Directors of the Department of Economic Development, the Department of Natural Resources, and the Department of Agriculture, who serve as ex-officio voting members, and eight members appointed by the Governor and confirmed by the Senate. Copies of the Board's financial statements may be requested from:

Missouri Development Finance Board
Governor Office Building
200 Madison Street, Suite 1000
Jefferson City, Missouri 65102

Note 1 - Significant Accounting Policies (cont.)

Missouri Agricultural and Small Business Development Authority - The Authority was created by state law and is authorized to issue bonds to finance agricultural and small business development loans for property acquisitions/renovations and pollution control facilities throughout the State. If for any reason, the Authority ceases to exist, all rights and properties of the Authority will pass to the State. Its governing body consists of seven members appointed by the Governor with the advice and consent of the Senate. Copies of the Authority's financial statements may be requested from:

Missouri Agricultural and Small
Business Development Authority
P.O. Box 630
1616 Missouri Boulevard
Jefferson City, Missouri 65102

Missouri Transportation Finance Corporation - The Corporation is a not-for-profit corporation organized under the Missouri Nonprofit Corporation Law. The Corporation is financed by federal highway and transit dollars, plus state and local matching funds. It is authorized to issue revenue bonds. The Corporation provides loans to assist public and private entities fund highway and transportation projects throughout the State. Missouri Transportation Finance Corporation's board determines which applicants are extended loans. Copies of the Corporation's financial statements may be requested from:

Missouri Department of Transportation
Central Office, Financial Services
105 West Capitol Avenue
Jefferson City, Missouri 65101

Missouri Wine and Grape Board – The Board was created by state law to further growth and development of the grape growing industry in Missouri and foster the expansion of the grape market for Missouri grapes. The eleven member board consists of seven members representing the grape and wine industry, food service industry, or media marketing industry.
The four other members include the director of the Department of Agriculture and the presidents of the Missouri Grape Growers Association, the Missouri Vintners Association, and the Missouri Wine Marketing and Research Council. Copies of the Board's annual report may be requested from:

Missouri Wine and Grape Board
P.O. Box 630
1616 Missouri Boulevard
Jefferson City, Missouri 65102

Related Organizations

Related organizations are excluded from the financial reporting entity because the State's accountability does not extend beyond appointing a voting majority of the organization's board members. Related organizations of the State of Missouri include:

Missouri Health and Educational Facilities Authority – finances health and educational facilities.

Missouri Higher Education Loan Authority – provides a secondary market for loans made under the Federal Family Education Loan Program.

Missouri Housing Development Commission – finances the purchase, development or rehabilitation of affordable housing and funds housing assistance.

Note 1 - Significant Accounting Policies (cont.)

Missouri Technology Corporation – promotes the modernization of businesses through the development of science and technology applications.

Missouri Public Entity Risk Management Fund – provides liability protection to participating public entities, their officials, and employees.

State Environmental Improvement and Energy Resources Authority – finances, acquires, constructs, and equips projects to reduce, prevent, and control pollution and develop the energy resources of the State.

Jackson County Sports Complex Authority – responsible for construction, operation, and financing of the Jackson County Sports Complex.

Kansas City Regional Sports Complex Authority – responsible for the study and review of all current major sports leagues, clubs, or franchises in Kansas City.

St. Charles County Convention and Sports Facility Authority – responsible for planning, constructing, and managing convention and sports facilities in the St. Charles area.

Missouri Cotton Growers' Organization – organized for boll weevil eradication.

KCT Intermodal Transportation Corporation – organized to pay for a railroad bridge in the Blue Valley Industrial District in Kansas City.

Westside Intermodal Transportation Corporation – organized to pay for rail additions and improvements of the Kansas City Terminal Railway.

Universal Service Board – organized to ensure just, reasonable, and affordable rates for comparable essential local telecommunication services throughout the State.

Interstate Commission for Adult Offender Supervision – responsible for promoting public safety and protecting the rights of victims through the control and regulation of the interstate movement of adults placed under community supervision.

Board of Trustees of the Missouri Mesothelioma Risk Management Fund – provides coverage of liabilities for participating employers relating to mesothelioma awards.

P-20 Council – organized to create a more efficient and effective education system that more adequately prepares students for the challenges of entering the workforce.

Missouri Propane Safety Commission – responsible for developing comprehensive plans and programs for the prevention, control, and abatement of propane-related accidents in Missouri.

Missouri Family Trust Board of Trustees – provides trust services for persons with disabilities.

Note 1 - Significant Accounting Policies (cont.)

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements:

The government-wide financial statements focus on the government as a whole. The Statement of Net Position and Statement of Activities report information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Governmental activities include governmental type funds and internal service funds. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services and consist of enterprise funds.

The Statement of Net Position presents the reporting entity's non-fiduciary, assets, deferred outflows, liabilities, and deferred inflows with the difference reported as net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Indirect costs, such as depreciation/amortization expense, are included in the direct expenses reported for individual functions. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenues.

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when incurred. Fiduciary funds have been excluded from the government-wide financial statements because, by definition, the resources of these funds cannot be used to support government operations. Generally, interfund transactions have also been eliminated. Some interfund transactions, such as the exchange of services, were not eliminated because doing so would mistakenly understate both expenses of the buyer and revenues of the seller.

Fund Financial Statements:

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide statements. For governmental and proprietary fund financial statements, the emphasis is on major individual governmental and enterprise funds, with each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. Internal service funds are also aggregated and reported in a separate column on the proprietary fund financial statements.

Note 1 - Significant Accounting Policies (cont.)

The governmental fund financial statements are presented using the current financial resources measurement focus and modified accrual basis of accounting. With the current financial resources measurement focus, only current assets and current liabilities are included on the balance sheet. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to pay current period liabilities. Operating statements of governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance. Material revenues susceptible to accrual include federal grants and sales and income taxes. Expenditures are recognized when the related fund liability is incurred except for the following:

- Principal and interest on general long-term debt is recorded as an expenditure when due.
- Compensated absences (accumulated vacation and compensatory time) and sick pay are recorded as expenditures when paid.
- Inventories are reported as expenditures when purchased, except for the Missouri Road Fund, which updates inventory perpetually under the consumption method.

The proprietary, pension (and other employee benefit) trust, and private-purpose trust fund financial statements are presented using the economic resources measurement focus and accrual basis of accounting. With the economic resources measurement focus, assets, deferred outflows, liabilities, and deferred inflows associated with the operation of these funds are included on the Statement of Net Position. Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred. Proprietary fund-type operating statements present revenues and expenses in total net position. Operating revenues and expenses in proprietary funds are classified as those activities that make up the primary ongoing operations associated with those funds. Non-operating revenues and expenses in proprietary funds are classified as those activities that are deemed incidental or unusual for those funds.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. The agency fund financial statements are presented on the accrual basis of accounting.

The discretely presented component unit financial statements are presented using the economic resources measurement focus and accrual basis of accounting with the following exception in regard to the college and universities. Revenues and related expenditures in connection with the summer sessions in progress at June 30 are deferred at that date.

The State reports the following major funds categories:

General Fund – accounts for all current financial resources not required by law or administrative action to be accounted for in another fund. Major revenues include contributions and taxes.

Public Education – provides general and special education needs of the State and other related areas such as library services and student loans. Major revenues include contributions and taxes.

Conservation and Environmental Protection – provides for the preservation of the State's wildlife and environment. Major revenues include contributions, taxes and licenses, fees, and permits.

Missouri Road Fund – accounts for revenues from highway users' fees, federal reimbursements for highway projects, and bond proceeds to be used for costs of constructing and maintaining an adequate state highway system. Major revenues are from contributions.

State Lottery – accounts for proceeds from the sale of lottery tickets and all other moneys credited to this fund. A minimum of 45% of the moneys are used for prizes. Major revenues are from sales of lottery tickets.

Note 1 - Significant Accounting Policies (cont.)

Unemployment Compensation – accounts for contributions, payments, and federal loans collected under the provisions of the Unemployment Compensation Law to pay benefits. Major revenues include federal and employer contributions.

Petroleum Storage Tank Insurance – accounts for moneys collected from transport load fees and participating owners of petroleum storage tanks for cleanup of contamination caused by releases from petroleum storage tanks. Major revenues are from fees.

C. Basis of Presentation

The State's financial practices are based upon fund accounting concepts. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and fund balances, and changes therein, that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The accompanying financial statements are structured into three categories of funds and discretely presented component units:

Primary Government:

Governmental Funds include the General Fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. These funds account for the revenues and expenditures, capital outlay, and certain debt service of the State.

Proprietary Funds include enterprise funds and internal service funds. These funds account for the cost of certain services provided by the State.

Fiduciary Funds include pension (and other employee benefit) trust funds, private-purpose trust funds, and agency funds. These funds account for assets held by the State in a trustee capacity or as an agent for individuals, other governments, and other entities.

Discretely Presented Component Units:

Major

College and Universities account for moneys from student tuition and fees, federal and state grants, debt proceeds, gifts and contributions, state appropriations, investments, and endowments. Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position are accounted for on the Statement of Net Position. Revenues, expenses, gains, and losses are reported on the Statement of Revenues, Expenses, and Changes in Net Position/Statement of Activities.

Non-Major

Non-Major Component Units account for moneys from bond proceeds, loans, contributions, gifts, grants, and other revenue sources. Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position are accounted for on the Statement of Net Position. Revenues, expenses, gains, and losses are reported on the Statement of Revenues, Expenses, and Changes in Net Position/Statement of Activities.

D. Cash and Cash Equivalents

For reporting purposes, cash and cash equivalents include bank accounts, petty cash, and all investments with an original maturity of 92 days or less, such as certificates of deposit, money market certificates, and repurchase agreements. Cash and cash equivalents on the Proprietary Funds Statement of Cash Flows are also reported under this definition. This definition excludes Fiduciary funds. Cash balances of most state funds are pooled and invested by the State Treasurer (see *Note 3)*.

Note 1 - Significant Accounting Policies (cont.)

E. Investments

These are long-term investments with an original maturity greater than 92 days which are expected to be held to maturity and redeemed at face value. The majority of investments are reported in pension (and other employee benefit) trust funds, however, investments are held in all fund types. Repurchase agreements held by the State Treasurer's Office are reported at amortized cost. The Missouri State Public Employees' Deferred Compensation Plan and the Missouri State Public Employees' Deferred Compensation Incentive Plan report their Stable Value Funds at contract value. All other investments of the State are reported at fair value.

There are multiple funds that have income from investments which are directed to the General Fund. These funds consist of special revenue, enterprise, internal service, private-purpose, and agency funds.

F. Interfund Receivables/Payables

The State makes various transactions between funds or between the primary government and component units to distribute interest earnings, finance operations, provide services, and acquire capital assets. These receivables at June 30 are classified as "due from other funds" or "due from primary government/component units" on the Balance Sheet and Statement of Net Position. Payables are classified as "due to other funds" or "due to primary government/component units" on the Balance Sheet and Statement of Net Position (see *Note 16)*. These receivables/payables are due within one year. Any receivables/payables that are due to and due from an enterprise fund are eliminated on the face of the Proprietary Funds Statement of Net Position. If any receivables/payables that remain after this elimination are both in the same activity (Governmental), they are eliminated at the Government-Wide Statement of Net Position. Interfund receivables/payables between the primary government and the component units are reclassified as accounts receivable/payable at the government-wide level. Any remaining interfund receivables/payables are reported as internal balances on the Government-Wide Statement of Net Position.

G. Advances to/from Other Funds

Long-term interfund receivables are classified as "advances to other funds" or "advances to primary government/component units" on the Balance Sheet and Statement of Net Position. Long-term interfund payables are classified as "advances from other funds" or "advances from primary government/component units" on the Balance Sheet and Statement of Net Position (see *Note 16)*. These receivables/payables are eliminated if both the receivable and payable are in the same activity (Governmental). Advances to/from that are between the primary government and the component units are reclassified as accounts receivable/payable at the government-wide level. Any remaining long-term interfund receivables/payables are reported as internal balances on the Government-Wide Statement of Net Position.

H. Inventories

Inventories in the governmental funds consist of expendable supplies held for consumption, the cost of which is recorded as an expenditure at the time of purchase, except for the Missouri Road Fund, which updates inventory perpetually under the consumption method. Inventory balances for governmental funds are shown in the nonspendable fund balance classification. Inventories in the proprietary funds consist of both expendable supplies held for consumption and the cost of goods held for resale, the cost of which is recorded as an expense as they are used. Inventories are valued at cost using various methods such as moving average; weighted average; and first-in, first-out.

Note 1 - Significant Accounting Policies (cont.)

I. Capital Assets

Capital assets, which include construction in progress, software in progress, infrastructure in progress, land, land improvements, permanent and temporary easements, buildings and improvements, equipment, software, trademarks, and infrastructure assets, are valued at historical cost or estimated historical cost if actual historical cost is not available. The estimate of historical cost was based on current appraised value indexed to the date of acquisition. Donated capital assets are reported at estimated acquisition value at the time received. Capital assets acquired through lease agreements are capitalized at the inception of the agreement (see *Notes 5 and 6)*.

Infrastructure assets (including highways, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items) are capitalized. Interest costs incurred during construction of capital assets are not capitalized.

The capitalization threshold for all capital assets is as follows: land improvements – $15,000, buildings and improvements – $15,000, software and trademarks – $5,000, and equipment – $1,000. No dollar threshold is set for land, easements, or infrastructure.

Capital assets are depreciated/amortized using the straight-line method of depreciation/amortization over the following useful lives: buildings – 40 to 50 years, land improvements and building improvements – 15 to 20 years, temporary easements – term of easement, equipment – 2 to 5 years, software – 3 to 5 years, trademarks – 10 years, and infrastructure – 12 to 50 years. Construction in progress, software in progress, infrastructure in progress, land, and permanent easements are not depreciated/amortized.

Most works of art and historical treasures are not capitalized or depreciated/amortized. The State's non-capitalized collections include the historical artifacts at the various state museums and historical sites, monuments, and other art throughout the capitol grounds. Assets that were previously capitalized continue to be reported in the government-wide financial statements.

Component unit capital assets are stated at cost and are depreciated/amortized using the straight-line method of depreciation/amortization over the following useful lives: buildings – 40 years, land improvements and building improvements – 20 years, equipment – 5 to 15 years, and software – 3 to 5 years.

J. Deferred Outflow of Resources and Deferred Inflow of Resources

In addition to assets, the Statement of Net Position/Balance Sheet may report a separate line item for deferred outflows of resources. Deferred outflows of resources consist of the decrease of net position by the State that is applicable to a future reporting period and will not be recognized as outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position/Balance Sheet may report a separate line item for deferred inflows of resources. Deferred inflows of resources consist of the increase of net position by the State that is applicable to a future reporting period and will not be recognized as inflow of resources (revenue) until then.

K. Unearned Revenues

Unearned revenues are amounts collected in advance of the year in which earned.

Note 1 - Significant Accounting Policies (cont.)

L. Long-Term Debt

Long-term liabilities that will be financed from governmental funds are not reported on the fund financial statements. However, the long-term liabilities are reported on the government-wide financial statements. The reconciliation between fund financial statements and government-wide financial statements includes a line item for the long-term liabilities of governmental funds. These long-term liabilities include the following:

1. Due to Other Entities includes outstanding principal on advances from other governments and contractual obligations to other governments. The expenditures are recorded in the appropriate governmental funds when the liability is paid (see *Note 11)*.

2. Outstanding principal for general obligation debt. The expenditure for payment of principal and interest for general obligation debt is recorded in the debt service funds when paid (see *Note 12)*.

3. Outstanding principal for bonds issued by the Board of Public Buildings, bonds issued by the Health and Educational Facilities Authority, the Regional Convention and Sports Complex Authority, the Missouri Development Finance Board, and the State Road Bonds issued by the Missouri Highways and Transportation Commission. The expenditure for payment of principal and interest for these bonds is recorded in the appropriate governmental funds when paid (see *Note 12)*.

4. Bond premiums are deferred and amortized over the life of the bonds using the effective interest rate method in the government-wide financial statements. Bonds payable are reported net of the applicable bond premium.

   In the fund financial statements, governmental fund types recognize bond premiums during the current period. Premiums on debt issuances are reported as other financing sources (see *Note 11)*.

5. Obligations under lease/purchases reported include the present value of net minimum future lease payments, which will be paid from the General Fund, various special revenue funds, proprietary funds, and the Missouri Road Fund (see *Notes 6 and 11)*.

6. Pollution remediation liabilities are measured based on the pollution remediation outlays expected to be incurred to settle those liabilities. These liabilities include all remediation work that the State expects to perform, including work expected to be performed for other responsible parties or potentially responsible parties, whether or not the State is required to do that work. For goods or services used for pollution remediation activities, amounts that are normally expected to be liquidated with expendable available financial resources are recognized as liabilities upon receipt of those goods and services (see *Note 11 and 23)*.

7. Compensated absences include accumulated unpaid vacation and compensatory time accruals and related employer payroll taxes. These amounts are not accrued in the governmental funds, but are recorded as expenditures when paid (see *Note 11)*.

   Vacation leave is accumulated at a rate of 10 to 14 hours per month depending on the number of years of employment. Accumulated vacation leave cannot exceed twice the number of vacation hours earned annually. Compensatory time is accumulated as earned by an individual employee.

   Sick leave is accumulated at a rate of 10 hours per month with no limit to the amount which can be accumulated. Accumulated sick leave is not paid upon employee termination and does not represent a liability of the State. However, unused sick leave may be converted to additional credited service upon retirement (usable only for benefit computation, not eligibility).

Note 1 - Significant Accounting Policies (cont.)

8. Claims and contingent liabilities include estimates of the risk of loss related to tort liability, general liability, motor vehicle liability, contractor liability, and injuries to employees. These liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. These losses include an estimate of claims that have been incurred, but not reported. Expenditures are recorded in the fund from which the liability is paid (see *Notes 11, 22, and 24)*.

9. The State provides postemployment health care (OPEB) and life insurance benefits to the majority of employees who either retire from the State or receive long-term disability benefits. These benefits are administered by the Missouri Consolidated Health Care Plan (MCHCP), the Missouri State Employees' Retirement System (MOSERS), the MoDOT/MSHP Medical and Life Insurance Plan (MHPML), and the Conservation Employees' Insurance Plan (CEIP). MCHCP is a cost-sharing multiple-employer defined benefit plan, while MHPML and CEIP are single-employer defined benefit plans. Health care benefits and MOSERS life insurance benefits are funded through both employer and employee contributions. The University of Missouri's OPEB plan is a single-employer defined benefit plan for all qualified employees.

   For the purposes of measuring the total/net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position and additions to/deductions from have been recognized on the same basis as they are reported by the plans. Employer contributions are recognized as revenue and reported when due and payable. Benefits are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value (see *Note 8)*.

10. The State has two major retirement systems which cover substantially all State employees and a retirement plan for University of Missouri employees. These systems are the Missouri State Employees' Retirement System (MOSERS) and the Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS). The Missouri State Employees' Plan (MSEP) is a cost-sharing multiple employer defined benefit public employee retirement plan administered by MOSERS. MOSERS also administers the Judicial Plan, a single-employer defined benefit public employee retirement plan. MPERS is a single-employer defined benefit public employee retirement plan. The University of Missouri Retirement, Disability, and Death Benefit Plan is a single-employer defined benefit plan for all qualified employees.

    For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value (see *Note 7)*.

Long-term liabilities of all proprietary, pension (and other employee benefit) trust, and private-purpose trust funds are accounted for in the respective funds.

M. Net Position and Fund Balance

The difference between fund assets, deferred outflows, liabilities, and deferred inflows is reported as "Net Position" on the government-wide, proprietary, and fiduciary fund statements and "Fund Balance" on the governmental fund financial statements.

Net Position is reported in three categories:

Net Investment in Capital Assets – An account used to segregate the portion of net position attributable to capital assets and related debt. It consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributed to acquisition, construction, or improvement of those assets.

Note 1 - Significant Accounting Policies (cont.)

Restricted Net Position – An account used to segregate the portion of net position that have constraints on their use, which are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through enabling legislation.

Enabling legislation authorizes the State to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. At June 30, 2018, net position restricted by enabling legislation equaled $500,692,000 for governmental activities.

Unrestricted Net Position – An account used to segregate the portion of net position that does not meet the definition of the two preceding categories.

When both restricted and unrestricted resources are available for use, generally the State uses restricted resources first, then unrestricted resources as they are needed. However, there may be instances in which restricted funds may only be spent in proportion to unrestricted funds spent.

Governmental Fund Balance Classifications

The State's fund balances are classified as:

Nonspendable – Amounts that are not expected to be converted to cash or amounts that are legally or contractually required to be maintained intact.

Restricted – Amounts that are restricted for specific purpose due to constraints that are externally imposed by creditors, grantors, contributors, laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by a formal action of the legislature. Committed amounts cannot be used for other purposes unless the General Assembly passes legislation to remove the restraints.

Assigned – Amounts that are constrained by the legislature's intent to be used for a specific purpose, but do not meet the criteria for restricted or committed. The constraint for assigned fund balance is established by the Revised Statutes of the State of Missouri.

Unassigned – Amounts that do not meet the criteria of any of the classifications listed above.

Negative Fund Balance

A negative fund balance is prohibited in all fund balance classifications except Unassigned. When a negative fund balance exists, the shortfall would be covered by the next fund balance classification for that specific purpose.

N. Interfund Transactions

During the fiscal year, the State incurs various transactions between funds, including expenditures and transfers of resources to distribute interest earnings, finance operations, provide services, service debt, and acquire capital assets. Interfund transactions consist of these three types:

1. Transactions that would be treated as revenues or expenditures/expenses, if they involved organizations external to the State, are similarly treated when involving other funds of the State. Major transactions that fall into this category include payments to internal service funds from other funds for services rendered and to agency funds for contributions for employee benefits.

2. Transactions that reimburse another fund for an expense reduce the expenses of the fund that is being reimbursed and increase the expenses for the fund doing the reimbursement. Therefore, they are not shown on the face of the statements.

Note 1 - Significant Accounting Policies (cont.)

3. Operating subsidies and transfers from funds receiving revenues to funds through which the resources are to be expended are classified as transfers (see *Note 17)*. These transactions are eliminated on the face of the financial statements if the transfer in and transfer out are either both in governmental funds or both in enterprise funds. Of the remaining transfers, any transfers in and transfers out that are within the governmental activities are eliminated at the Government-Wide Statement of Activities.

O. Property Taxes

Presently there is a state property tax of three cents on each hundred dollars assessed valuation on all real estate and personal property. The tax collected is deposited into the Blind Pension Fund, which is a component of social assistance.

Property taxes in Missouri are levied by October 31 of each year on assessed valuation as of January 1 of that year. Property taxes are due and payable by December 31 and penalties on unpaid taxes are imposed after that date. Assessed values are established by each county assessor's office and are calculated as a percent of market value except for agricultural land which is calculated on productive capability. The percentage for real property varies according to use: residential at 19%, commercial at 32%, and agricultural at 12%. Personal property is assessed according to type with the majority at 33 1/3% of market value.

Note 2 - Reporting Changes and Classifications

The State of Missouri implemented the following new accounting standards issued by the Governmental Accounting Standards Board (GASB) for the fiscal year ending June 30, 2018:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which replaces existing and establishes new accounting and financial reporting standards for other postemployment benefits (OPEB) that are provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. Note disclosure and required supplementary information requirements for OPEB are also addressed. The implementation of this statement is reflected in *Note 8 - Other Postemployment Benefits* of the financial statements.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, which provides standards for the recognition and measurement requirements for irrevocable split-interest agreements. The implementation of this statement resulted in the University of Missouri to record a Deferred Inflow of Resources for changes in the University's remainder interest.
- GASB Statement No. 85, *Omnibus 2017*, which addresses practice issues that have been identified during implementation and application of certain GASB statements. The topics addressed include issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of this statement did not have an impact on the financial statements.
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which provides accounting and financial reporting standards for transactions in which cash and other monetary assets acquired with only existing resources or acquired with refunding debt proceeds are placed in an irrevocable trust for the sole purpose of extinguishing debt. It also addresses accounting and financial reporting requirements for prepaid insurance related to debt extinguishment. Additional disclosures are required for all in-substance defeasance transactions as well. The implementation of this statement did not have an impact on the financial statements.

Note 3 - Deposits and Investments

The State Treasurer's Office maintains a cash and short-term investment pool that is used by substantially all state funds of the primary government. These funds do not include accrued interest. Certain organizational units are authorized to administer assets designated to their organization in a manner similar to the deposit and investment activities of the State as a whole. Summarized on the following page is the portfolio that represents the "Cash and Cash Equivalents," "Investments," "Restricted Assets – Cash and Cash Equivalents," and "Restricted Assets – Investments" as reported at June 30, 2018.

A. Deposits

The State minimizes custodial credit risk by restrictions set forth in state law and stipulations in the State Treasurer's Office Investment Policy. Custodial credit risk is risk that, in the event of the failure of a depository financial institution, the State will not be able to recover deposits or will not be able to recover collateralized securities that are in the possession of an outside party. Statutes restrict the State Treasurer's Office to deposit funds in financial institutions that are physically located in Missouri, which are selected based on financial stability and community involvement. The financial institution's loan to deposit ratio must exceed 50% at the time of deposit and deposits must be collateralized at least 100% in excess of FDIC coverage with approved securities. Deposits must have a maturity of five years or less and earn interest at varying rates based on State law.

Primary Government

At June 30, 2018, the bank balance of the primary government's deposits was $1,575,317,000. Of the bank amount, $19,485,000 was exposed to custodial credit risk by being uninsured and collateralized with securities held by the pledging financial institutions, $918,533,000 was held by the U.S. Treasury, and the remainder was not exposed to custodial risk.

Fiduciary

At June 30, 2018, the bank balance of the deposits of the fiduciary funds was $96,660,000.

Component Units

Information on the component units' deposits is available within their individual financial statements.

B. Investments

Statutes authorize the State Treasurer's Office to invest in U.S. Treasury or Agency securities maturing within five years, commercial paper and banker's acceptances maturing within 180 days, or in repurchase agreements maturing within 90 days secured by U.S. Treasury, or Agency securities of any maturity. There have been no violations of these investment restrictions during fiscal year 2018.

The State Treasurer's Office minimizes credit risk, the risk of loss due to the failure of the security issuer or backer, by establishing a pre-approved list of financial institutions and companies that will be used to purchase commercial paper. The State Treasurer's Office also conducts regular credit monitoring, pre-qualifies the financial institutions and brokers/dealers with which the State Treasurer's Office will do business for broker services and repurchase agreements, and diversifies the portfolio to reduce potential losses on individual securities.

Custodial credit risk is the risk that, in the event of failure of the counterparty to a transaction, the State will not be able to recover the value of their investment or collateral securities that are in the possession of an outside party. The State Treasurer's Office minimizes custodial credit risk by requiring that all securities be held in the State's name at the State's custodial bank, Wells Fargo Bank, National Association, or at one of the State Treasurer's Office approved collateral custodians.

Note 3 - Deposits and Investments (cont.)

Primary Government

At June 30, 2018, the reported amount of the primary government's investments was $3,699,058,000. Of this amount, $156,866,000 was exposed to custodial credit risk because it was uninsured and unregistered with securities held by the State's counterparty.

Fiduciary

At June 30, 2018, the reported amount of the fiduciary funds investments was $17,303,744,000.

Component Units

Information on the component units investments is available within their individual financial statements.

The following table (in thousands of dollars) provides information about the interest rate risks associated with the State's investments. Statutes also authorize investment of funds not held by the State Treasurer's Office. The externally-held internal service funds, the agency and pension (and other employee benefit) trust funds, and the component units, in accordance with statutory authority, invest primarily in U.S. government securities, repurchase agreements, preferred and common stocks, bonds, real estate, fixed income securities, mutual funds, and investments in limited partnerships. The investments include certain short-term cash equivalents, various long-term items, and restricted assets by maturity, or in certain instances, a weighted average maturity in years. The State Treasurer's Office minimizes the risk of the market value of securities falling due to changes in interest rates by maintaining an effective duration of less than 2.5 years, and holding at least 25% of the portfolio's total market value in securities with a maturity of 12 months or less.

	Maturity in Years					
	Less than 1	1-5	6-10	More than 10	No Maturity	Total Fair Value *
All Fund Types except Fiduciary Funds and Component Units:						
U.S. Treasury Securities	$ 288,372	$ 60,782	$ 11,077	$ 6,278	$ —	$ 366,509
U.S. Agency Securities	187,736	1,816,074	—	—	—	2,003,810
U.S. Government Guaranteed Mortgages	42	3,493	—	—	—	3,535
Collateralized Mortgage Obligations	16	1,999	—	—	—	2,015
U.S. Agency-Sponsored Securities	12,852	112,121	2,520	—	—	127,493
Repurchase Agreements	1,183,096	—	—	—	—	1,183,096
Stocks	—	—	—	—	6,900	6,900
Bonds	503	517	289	608	—	1,917
Certificates of Deposit	200	393	—	—	—	593
Mutual Funds	—	—	—	—	3,190	3,190
Subtotal	1,672,817	1,995,379	13,886	6,886	10,090	3,699,058

Note 3 - Deposits and Investments (cont.)

	Maturity in Years					
	Less than 1	1-5	6-10	More Than 10	No Maturity	Total Fair Value *
Fiduciary Funds:						
U.S. Government Securities	46,098	16,245	7,841	57,822	—	128,006
U.S. Treasury Securities	1,356,051	2,043,238	—	1,474,868	—	4,874,157
U.S. Agency Securities	1,976	21,084	46,057	93,037	—	162,154
U.S. Government Mortgage-Backed Securities	—	14,892	454	29,947	—	45,293
Repurchase Agreements	28,867	—	—	—	—	28,867
Stocks	—	—	—	—	653,630	653,630
Bonds	—	1,115,240	37,286	150,299	201	1,303,026
International Equities	—	48,549	—	—	805,428	853,977
Mortgages/ Real Estate	—	495	8,605	39,302	7	48,409
Asset-Backed Securities	—	12,501	42,123	153,047	—	207,671
Short-Term Securities	3,581,556	—	—	—	—	3,581,556
Foreign Currencies	1,122	—	—	—	—	1,122
Mutual Funds	—	—	—	—	1,330,904	1,330,904
Limited Partnership	—	—	—	—	3,928,630	3,928,630
Absolute Return	—	—	—	—	147,595	147,595
Tactical Fixed Income	—	—	978	—	—	978
Other	—	—	—	—	7,769	7,769
Subtotal	5,015,670	3,272,244	143,344	1,998,322	6,874,164	17,303,744
Total Investments	$ 6,688,487	$ 5,267,623	$ 157,230	$ 2,005,208	$ 6,884,254	$ 21,002,802

*The State Treasurer's Office reports their repurchase agreements in the amount of $1,167,000 at amortized costs. The Missouri State Public Employees Deferred Compensation Plan and the Missouri State Public Employees Deferred Compensation Incentive Plan reports their Stable Value Funds in the amounts of $470,000 and $349,000 respectively, at contract value.

The State minimizes concentration of credit risk, the risk attributed to the magnitude of an investment in a single issuer. State statute prohibits the State Treasurer's Office from investing more than 10% of the total time deposits with any single financial institution. State investment policy limits investment in commercial paper to 5% of the total portfolio per issuer and no more than 15% of the total portfolio may be invested in repurchase agreements with a single counterparty. There are no restrictions in the amount that can be invested in U.S. securities. During fiscal year 2018, the State did not have any instances of noncompliance with these requirements and policies.

Note 3 - Deposits and Investments (cont.)

Fair Value Measurement

The State of Missouri categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurements and Application.* The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

- Level 1 – Unadjusted quoted prices for identical instruments in active markets.
- Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are unobservable.
- Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lower level input that is significant to the valuation. The State's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The State Treasurer's Office uses the market approach for the determination of the fair value of investments, except for repurchase agreements, which are measured at amortized costs.

Debt, equities, and investment derivatives classified in level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Debt securities and liabilities classified in level 2 have non-proprietary information that was readily available to market participants from multiple independent sources, which are known to be actively involved in the market. Pricing inputs may include market quotations, yields, maturities, call features, and ratings. A portion of the derivative securities classified in level 2 are securities whose values are derived daily from associated traded securities. Other investments listed as level 2 include debt securities where an independent pricing evaluator had direct observable information, including: trading volume, multiple sources of market data and benchmark spreads. FX forwards are included due to the valuation coming from observable forward rates on the underlying currencies. The equity index swap is included because valuation inputs include an observable interest rate and the underlying index.

Private equity securities classified at level 2 are valued at the price observed in subsequent market activity.

Investments listed as level 3 include debt securities where an independent pricing evaluator did not have direct observable information for comparable securities. Significant inputs used in the valuation are not available aside from the evaluator providing the price. Direct investments in private equity, real estate, credit, and real assets are included because the valuation techniques utilize discounted cash flows or other non-observable market information.

Note 3 - Deposits and Investments (cont.)

Investments Measured at Fair Value as of June 30, 2018 for the Primary Government (in thousands):

		Fair Value Measurements Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity Securities				
Repurchase Agreements	$ 31,112	$ 6,027	$ 25,085	$ —
Stocks	6,900	6,900	—	—
Mutual Funds	3,190	3,190	—	—
Total Equity Securities	41,202	16,117	25,085	—
Debt Securities				
U.S. Treasury Securities	366,509	48,390	318,119	—
U.S. Agency Securities	2,003,810	—	2,003,810	—
U.S. Government Guaranteed Mortgages	3,535	—	3,535	—
Collateralized Mortgage Obligations	2,015	—	2,015	—
U.S. Agency- Sponsored Securities	127,493	—	127,493	—
Bonds	1,917	1,917	—	—
Certificates of Deposit	593	593	—	—
Total Debt Securities	2,505,872	50,900	2,454,972	—
Total Primary Government Investments	$ 2,547,074	$ 67,017	$ 2,480,057	$ —

Note 3 - Deposits and Investments (cont.)

Investments Measured at Fair Value as of June 30, 2018 for the Fiduciary funds (in thousands):

		Fair Value Measurements Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short Term Securities	$ 51,348	$ 51,348	$ —	$ —
Equity Securities				
Stocks	288,927	288,250	671	6
Mutual Funds	427,947	427,947	—	—
Other Investments	7,769	7,769	—	—
Total Equity Securities	724,643	723,966	671	6
Debt Securities				
U.S. Treasury Securities	5,829,569	5,770,420	59,149	—
U.S. Agency Securities	1,041,261	—	1,041,261	—
U.S. Short-Term Securities	665,709	665,709	—	—
Collateralized Debt Obligations	206,641	—	80,663	125,978
Repurchase Agreements	1,100,321	—	1,100,321	—
Bonds	436,472	—	428,158	8,314
Foreign Debt Securities	88,486	—	88,486	—
Mortgage Backed Securities	109,993	—	91,358	18,635
Total Debt Securities	9,478,452	6,436,129	2,889,396	152,927
Private Markets*				
Private Equity	369,745	—	—	369,745
Real Estate	97,659	—	—	97,659
Real Assets	256,324	—	—	256,324
Opportunistic Debt	188,087	—	—	188,087
Total Private Markets	911,815	—	—	911,815
Reverse Repurchase Agreements	(3,853,969)	—	(3,853,969)	—

Note 3 - Deposits and Investments (cont.)

Investments Measured at Fair Value as of June 30, 2018 for the Fiduciary funds (in thousands) (cont.):

	Total	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment Derivative Instruments				
Future Contracts	$ 20,087	$ 20,087	$ —	$ —
Foreign Exchange Foreign Contracts	(363)	(363)	—	—
Swap Market Value	(35,521)	—	(35,521)	—
Equity Swaps	(2,387)	—	(2,387)	—
FX Forwards (assets)	751	—	751	—
Total Investment Derivative Instruments	(17,433)	19,724	(37,157)	—
Total Investments by Fair Value Level	$ 7,294,856	$ 7,231,167	$ (1,001,059)	$ 1,064,748

Investments Measured at the Net Asset Value (NAV):

	Total
Active Hedge Funds	$ 2,211,125
Commingled international equity funds	1,294,155
MOSERS investment portfolio fund	4,043
Missouri target date funds	903,869
Private equity funds	597,947
Private real estate funds	91,534
Private timber funds	192,307
Total investments Measured at NAV	$ 5,294,980
Total Investments Measured at Fair Value	$ 12,589,836
Other Investments	
Other cash and receivables/payables	$ (25,590)
Reported at Contract Value	818,693
Total Other Investments	$ 793,103

*As of June 30 2018, Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS) has unfunded commitments in private markets investments consisting of $111,409,000 in private equity, $109,972,000 in real estate, $95,104,000 in real assets, and $89,753,000 in opportunistic debt.

Note 3 - Deposits and Investments (cont.)

Investments Measured at the Net Asset Value as of June 30, 2018 (in thousands):

Investments	Fair Value	Unfunded Commitments (U.S. Dollars)	Redemption Frequency (If currently eligible)	Redemption Notice Period (Days)
Active hedge funds				
Activist equity[1]	29,984	$ —	Yearly, Every 3 Years	90
Commodity trading advisors[2]	8,833	—	Monthly	30
Equity long/short[3]	283,435	—	Quarterly, Semi-Annually, Annually for MOSERS; Quarterly for MPERS	30-60
Equity market neutral[4]	115,349	—	Quarterly for MOSERS; Monthly for MPERS	90
Event driven[5]	244,741	—	Quarterly for MOSERS; Monthly for MPERS	60-90
Fund-of-funds[6]	205,209	—	Monthly	95
Global asset allocation[7]	30,780	—	Monthly	5-60
In liquidation[8]	40,361	—	N/A	N/A
Macro[9]	172,396	—	Monthly, Quarterly	30
Merger arbitrage[10]	121,279	—	Monthly	45
Multi-strategies[11]	21,848	—	Quarterly	60-90
Risk parity[12]	597,440	—	Monthly	5-15
Risk premia[13]	327,666	—	Bi-weekly, Monthly	15-30
Structured credit - relative value[14]	11,804	—	Quarterly	60
Total active hedge funds	2,211,125	—		
Commingled international equity funds[15]	1,294,155	—	Daily, Monthly	0-90
MOSERS investment portfolio fund[16]	4,043	—	Monthly	None
Missouri target date funds[17]	903,869	—	Daily	None
Private equity funds[18]	597,947	259,230	N/A	N/A
Private real estate funds[18]	91,534	10,568	N/A	N/A
Private timber funds[18]	192,307	—	N/A	N/A
Total investments measured at NAV	5,294,980	269,798		

The following is a description of valuation methodologies used for assets recorded at fair value.

[1]Activist equity – This value is 100% from MPERS. Consisting of 2 funds, this strategy focuses on obtaining publicly traded shares of companies and effecting changes within the companies that it owns whether that be value creation through operational, financial or corporate governance changes. One fund's focus is on North American companies and the other fund's focus is on European and Nordic companies. Due to contractual lock-up restrictions and the necessity for activist managers to retain capital in order to realize desired company changes, 50% of this strategy's investments are eligible for redemption on a rolling 3-year basis. The remaining 50% are eligible for redemption on a rolling 1-year basis.

[2]Commodity trading advisors – This value is 100% from MPERS. Consisting of 1 fund, the focus is on a systematic strategy that follows medium-term trends. The value of this investment is eligible for redemption in the next 2 months.

Note 3 - Deposits and Investments (cont.)

[3]Long/short equity hedge funds – This value is 94.9% from MOSERS and 5.1% from MPERS. Consisting of 3 funds for MOSERS and 1 fund for MPERS, this strategy invests both long and short in U.S. and global equity securities, with a goal of adding growth and minimizing market exposure. Due to contractual lock-up restrictions, these investments remain restricted ranging anywhere from 4 to 12 months for MOSERS and within 6 months for MPERS.

[4]Equity market neutral hedge fund – This value is 86.5% from MOSERS and 13.5% from MPERS. For MOSERS, this consists of 1 fund whereby the strategy invests both long and short in U.S. and global equity securities, with the goal of having little to no net market exposure. This investment is redeemable quarterly and is not subject to lockup restrictions. For MPERS, this consists of 1 fund whereby the strategy invests in both long and short equities capturing price differences and seeks to maintain a neutral exposure to the market by having no sector, industry, market capitalization, or country biases. Due to contractual lock-up restrictions, the value of these investments is eligible for redemption in the next 4 months.

[5]Event driven hedge funds – This value is 94.4% from MOSERS (with a redemption period of 60-65 days) and 5.6% from MPERS (with a redemption period of 90 days). Consisting of 1 fund for MOSERS and 1 fund for MPERS, this strategy seeks to gain an advantage from pricing inefficiencies that may occur in the onset or aftermath of a merger, corporate action, or related event. Due to contractual lock-up restrictions, (a) approximately 19% of the value of these investments are eligible for redemption quarterly, with the remaining 81% of the value of these investments remaining restricted for 4 to 20 months for MOSERS and (b) the value of these investments is eligible for redemption in the next 4 months for MPERS.

[6]Fund-of-funds – This value is 100% from MOSERS. Consisting of 1 fund, this fund seeks to provide diversification by holding a number of funds within a single fund structure. This investment is redeemable monthly and is not subject to lock-up restrictions.

[7]Global asset allocation – This value is 100% from MPERS. Consisting of 1 fund, this strategy is highly diversified and uses fundamental research to develop systematic rules for trading positions. Due to contractual lock-up restrictions, the value of these investments is eligible for redemption in the next 35 days.

[8]Pending liquidated hedge funds – This value is 98.5% from MOSERS and 1.5% from MPERS. MOSERS has 11 hedge funds that have been fully redeemed as of June 30, 2018, which are awaiting final distribution of the proceeds. MPERS has a small investment in 2 hedge funds that are in liquidation and have been closed, which are awaiting the sale of the final assets.

[9]Macro hedge funds – This value is 100% from MOSERS. Consisting of 2 funds, this strategy seeks to take advantage of macroeconomic dislocations between countries by trading a number of different markets and financial instruments. This investment is redeemable monthly and quarterly and is not subject to lock-up restrictions.

[10]Merger arbitrage hedge fund – This value is 100% from MOSERS. Consisting of 1 fund, this strategy invests in the common stock of companies that are involved in publicly announced mergers and seeks to generate attractive returns while dampening volatility. This investment is redeemable monthly and is not subject to lock-up restrictions.

[11]Multi-strategy hedge fund – This value is 100% from MPERS. Consisting of 2 funds, these investments aim to pursue varying strategies in order to diversify risks and reduce volatility. Due to contractual lock-up restrictions, the value of these investments are eligible for redemption in the next 6 months.

[12]Risk parity funds – This value is 100% from MOSERS. Consisting of 2 funds, these strategies attempt to build a more efficient portfolio through an equal risk methodology. They take long only positions across equity indices, developed nominal bonds, TIPS, commodities and credit. Diversification benefits decrease both the expected return and volatility thus requiring leverage to maintain a similar return to a more conventional portfolio. These investments are redeemable monthly and are not subject to lock-up restrictions.

[13]Risk premia hedge funds – This value is 100% from MOSERS. Consisting of 1 funds, this strategy seeks to capture hedge fund betas through the use of systematic, bottoms up security selection across major hedge fund strategies. Style premia such as value, momentum and carry help build the long/short portfolios. This investment is redeemable at least monthly and is not subject to lock-up restrictions.

Note 3 - Deposits and Investments (cont.)

[14]Structured credit – relative value – This value is 100% from MPERS. Consisting of 1 fund, this strategy's main focus is to benefit from valuation discrepancies that may be present in related financial instruments by simultaneously purchasing or selling these instruments. Due to contractual lock-up restrictions, all funds are eligible for redemption within the next six months.

[15]Commingled international equity funds – This value is 73.3% from MOSERS (with a redemption period of 1-30 days) and 26.7% from MPERS (with a redemption period of 0-30 days and 90 days). These international equity funds (3 for MOSERS and 3 for MPERS) are considered to be commingled in nature. For MOSERS, each are valued at the net asset value held at the end of the period based upon the fair value of the underlying investments. For MPERS, due to contractual lock-up restrictions, 70% of this capital is eligible for redemption in 1 month; the remaining 30% has daily liquidity.

[16]MOSERS Investment Portfolio (MIP) fund - This value is 86.4% from the Deferred Compensation Plan and 13.6% from the Deferred Compensation Incentive Plan. Participant transactions (purchases and sales) may occur monthly. The significant investment strategies are designed to achieve long-term total returns, comprised of capital appreciation and income. There are no unfunded commitments. There are generally no restrictions as to the redemption of these investments nor do the Plans have any contractual obligations to further invest in any of these funds.

[17]Missouri target date funds - This value is 77.5% from Deferred Compensation Plan and 22.5% from the Deferred Compensation Incentive Plan. Participant transactions (purchases and sales) may occur daily. The significant investment strategies of the funds are to seek the highest total return over time, consistent with the fund's asset mix. The asset allocations within these target date funds adjust automatically over time. Each fund invests more aggressively in its early years and becomes more conservative as it reaches its time horizon. There are no unfunded commitments. There are generally no restrictions as to the redemption of these investments nor are there any contractual obligations to further invest in any of these funds.

[18]Private equity, real estate and timber funds – This value is 100% from MOSERS. MOSERS' private equity portfolio consists of 46 funds with exposure to buyout funds, distressed funds, infrastructure, energy, royalty funds, and special situations. The real estate portfolio, comprised of five funds, invests mainly in U.S. commercial real estate. The timber portfolio consists of 3 funds which invests in global timberland. The fair values of the majority of these funds has been determined using net assets valued 1 quarter in arrears plus current quarter cash flows. These funds are not eligible for redemption. Distributions are received when underlying investments within the funds are liquidated, which on average, can occur over the span of 5 to 10 years.

The State Treasurer's Office requires investments in commercial paper and bankers' acceptances to have the highest letter and numerical ranking (such as A1/P1) as rated by at least two Nationally Recognized Statistical Rating Organizations (NRSROs). The Treasurer does not have any additional policies regarding credit ratings of investments.

Note 3 - <u>Deposits and Investments (cont.)</u>

The following table (in thousands of dollars) provides information on the credit ratings associated with the State's investments in debt securities.

	Moody's	S & P	Fair Value
Primary Government/Fiduciary:			
U.S. Government Securities	NR	NR	$ 81,885
U.S. Treasury	Aaa	AA+	322,593
	Aaa	NR	618,962
	NR	NR	32,798
U.S. Agencies	Aaa	NR	47,343
	NR	AA	99,683
	NR	NR	10,448
U.S. Government Mortgage-Backed Securities	NR	NR	31,900
Bonds	Aaa	NR	514
	Aa1	NR	393
	Aa3	NR	207
	A+	NR	11,130
	A3	NR	137
	NR	AAA	67,547
	NR	AA+	818,693
	NR	AA	100,316
	NR	A	108,241
	NR	BBB	166,435
	NR	BB	3,421
	NR	NR	35,408
Repurchase Agreements	Aaa	AA+	20,371
	Aaa	NR	6,026
	NR	NR	2,267,438
U.S. Agency-Sponsored Securities	Aaa	AA+	2,081,419
	Aaa	NR	2,443
	NR	NR	49,946

Note 3 - Deposits and Investments (cont.)

	Moody's	S & P	Fair Value
Asset-Backed Securities	NR	AAA	$ 34,899
	NR	AA	50,285
	NR	A	15,052
	NR	BB	5,978
	NR	NR	102,102
Mutual Funds	3-STAR	NR	25,520
Certificates of Deposit	NR	NR	593
Pooled Investments	NR	AAA	60,847
	NR	NR	977
Implicit U.S. Agencies	NR	AA	847,566
U.S. Agency Securities	Aaa	AA+	4,618
U.S Government Guaranteed Mortgages	Aaa	AA+	2,353
	Aaa	NR	14,575
Collateralized Mortgage Obligations	Aaa	AA+	2,015
	Aaa	NR	8,605
Equities	A	NR	19,167
Equity Funds	NR	NR	2,947
Fixed Income	NR	NR	243
Stocks	NR	NR	6,914
Other	NR	AAA	8,566
	NR	AA	19,550
	NR	A	7,965
	NR	BBB	25,020
	NR	BB	15,837
	NR	B	855
	NR	CCC	626
	NR	CC	306
	NR	D	899
	NR	NR	28,134
Total Rated Investments			$ 8,298,711

NR = Not Rated.

Note 3 - Deposits and Investments (cont.)

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The State Treasurer's Office does not have any deposits or investments in foreign currency and therefore does not have a policy regarding foreign currency risk. The Missouri State Employees' Retirement System and the Missouri Department of Transportation and Highway Patrol Employees' Retirement System do have foreign currency deposits and investments which may be used for hedging purposes. The following table (in thousands of dollars) provides information on deposits and investments held in various foreign currencies, which are stated in U.S. dollars.

	Investment Type					
Currency	Cash	Equities	Fixed Income	Alternatives	Real Estate	Total
Australian Dollar	$ (230)	$ 1,402	$ (495)	$ —	$ —	$ 677
Brazilian Real	4	5,348	5,519	—	—	10,871
British Pound Sterling	(811)	129,762	119	—	10,401	139,471
Canadian Dollar	2,653	10,635	(1,002)	—	—	12,286
Chilean Peso	6	837	177	—	—	1,020
Colombian Peso	7	296	3,968	—	—	4,271
Czech Koruna	3	167	866	—	—	1,036
Danish Krone	—	1,919	—	—	—	1,919
Egyptian Pound	—	101	—	—	—	101
Euro	439	137,412	2,315	667	21,539	162,372
Hong Kong Dollar	(63)	96,379	—	—	—	96,316
Hungarian Forint	2	254	—	—	—	256
Indian Rupee	21	7,883	—	—	—	7,904
Indonesian Rupiah	40	1,757	5,486	—	—	7,283
Japanese Yen	(96)	251,765	—	—	—	251,669
Kazakhstan Tenge	—	—	145	—	—	145
Malaysian Ringgit	6	2,126	—	—	—	2,132
Mexican Peso	5	4,292	6,628	—	—	10,925
Norwegian Krone	—	85	—	—	—	85
Pakistani Rupee	2	44	—	—	—	46
Peruvian Nuevo Sol	—	—	377	—	—	377
Philippine Peso	2	865	—	—	—	867
Polish Zloty	2	1,029	5,093	—	—	6,124
Qatari Riyal	1	728	—	—	—	729
Romanian New Leu	—	—	722	—	—	722
Russian Ruble	—	1,187	5,872	—	—	7,059
Singapore Dollar	—	24,000	—	—	—	24,000
South African Rand	67	5,571	5,509	—	—	11,147
South Korean Won	(645)	27,252	642	—	—	27,249
Swedish Krona	—	8,769	—	—	—	8,769
Swiss Franc	—	91,713	—	—	—	91,713
Taiwan New Dollar	(363)	—	—	—	—	(363)
Thai Baht	18	18,980	1,122	—	—	20,120
Turkish Lira	2	9,886	4,179	—	—	14,067
United Arab Emirates Dirham	1	507	—	—	—	508
Uruguayan Peso	—	—	417	—	—	417
Total	$ 1,073	$ 842,951	$ 47,659	$ 667	$ 31,940	$ 924,290

Note 3 - Deposits and Investments (cont.)

C. Securities Lending Program

Missouri State Employees' Retirement System:

The Missouri State Employees' Retirement System's (MOSERS) board of trustees' investment policies permit the pension trust funds to participate in a securities lending program. Certain securities of the pension trust funds are loaned to participating brokers who provide collateral in the form of cash, U.S. Treasury or government agency securities, or letters of credit issued by approved banks. Collateral must be provided in the amount of 102% of market value for domestic loans and 105% of market value for international loans. MOSERS does not have the authority to pledge or sell collateral securities without borrower default.

Deutsche Bank AG, New York Branch served as the agent for the fixed income, domestic equity, and international equity securities lending programs. MOSERS reduces credit risk by allowing Deutsche Bank to lend these securities to a diverse group of dealers on behalf of MOSERS. Deutsche Bank provides indemnification against dealer default. With each of MOSERS' securities lending programs, a majority of loans are open loans and can be terminated on demand by either MOSERS or the borrower. Net income from the three lending programs is split on a 90/10 basis between MOSERS and Deutsche Bank, respectively.

Daily monitoring of securities that are on loan ensure proper collateralization levels and mitigate counterparty risk. Cash collateral from all three programs is commingled and invested in a separately managed short-term investment account for MOSERS. The cash collateral account is managed by Deutsche Bank. On June 30, 2018, there were no securities on loans or cash collateral held in the account. At June 30, 2018 and June 30, 2017, MOSERS had earned $0 and $22,000, respectively, on the securities lending program.

Missouri Department of Transportation and Highway Patrol Employees' Retirement System:

In accordance with the investment policies set by the board of trustees, the Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS), lends its securities to broker-dealers and banks pursuant to a form of loan agreement. MPERS custodial bank, Northern Trust, is authorized to lend available securities to approved broker-dealers and banks subject to the receipt of acceptable collateral.

MPERS may lend securities and receive cash, securities insured or guaranteed by the U.S. government or its agencies, and irrevocable bank letters of credit as collateral. MPERS cannot pledge or sell non-cash collateral unless a borrower defaults. Borrowers are required to deliver collateral for each loan equal to: 1) 102% of the fair value of the loaned securities plus any accrued interest in the case of loaned securities denominated in United States dollars or whose primary trading market is located in the United States, and 2) 105% of the fair value of the loaned securities plus any accrued interest in the case of loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States.

MPERS did not impose any restrictions during the fiscal year on the amount of the loans that the custodial bank made on its behalf. There were no known failures by any borrowers to return loaned securities or pay distributions thereon during the year.

MPERS and borrowers maintained the right to terminate all securities lending transactions on demand. At June 30, 2018, the cash collateral fund had a fair value of $133,616,000.

At June 30, 2018 and June 30, 2017, MPERS had earned $193,000 and $278,000, respectively, on the securities lending program.

Component Units:

Information on the component units securities lending program is available within their individual financial statements.

Note 3 - Deposits and Investments (cont.)

D. Derivatives

Missouri State Employees' Retirement System:

While the Board has no formal policy specific to derivatives, Missouri State Employees' Retirement System (MOSERS), through its external investment managers, holds investments in futures contracts, swap contracts and forward foreign currency exchange contracts. MOSERS does not anticipate additional significant market risk from the derivative arrangements. The forward foreign currency exchange contracts are used primarily to hedge against changes in exchange rates related to foreign equities. For the year ended June 30, 2018, the change in fair value of the foreign exchange contracts resulted in $600,000 of investment loss. MOSERS could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. MOSERS anticipates that the counterparties will be able to satisfy their obligation as credit evaluations and credit limits are monitored by the investment managers. MOSERS also invests in mortgage-backed securities to diversify the portfolio and increase the return while minimizing the extent of risk. At June 30, 2018, MOSERS Foreign Currency Forward Contracts had a pending receivable of $19,335,000 and a pending payable of $20,061,000 resulting in a final liability of $726,000.

The following table (in thousands of dollars) summarizes the various contracts in MOSERS portfolio as of June 30, 2018. The investments are reported at fair value and are included on the Statement of Fiduciary Net Position of the pension (and other employee benefit) trust funds.

Futures Contracts:

Notional Amount	Exposure
$680,052	$20,087

Swap Contracts:

Notional Amount	Counterparty Exposure
$2,530,067	$(76)

Foreign Currency Forward Contracts:

Notional Amount	Exposure
$(726)	$(726)

Missouri Department of Transportation and Highway Patrol Employees' Retirement System:

MPERS has an investment policy which holds investments in future contracts, swap contracts, options contracts, and forward foreign currency exchange contracts. Derivative financial instruments involve credit risk and market risk. The notional value related to these derivative instruments are generally not recorded on the financial statements; however, the change in market value of these instruments is incorporated in performance.

The following table (in thousands of dollars) summarizes the various contracts in MPERS portfolio as of June 30, 2018. The investments are reported at fair value and are included on the Statement of Fiduciary Net Position of the pension (and other employee benefit) trust funds.

Type	Notional/Fair Value	Unrealized Gain (Loss)
Futures Contracts	$ 193,829	$ (415)
Swap Contracts	89,654	(143)
Foreign Currency Forward Contracts	(19,713)	(415)
Total	$ 263,770	$ (973)

Note 3 - Deposits and Investments (cont.)

Through the use of derivatives, MPERS is exposed to risk if the counterparties involved in the contracts are unable to meet the term of their obligation. MPERS investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures. MPERS anticipates the counterparties will be able to satisfy their obligations under the contracts. The associated counterparty's credit rating is an A-.

Component Units:

Information on the component units derivatives is available within their individual financial statements.

E. Assets Held in Escheat

The Unclaimed Property Division of the Missouri State Treasurer's Office holds unclaimed stocks, bonds, mutual fund positions, and other securities that have been turned over by their holders on behalf of the securities' owners. The State takes custody of these securities until the owner claims them or if unclaimed, liquidates them after 18 to 24 months. The State holds the securities in order to return them to their owners. The State does not report these securities as investments because they do not meet the Governmental Accounting Standards Board's definition of "investments". This is because the State does not hold the securities for income or profit, nor do the securities have a present service capacity for the State. A total of $12,653,000 of these unclaimed securities is shown as "Assets Held in Escheat" on the private-purpose trust funds combining statement of fiduciary net position in Unclaimed Property.

Note 4 - Governmental Fund Balance

Fund Balance Classifications by Purpose – In the basic financial statements, the fund balance classifications are presented in the aggregate. The following displays the fund balances by major purpose (in thousands of dollars):

	Nonspendable	Restricted	Committed	Assigned
General Fund				
Inventories	$ 22,990	$ —	$ —	$ —
Loans Receivable	25,954	—	—	—
Consumer Protection	—	—	—	17,586
Budget Reserve	—	—	614,386	—
Education	—	3,632	2,988	19,929
Medical and Other Assistance	—	—	3	—
Energy Programs	—	—	—	30,216
Forfeited Financial Instruments	—	—	—	1,492
Federal Government	—	303,480	—	—
Taxes	—	—	—	6,641
Other	—	801	284	10,841
Total	$ 48,944	$ 307,913	$ 617,661	$ 86,705
Public Education				
Inventories	$ 123	$ —	$ —	$ —
Loans Receivable	—	—	—	855
Education	—	233,381	2,184	45,544
Total	$ 123	$ 233,381	$ 2,184	$ 46,399
Conservation and Environmental Protection				
Inventories	$ 380	$ —	$ —	$ —
Loans Receivable	—	1,866	1,304,555	9,528
Conservation Commission	—	86,644	—	—
Environmental Conservation	—	33,831	317,238	97,874
State Parks	—	17,669	—	—
Forfeited Financial Instruments	—	—	—	1,009
Total	$ 380	$ 140,010	$ 1,621,793	$ 108,411

Note 4 - Governmental Fund Balance (cont.)

	Nonspendable	Restricted	Committed	Assigned
Missouri Road Fund				
Inventories	$ 33,738	$ —	$ —	$ —
Highways and Transportation	—	669,740	—	—
Total	$ 33,738	$ 669,740	$ —	$ —
Non-Major Special Revenue Funds				
Inventories	$ 3,674	$ —	$ —	$ —
Loans Receivable	—	—	—	3,498
Professional Boards and Licensure	—	—	16,554	35,487
Legal Assistance	—	23,430	7,591	7,110
Agriculture	—	3,829	549	6,944
Medical and Other Assistance	—	5,934	7,417	5,210
Transportation	—	32,233	—	166,922
Highway Patrol and Water Patrol	—	5,353	835	11,968
Workers' Compensation and Unemployment Compensation	—	49,589	—	—
Veterans' Homes	—	52,348	—	—
Other	—	9,182	6,174	18,125
Total	$ 3,674	$ 181,898	$ 39,120	$ 255,264
Non-Major Debt Service Funds				
General Obligation Bonds	$ —	$ 42,619	$ —	$ —
Fulton State Hospital	—	12,423	—	—
Missouri Road Bond	—	64,707	—	—
Total	$ —	$ 119,749	$ —	$ —
Non-Major Capital Projects Funds				
Board of Public Buildings-Education	$ —	$ 11,662	$ —	$ —
Board of Public Buildings-State Capitol	—	52,917	—	—
Board of Public Buildings-State Facility	—	13,586	—	—
Fulton State Hospital	—	43,075	—	—
State Historical Society	—	24,404	—	—
Total	$ —	$ 145,644	$ —	$ —
Non-Major Permanent Funds				
Arrow Rock State Historic Site Endowment	$ 29	$ —	$ —	$ —
Confederate Memorial Park	75	—	—	106
State Public School	57,055	—	—	—
Smith Memorial Endowment Trust	365	—	—	6
Total	$ 57,524	$ —	$ —	$ 112

A. Budget Reserve Fund

The Budget Reserve Fund is established in Article IV, Section 27(a) of the Missouri Constitution. The Commissioner of Administration may transfer amounts from the Budget Reserve Fund to any other fund when necessary to meet the cash requirements of the State. However, the Budget Reserve Fund must be paid back with interest prior to May 16th of the fiscal year in which the transfer was made.

Budget stabilization expenditures may occur in a fiscal year in which the Governor reduces the expenditures of the State or any of its agencies below their appropriation or in which there is a budget need due to a natural disaster as proclaimed by the Governor to be an emergency. An appropriation from the Budget Reserve Fund may be granted by a two-thirds vote of the members elected to each house. The maximum amount which may be appropriated at any one time for budget stabilization purposes is one-half the sum of the balance of the Budget Reserve Fund and any amounts appropriated or otherwise owed to the fund, less all amounts owed to the fund for budget stabilization purposes but not yet appropriated for repayment to the fund. One-third of the amount expended or transferred from the Budget Reserve Fund for budget stabilization purposes plus interest shall stand appropriated to the Budget Reserve Fund during each of the next three fiscal years from the fund which received the budget stabilization appropriation. The balance of the Budget Reserve Fund at June 30, 2018, was $614,386,000.

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows (in thousands of dollars):

	*Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Governmental Activities:				
Capital Assets not being Depreciated/Amortized:				
Construction in Progress	$ 308,270	$ 164,560	$ (59,287)	$ 413,543
Software in Progress	88,312	26,306	(15,499)	99,119
Infrastructure in Progress	1,478,649	800,004	(728,189)	1,550,464
Land	3,095,379	3,718	(5,358)	3,093,739
Permanent Easements	3,910	181	—	4,091
Total Capital Assets not being Depreciated/ Amortized	4,974,520	994,769	(808,333)	5,160,956
Capital Assets being Depreciated/Amortized:				
Land Improvements	208,276	13,103	(51)	221,328
Temporary Easements	1,513	286	(303)	1,496
Buildings and Improvements	3,387,901	40,687	(13,738)	3,414,850
Equipment	1,328,800	93,327	(69,644)	1,352,483
Software	229,386	25,111	(2,532)	251,965
Trademarks	17	—	—	17
Infrastructure	50,174,198	728,189	(73,545)	50,828,842
Total Capital Assets being Depreciated/Amortized	55,330,091	900,703	(159,813)	56,070,981
Less Accumulated Depreciation/Amortization for:				
Land Improvements	(118,693)	(4,871)	37	(123,527)
Temporary Easements	(526)	(503)	303	(726)
Buildings and Improvements	(1,823,039)	(105,250)	12,911	(1,915,378)
Equipment	(961,307)	(86,758)	63,988	(984,077)
Software	(154,635)	(25,351)	1,893	(178,093)
Trademarks	(12)	(2)	—	(14)
Infrastructure	(24,587,570)	(488,456)	60,238	(25,015,788)
Total Accumulated Depreciation/Amortization	(27,645,782)	(711,191)	139,370	(28,217,603)
Total Capital Assets being Depreciated/Amortized, Net	27,684,309	189,512	(20,443)	27,853,378
Governmental Activities Capital Assets, Net	$ 32,658,829	$ 1,184,281	$ (828,776)	$ 33,014,334
Business-Type Activities:				
Capital Assets not being Depreciated/Amortized:				
Construction in Progress	$ 45,452	$ 1,025	$ (31,630)	$ 14,847
Software in Progress	—	189	—	189
Land	32,602	—	—	32,602
Total Capital Assets not being Depreciated/ Amortized	78,054	1,214	(31,630)	47,638
Capital Assets being Depreciated/Amortized:				
Land Improvements	18,971	19,570	—	38,541
Temporary Easements	50	—	—	50
Buildings and Improvements	33,025	23,754	—	56,779
Equipment	50,673	4,882	(2,774)	52,781
Software	735	—	(104)	631
Total Capital Assets being Depreciated/Amortized	103,454	48,206	(2,878)	148,782
Less Accumulated Depreciation/Amortization for:				
Land Improvements	(7,845)	(548)	—	(8,393)
Temporary Easements	(23)	(2)	—	(25)
Buildings and Improvements	(23,020)	(1,410)	1	(24,429)
Equipment	(34,631)	(3,884)	2,675	(35,840)
Software	(533)	(94)	103	(524)
Total Accumulated Depreciation/Amortization	(66,052)	(5,938)	2,779	(69,211)
Total Capital Assets being Depreciated/Amortized, Net	37,402	42,268	(99)	79,571
Business-Type Activities Capital Assets, Net	$ 115,456	$ 43,482	$ (31,729)	$ 127,209

*Beginning balances as of July 1, 2017 have been restated (see *Note 18*).

Note 5 - Capital Assets (cont.)

Depreciation/amortization expense of governmental activities was charged to functions as follows (in thousands of dollars):

General Government	$ 49,203
Education	3,169
Natural and Economic Resources	25,459
Transportation and Law Enforcement	572,020
Human Services	61,340
Total	$ 711,191

Discretely Presented Component Units

The following table summarizes net capital assets reported by the discretely presented component units (in thousands of dollars):

	College and Universities	Non-Major Component Units	Total
Capital Assets not being Depreciated/Amortized:			
Construction in Progress	$ 169,900	$ 857	$ 170,757
Land	181,731	7,220	188,951
Other Non-Depreciable/Amortizable Assets	23,866	—	23,866
Total Capital Assets not being Depreciated/Amortized	375,497	8,077	383,574
Capital Assets being Depreciated/Amortized:			
Land Improvements	36,171	—	36,171
Buildings and Improvements	7,102,647	78,710	7,181,357
Equipment, Fixtures, and Books	1,586,362	479	1,586,841
Software	67,957	26	67,983
Infrastructure	808,653	—	808,653
Total Capital Assets being Depreciated/Amortized	9,601,790	79,215	9,681,005
Less Total Accumulated Depreciation/Amortization	(4,586,131)	(21,314)	(4,607,445)
Total Capital Assets being Depreciated/Amortized, Net	5,015,659	57,901	5,073,560
Discretely Presented Component Units – Capital Assets, Net	$ 5,391,156	$ 65,978	$ 5,457,134

Capital Asset Impairment

Two application development projects were canceled during the fiscal year. The first project was stopped due to changing application requirements, which resulted in an impairment of $10,000. The second project was stopped when contracting out the application support with a current service provider became a better option, which resulted in an impairment of $48,000. These would be reported as a program expense in the government-wide financial statements.

Due to significant damage to the Oak Place Apartment buildings, owned by the University of Missouri, an impairment amount of $17,908,000 is reported as an extraordinary item in the Component Units Statement of Revenues, Expenses, and Changes in Net Position/Statement of Activities.

Note 6 - Leases

Capital

The State has entered into various agreements to lease land, buildings, equipment and software. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* requires a lease that transfers substantially all of the benefits and risks of ownership to the lessee to be accounted for as the acquisition of a capital asset and the incurrence of an obligation by the lessee (a capital lease liability).

Capital leases for the internal service funds, enterprise funds, and college and universities are reported as a long-term obligation in those funds along with the related assets. Capital leases and the related assets are not reported on the fund financial statements of governmental type funds. However, the capital leases and related assets of governmental funds are included on the government-wide financial statements and they are shown on the reconciliation between fund financial statements and government-wide statements.

Following is a summary of the future minimum lease payments for capital leases (in thousands of dollars):

Fiscal Year Ending June 30	Governmental Funds	Internal Service Funds	College and Universities
2019	$ 7,722	$ 3,171	$ 7,341
2020	7,047	2,162	6,111
2021	6,667	1,428	5,708
2022	4,952	319	5,466
2023	2,801	319	5,444
2024-2028	4,550	802	14,296
2029-2030	1,498	241	913
Total Minimum Lease Payments	35,237	8,442	45,279
Less Amount Representing Interest	(2,587)	(432)	(5,228)
Present Value of Net Minimum Lease Payments	$ 32,650	$ 8,010	$ 40,051

The State has entered into a lease with the Missouri Development Finance Board. The State's obligation under this lease does not constitute a general obligation or other indebtedness of the State. Payments under the lease agreement have been structured in amounts sufficient to pay principal and interest on the Leasehold Revenue Bonds issued by the Board. In November 2005, the Board issued $28,995,000 of Leasehold Revenue Bonds Series 2005 for the purpose of purchasing buildings in Florissant, St. Louis, and Jennings. In May 2006, the Board issued $9,865,000 of Leasehold Revenue Bonds Series 2006 for the purpose of purchasing one building in St. Louis. In June 2013, the Board issued $21,820,000 of Leasehold Revenue Refunding Bonds Series A 2013 and $7,450,000 of Leasehold Revenue Refunding Bonds Series B 2013 for the purpose of refunding $20,805,000 of Leasehold Revenue Bonds Series 2005 and $7,100,000 of Leasehold Revenue Bonds Series 2006, respectively. The payments on these leases are subject to annual appropriation by the State legislature.

Note 6 - Leases (cont.)

Following is a summary of the future minimum lease payments to pay interest and principal of the Leasehold Revenue Bonds (in thousands of dollars):

Fiscal Year Ending June 30	Internal Service Funds
2019	$ 2,416
2020	2,412
2021	2,414
2022	2,413
2023	2,409
2024-2028	12,038
2029-2031	7,217
Total Minimum Lease Payments	31,319
Less Amount Representing Interest	(5,544)
Present Value of Net Minimum Lease Payments	$ 25,775

Series A 2005 Refunding Certificates of Participation dated March 1, 2005, in the amount of $120,490,000 refunded $13,945,000 of Missouri Public Facilities Corporation Certificates of Participation (Acute Care Psychiatric Hospital Project) Series A 1994, $13,400,000 of Missouri PRC Corporation Certificates of Participation (Psychiatric Rehabilitation Center Project) Series A 1995, $9,915,000 of Northwest Missouri Public Facilities Corporation Certificates of Participation (Northwest Missouri Psychiatric Rehabilitation Center Project) Series B 1995, and $83,480,000 of Missouri Public Facilities Corporation II Certificates of Participation (Bonne Terre Prison Project) Series A 1999. The State issued Refunding Certificates of Participation Series A 2011 dated June 7, 2011, in the amount of $76,910,000. The Refunding Certificates of Participation refunded $76,065,000 of Series A 2005 Refunding Certificates of Participation.

The State's obligation under these leases does not constitute a general obligation or other indebtedness of the State. The certificates of participation represent proportionate ownership interests of the certificate holders in the lease agreement. The certificates do not constitute a pledge of the full faith and credit of the State. Payments under the lease agreement have been structured in amounts sufficient to pay principal and interest on the certificate and are subject to annual appropriation by the State legislature.

Following is a summary of the future minimum lease payments for the Certificates of Participation (in thousands of dollars):

Fiscal Year Ending June 30	Governmental Funds
2019	$ 13,669
Total Minimum Lease Payments	13,669
Less Amount Representing Interest	(144)
Present Value of Net Minimum Lease Payments	$ 13,525

Note 6 - Leases (cont.)

Assets acquired through these capital lease agreements are recorded as capital assets at the lower of the present value of the minimum lease payments or the fair value at the time of acquisition. The following is the value of the property under capital lease by asset category as of June 30, 2018 (in thousands of dollars):

	Governmental Funds	Internal Service Funds	College and Universities
Land	$ —	$ —	$ 518
Buildings	196,481	40,508	64,407
Equipment	3,392	7,979	16,622
Software	3,971	4,633	—
	$ 203,844	$ 53,120	$ 81,547

Operating

The State has entered into various operating leases for land, buildings, and equipment. Most of these leases are classified as operating, because the lease period is one year with multiple renewal options. Future minimum commitments due under operating leases as of June 30, 2018, were as follows (in thousands of dollars):

Fiscal Year Ending June 30	Governmental Funds	Enterprise Funds	Component Units
2019	$ 20,665	$ 350	$ 14,175
2020	961	172	10,610
2021	916	62	8,858
2022	892	59	7,398
2023	501	57	6,516
2024-2028	1,607	5	13,879
2029-2033	52	—	8,183
2034-2038	50	—	4,828
2039-2043	50	—	—
2044-2048	50	—	—
2049-2053	50	—	—
2054-2058	50	—	—
2059-2063	50	—	—
Total Minimum Commitments	$ 25,894	$ 705	$ 74,447

Expenditures for rent under operating leases for the years ended June 30, 2018 and June 30, 2017 were $23,048,000 and $22,740,000, respectively.

Note 6 - Leases (cont.)

Rental Revenue

The State leases certain state owned facilities to entities outside the State. These lessor arrangements are generally long-term commitments which either generate revenue from otherwise idle property or better serve Missouri's citizens by providing convenient access to products and services. The total asset value of the leased facilities and land is $91.7 million less accumulated depreciation of $24.5 million for component units. The Department of Natural Resources (DNR) has $72,000 in income from easements on DNR property. This income will be received in perpetuity. The contract conditions and amount for each individual easement can change with the sale of the property requiring the easement. New contracts will be negotiated with new property owners. Future minimum receivables, payable from lessor arrangements as of June 30, 2018, were as follows (in thousands of dollars):

Fiscal Year Ending June 30	Component Units
2019	$ 4,174
2020	3,816
2021	3,745
2022	3,676
2023	3,679
2024-2028	17,769
2029-2033	17,551
2034-2038	17,478
2039-2043	14,226
2044-2048	7,217
2049-2053	2,132
2054-2058	2,132
2059-2063	1,729
2064-2068	500
2069-2073	500
2074-2078	500
2079-2083	500
2084-2088	500
2089-2093	450
Total Minimum Receivables	$ 102,274

Note 7 - Retirement Systems

The State has two major retirement systems which cover substantially all State employees. These systems are the Missouri State Employees' Retirement System (MOSERS) and the Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS). MOSERS is comprised of the Missouri State Employees' Plan (MSEP), a cost-sharing multiple-employer, defined benefit public employee retirement plan and the Judicial Plan, a single-employer defined benefit public employee retirement plan. MPERS is a single-employer defined benefit public employees' retirement plan.

Plan Descriptions

The Missouri State Employees' Plan (MSEP) is a cost-sharing multiple-employer, defined benefit public employee retirement plan administered by MOSERS. The Plan is administered in accordance with Sections 104.010 and 104.312-104.1215, RSMo.

The MSEP has three benefit structures known as MSEP (closed plan), MSEP 2000, and MSEP 2011. The MSEP covers all full-time employees hired before July 1, 2000, who are not covered under another state-sponsored retirement plan. MSEP 2000 covers all full-time employees hired on or after July 1, 2000 and before January 1, 2011. MSEP 2011 covers all full-time employees first hired on or after January 1, 2011. Members of the closed plan have the option at retirement to choose between the benefit structure of the MSEP or MSEP 2000.

Note 7 - Retirement Systems (cont.)

The Judicial Plan is a single-employer, defined benefit public employee retirement plan administered by MOSERS. The Plan is administered in accordance with Sections 476.445 to 476.690, RSMo. The Judicial Plan covers eligible members appointed/elected before January 1, 2011. The Judicial Plan 2011 covers eligible members appointed/elected for the first time on or after January 1, 2011.

MOSERS provides retirement, survivor, and disability benefits to its members. General employees are fully vested after 5 years of creditable service if covered by the MSEP and MSEP 2000 plans and after 10 years (5 years effective January 1, 2018) of creditable service for active members if covered by the MSEP 2011 plans. Elected officials are fully vested after 4 years of creditable service and Members of the General Assembly are fully vested after 6 years of creditable service. The base retirement benefits are calculated by multiplying the employee's final average pay by a specific factor multiplied by the years of credited service. The retirement eligibility requirements are as follows for general employees:

MSEP
Age 65 and active with 4 years of service
Age 65 with 5 years of service
Age 60 with 15 years of service
Age 48 with age and service equaling 80 or more (Rule of 80)
Employees may retire early at age 55 with at least 10 years of service with reduced benefits.
The base benefit in the general employee plan is equal to 1.6% multiplied by the final average pay multiplied by years of credited service.

MSEP 2000
Age 62 with 5 years of service
Age 48 with age and service equaling 80 or more (Rule of 80)
Employees may retire early at age 57 with at least 5 years of service with reduced benefits.
The base benefit in the general employee plan is equal to 1.7% multiplied by the final average pay multiplied by years of credited service.

MSEP 2011
Age 67 with 10 years of service (5 years effective January 1, 2018)
Age 55 with age and service equaling 90 or more (Rule of 90)
Employees may retire early at age 62 with at least 10 years of service with reduced benefits (5 years effective January 1, 2018).
The base benefit in the general employee plan is equal to 1.7% multiplied by the final average pay multiplied by years of credited service.

Judicial Plan
Age 62 with 12 years of service
Age 60 with 15 years of service
Age 55 with 20 years of service
Employees may retire early at age 62 with less than 12 years of service or age 60 with less than 15 years of service with a reduced benefit that is based upon years of service relative to 12 or 15 years.
The base benefit for members with 12 or more years of service is equivalent to 50% of compensation on the highest court served.

Judicial Plan 2011
Age 67 with 12 years of service
Age 62 with 20 years of service
Employees may retire early at age 67 with less than 12 years of service with reduced benefits or age 62 with less than 20 years of service with a reduced benefit based on years of service.
The base benefit for members with 12 or more years of service is equivalent to 50% of compensation on the highest court served.

For members hired prior to August 28, 1997, cost of living adjustments (COLAs) are provided annually based on 80% of the percentage increase in the average Consumer Price Index (CPI) from one year to the next, with a minimum rate of 4% and a maximum rate of 5%, until the cumulative amount of COLAs equals 65% of the original benefit, thereafter the 4% minimum rate is eliminated. For members hired on or after August 28, 1997, COLAs are provided annually based on 80% of the percentage increase in the average CPI from one year to the next, up to a maximum rate of 5%. Qualified, terminated-vested members of MSEP and the Judicial Plan may make a one-time election to receive the present value of their benefit in a lump sum payment. To qualify, a member must have left state employment on or after October 1, 1984 and prior to September 1, 2002, have less than 10 years of service, not be within 5 years of retirement eligibility, meet age requirements, and have a benefit present value of less than $10,000.

Note 7 - Retirement Systems (cont.)

The Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS) is a single-employer, defined benefit public employee retirement plan administered in accordance with Sections 104.010-104.1093, RSMo.

MPERS is considered a single-employer plan because its membership is composed of qualified employees of the Missouri Department of Transportation, uniformed and non-uniformed members of the Missouri State Highway Patrol, and MPERS staff.

MPERS provides retirement, survivor, and disability benefits to its members. The MPERS has three benefit structures known as the Closed Plan, the Year 2000 Plan, and the Year 2000 Plan-2011 Tier. Generally, the Closed Plan covers employees hired before July 1, 2000. The Year 2000 Plan generally covers employees hired on or after July 1, 2000 and before January 1, 2011. The Year 2000 Plan-2011 Tier covers employees hired on or after January 1, 2011. Employees covered by the Closed Plan and the Year 2000 Plan are fully vested after 5 years of creditable service. Employees covered by the 2011 Tier are fully vested after 10 years (5 years effective January 1, 2018) of creditable service for active members.

The retirement eligibility requirements are as follows:

Closed Plan

MoDOT and non-uniformed patrol members:
Age 65 and active with 4 or more years of service
Age 65 with 5 or more years of service
Age 60 with 15 or more years of service
Age 48 with sum of age and service equaling 80 or more (Rule of 80)

Uniformed patrol members:
Age 55 and active with 4 or more years of service
Age 55 with 5 or more years of service
Age 48 with sum of age and service equaling 80 or more (Rule of 80)
Mandatory retirement at age 60

All non-uniformed members may retire early with reduced benefits at age 55 with at least 10 years of service.

The base benefit in the Closed Plan is equal to 1.6% multiplied by the final average pay multiplied by years of creditable service. For members of the uniformed patrol, the base benefit is calculated by applying the same formula, then multiplying the product by 1.33%.

For members employed prior to August 28, 1997, cost of living adjustments (COLAs) are provided annually based on 80% of the increase in the Consumer Price Index for all urban consumers for the United States (CPI-U) with a minimum rate of 4% and a maximum rate of 5%, until the cumulative amount of COLAs equals 65% of the original benefit. Thereafter, the 4% minimum rate is eliminated and the annual COLA rate will be equal to 80% of the increase in the CPI-U (annual maximum of 5%). For members employed on or after August 28, 1997, COLAs are provided annually based on 80% of the increase in the CPI-U, up to a maximum rate of 5%.

Year 2000 Plan

MoDOT and non-uniformed patrol members:
Age 62 with 5 or more years of service
Age 48 with sum of age and service equaling 80 or more (Rule of 80)

Uniformed patrol members:
Age 48 with sum of age and service equaling 80 or more (Rule of 80)
Mandatory retirement at age 60 with 5 or more years of service

All members may retire early with reduced benefits at age 57 with at least 5 years of service.

Note 7 - Retirement Systems (cont.)

The base benefit in the Year 2000 Plan is equal to 1.7% multiplied by the final average pay multiplied by years of creditable service. Members retiring under the Rule of 80, and uniform patrol members retiring at the mandatory retirement age (currently 60), receive an additional temporary benefit until age 62. The temporary benefit is equivalent to 0.8% multiplied by final average pay multiplied by years of creditable service. COLAs are provided annually based on 80% of the change in the CPI-U, up to a maximum rate of 5%.

Year 2000 Plan-2011 Tier

MoDOT and non-uniformed patrol members:
Age 67 with 10 or more years of service (5 years effective January 1, 2018)
Age 55 and active with sum of age and service equaling 90 or more (Rule of 90)

Uniformed patrol members:
Age 55 and active with 10 or more years of service (5 years effective January 1, 2018)
Mandatory retirement at age 60 with no minimum service amount, active only.

Active MoDOT and non-uniformed patrol members may retire early with reduced benefits at age 62 with at least 10 years of service. Terminated and vested uniformed patrol members may retire at age 67 with 10 or more years of service. COLAs are provided annually based on 80% of the change in the CPI-U, up to a maximum rate of 5%.

The base benefit in the 2011 Tier is equal to 1.7% multiplied by the final average pay multiplied by years of creditable service. Members retiring under the Rule of 90, and uniform patrol members retiring at the mandatory retirement age (currently 60) or at age 55 with 10 years (5 years effective January 1, 2018) of creditable service, receive an additional temporary benefit until age 62. The temporary benefit is equivalent to 0.8% multiplied by final average pay multiplied by years of creditable service.

Single-Employer Plans:

Employees Covered by Benefit Terms – Single-Employers Only

As of June 30, 2017 valuation, membership consisted of the following:

	Judicial Plan	MPERS
Retirees, beneficiaries, and the disabled currently receiving benefits	559	8,831
Terminated employees entitled to, but not yet receiving benefits	26	2,324
Active		
Vested	410	5,261
Nonvested	—	2,195
Total Membership	995	18,611

Contributions

Per Chapter 104.436, RSMo, contribution requirements of the active employees and the participating employers are established and may be amended by the MOSERS Board. Employees in the MSEP 2011 Plan are required to contribute 4.00% of their annual pay. The State's required contribution rate for the MSEP and the Judicial Plan for the year ended June 30, 2017, were 16.97% and 58.45% of annual payroll, respectively. The contribution rates as a percentage of covered payroll for the MSEP and the Judicial Plan for the year ended June 30, 2017, were 16.97% and 58.50%, respectively. Contributions to the pension plan from the MSEP Plan and the Judicial Plan were $274,510,000 and $34,247,000 respectively, for the year ended June 30, 2017.

Note 7 - Retirement Systems (cont.)

Per Chapter 104.070, RSMo, contribution requirements of the active employees and the participating employers are established and may be amended by the MPERS Board of Trustees. Beginning January 1, 2011, employee contributions of 4.00% of gross pay are required for those covered by the Year 2000 Plan-2011 Tier. Employer contributions are determined through annual actuarial valuations. Administrative expenses are financed through contributions from participating employers and investment earnings. The state's required contribution rate, as adopted by the MPERS Board of Trustees, for the year ended June 30, 2017, was to be at least 58.00%. The contribution rate as a percentage of covered payroll for the MPERS plan year ended June 30, 2017, was 58.00%. Contributions to the pension plan from the MPERS plan were $206,563,000.

For the portion of the MSEP Plan relating to the State's component units, the required contribution rate for the year ended June 30, 2017, was 16.97%. The contribution rates as a percentage of covered payroll for the year ended June 30, 2017, range from 16.93% to 16.97%. Contributions to the pension plan were $58,246,000 for the year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

Cost-Sharing Multiple Employer Plan:

At June 30, 2018, a liability was reported for the State's proportionate share of the net pension liability for the MSEP and the MSEP-CU plans based on an actuarial valuation as of June 30, 2017. The State's proportionate share of the net pension liability was based on the State's actual share of contributions to the pension plan relative to the actual contributions of all participating employers for plan year ended June 30, 2017.

The State reported the following proportionate share of the net pension liability and the pension expense for the fiscal year ended June 30, 2018 (in thousands of dollars):

	MSEP	MSEP-CU
Pension Expense	$ 724,501	$ 156,206
Proportionate share: 2018	82.19%	17.44%
Net Pension Liability	$ 4,279,391	$ 908,000

Note 7 - Retirement Systems (cont.)

Single-Employer Plans:

The State's net pension liability and related information for the Judicial and MPERS plans for the fiscal year ended June 30, 2018 (in thousands of dollars):

	Judicial Plan Increase (Decrease)			MPERS Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (a) – (b)	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2017	$ 547,621	$ 132,056	$ 415,565	$3,761,733	$ 1,992,074	$ 1,769,659
Changes for the year:						
Service Cost	12,946	—	12,946	45,713	—	45,713
Interest	40,617	—	40,617	283,569	—	283,569
Differences between expected and actual experience	(10,687)	—	(10,687)	(37,287)	—	(37,287)
Changes of Assumptions	7,906	—	7,906	—	—	—
Contributions – Employer	—	34,247	(34,247)	—	206,563	(206,563)
Contributions – Employee	—	787	(787)	—	4,892	(4,892)
Net Income Investment	—	4,680	(4,680)	—	220,302	(220,302)
Benefit payments, including refunds of employee contributions	(33,985)	(33,985)	—	(246,939)	(246,939)	—
Disability Premiums	—	—	—	(1,620)	(1,620)	—
Administrative Expense	—	(150)	150	—	(4,516)	4,516
Net Transfers to Other Retirement Systems	—	—	—	(2,725)	(981)	(1,744)
Net Changes	16,797	5,579	11,218	40,711	177,701	(136,990)
Balances at June 30, 2018	$ 564,418	$ 137,635	$ 426,783	$3,802,444	$ 2,169,775	$ 1,632,669

For the year ended June 30, 2018, the Judicial Plan and MPERS recognized pension expense of $62,414,000 and $136,009,000, respectively.

At June 30, 2018, deferred outflows of resources and deferred inflows of resources related to pensions were reported from the following sources (in thousands of dollars):

	Deferred Outflows of Resources				Deferred Inflows of Resources			
	MSEP	Judicial	MPERS	MSEP-CU	MSEP	Judicial	MPERS	MSEP-CU
Difference between expected and actual experience	$ 23,708	$ 930	$ —	$ 5,030	$ 67,399	$ 10,289	$ 55,761	$ 14,301
Changes of assumptions	375,511	31,553	—	79,676	10,740	—	—	2,279
Net difference between projected and actual earnings on pension plan investments	716,864	13,716	102,667	152,104	—	—	92,183	—
Changes in proportion and differences between pension plan contributions and proportionate share of contributions	15	—	—	6,630	2,674	—	—	4,136
Contributions subsequent to the measurement date	313,167	36,895	204,955	63,393	—	—	—	—
Total	$ 1,429,265	$ 83,094	$ 307,622	$ 306,833	$ 80,813	$ 10,289	$147,944	$ 20,716

Note 7 - Retirement Systems (cont.)

Amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the measurement period of the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands of dollars):

Fiscal Year Ended June 30	Net Deferred Outflows/Inflows of Resources MSEP	Judicial	MPERS	MSEP-CU
2019	$ 338,909	$ 16,529	$ (35,864)	$ 74,175
2020	464,187	15,778	5,941	99,079
2021	177,720	2,551	1,234	37,913
2022	54,469	1,052	(16,588)	11,557
Totals	$ 1,035,285	$ 35,910	$ (45,277)	$ 222,724

Actuarial Assumptions

The total pension liability at June 30, 2018, is based upon the June 30, 2017, actuarial valuation for MOSERS and MPERS using the entry age normal actuarial cost method. Significant actuarial assumptions used in the June 30, 2017, actuarial valuations are the following:

	MSEP and MSEP-CU	Judicial	MPERS
Price Inflation	2.5%	2.5%	3.0%
Salary Increases	3.25-8.75%	3.0-5.2%	3.5-11.0%
Investment Rate of Return	7.50%	7.50%	7.75%

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2015, for MOSERS. In addition, the Board reaffirmed its previous decision to reduce the investment return assumption from 7.65% to 7.50% for the June 30, 2017 valuation. There were no other changes in assumptions. MOSERS mortality rates were based on the RP-2014 Healthy Annuitant Mortality table, projected to 2026 with scale MP-2015 and scaled by 120%. The pre-retirement mortality table was the RP-2014 Employee Mortality table, projected to 2026 with scale MP-2015 and scaled by 95% for males and 90% for females.

Amounts reported in the June 30, 2017, actuarial report are assumptions reflecting adjustments to expected rates of withdrawal, disability, normal and early retirement, mortality, and merit and seniority pay for MPERS. The actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2007, through June 30, 2012. Mortality rates, for post-retirement mortality, used in evaluating allowances to be paid to non-disabled pensioners were the RP-2000 Combined Healthy Mortality Tables projected 16 years and set back one year for males and females. Pre-retirement mortality rates used was 70% for males and 50% for females of the post-retirement tables set back 1 year for males and set back 1 year for females. Disabled pension mortality was based on PBGC 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.

Note 7 - Retirement Systems (cont.)

The long-term (30 year) expected rate of return on pension plan investments was determined using a building-block method in which best-estimate rates 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 geometric real rates of return for the MSEP and Judicial Plan and arithmetic real rates of return for MPERS for each major asset class included in the target allocation are summarized in the table below:

	MSEP and MSEP-CU		Judicial		MPERS	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	38.0%	5.5%	38.0%	5.5%	30.0%	4.80%
Private Equity					15.0%	6.50%
Fixed Income					20.0%	0.50%
Real Assets					7.5%	4.75%
Real Estate					10.0%	2.75%
Hedge Funds					10.0%	2.75%
Opportunistic Debt					7.5%	4.50%
Nominal Bonds	44.0%	1.0%	44.0%	1.0%		
Commodities	20.0%	4.5%	20.0%	4.5%		
Inflation-linked Bonds	39.0%	0.8%	39.0%	0.8%		
Alternative Beta	31.0%	4.5%	31.0%	4.5%		
	172.0%		172.0%		100.0%	

Discount Rate

A single discount rate based on the expected rate of return on pension investments of 7.50%, 7.50%, and 7.75% was used to measure the total pension liability for MSEP, Judicial Plan, and MPERS, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate for MPERS. The projection of cash flows used to determine the discount rate assumed that employee contributions at the current contribution rate and that contributions from employers will be made at required rates, actuarially determined for MOSERS. 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.

Note 7 - Retirement Systems (cont.)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate, as well as, what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher (in thousands of dollars):

	1% Decrease	Current Single Discount Rate Assumption	1% Increase
	6.50%	7.50%	8.50%
MSEP Net Pension Liability	$5,509,815	$4,279,391	$3,244,456
	6.50%	7.50%	8.50%
Judicial Plan Net Pension Liability	$484,553	$426,783	$377,354
	6.75%	7.75%	8.75%
MPERS Net Pension Liability	$2,075,475	$1,632,669	$1,262,286
	6.50%	7.50%	8.50%
MSEP-CU Net Pension Liability	$1,169,071	$908,000	$688,408

Payables to the Pension Plan

As of June 30, 2018, the State had payables of $14,959,000 to MOSERS for the outstanding amount of contributions to the pension plan, relating to a two week lag in payroll.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separate financial reports issued by MOSERS and MPERS:

Missouri State Employees' Retirement System
P.O. Box 209
Jefferson City, Missouri 65102-0209
www.mosers.org

Missouri Department of Transportation and
Highway Patrol Employees' Retirement System
P.O. Box 1930
Jefferson City, Missouri 65102-1930
www.mpers.org

University of Missouri Retirement System

Plan Description

The University of Missouri Retirement, Disability, and Death Benefit Plan is a single-employer defined benefit plan for all qualified employees. As authorized by Section 172.300, RSMo, the University's Board of Curators administers the Retirement Plan and establishes its terms.

Note 7 - Retirement Systems (cont.)

Full-time employees vest in the Retirement Plan after five years of credited service and become eligible for benefits based on age and years of service. A vested employee who retires at age 65 or older is eligible for a lifetime annuity calculated at a certain rate times the credited service years times the compensation base (average consumption for the five highest consecutive salary years). The rate is 2.2% if the employee was hired before October 1, 2012, or 1.0% if the employee was hired after September 30, 2012. Academic members who provide summer teaching and research service receive additional summer service credit. The Board of Curators may periodically approve increases to the benefits paid to existing pensioners. However, vested members who leave the University prior to eligibility for retirement are not eligible for these pension increases. Vested employees who are at least age 55 and have ten years or more of credited service, or age 60 with at least five years of credited service may choose early retirement with a reduced benefit. However, if the employee retires at age 62 and has at least 25 years of credited service, the benefit is not reduced. Up to 30% of the retirement annuity can be taken in a lump sum payment. In addition the standard annuity can be exchanged for an actuarially-equivalent annuity selected from an array of options with joint and survivor, period certain, and guaranteed annual increase features.

As of June 30, 2018, membership consisted of the following:

Vested members	18,135
Inactive vested members	4,659
Pensioners and beneficiaries	9,763
Total Membership	32,557

Contributions

The University's contributions to the Retirement Plan are equal to the actuarially determined contribution rate (ADC). The ADC for those employees hired before October 1, 2012 averaged 9.4% of covered payroll for the year ending June 30, 2018. The ADC for those employees hired after September 30, 2012, averaged 5.5% of covered payroll for the year ended June 30, 2018. Employees are required to contribute 1% of their salary up to $50,000 in a calendar year and 2% of their salary in excess of $50,000. An actuarial valuation of the Plan is performed annually and the University's contribution rate is updated on July 1 at the beginning of the University's fiscal year, to reflect the actuarially determined funding requirement from the most recent valuation, as of the preceding October 1. This actuarial valuation reflects the adoption of any Retirement Plan amendments during the previous fiscal year. The University contributed $92,200,000 during the fiscal year ended June 30, 2018.

Employees hired after September 30, 2012, participate in a single employer, defined contribution plan. Each year the University contributes 2% of each employee's eligible salary to a 401(a) plan. The University will match up to 3% of the employee contribution to the 457(b) plan with those going into the 401(a) plan. Employees are immediately 100% vested in their contributions. The University's base contributions and matching contributions vest following three years of consecutive or nonconsecutive service. The defined contribution plan recognized $17,579,000 of pension expense net of $3,211,000 of forfeitures for the year ended June 30, 2018.

Net Pension Liability

The Retirement Plan's net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2017. Roll-forward procedures were used to measure the Retirement Plan's net pension liability as of June 30, 2018. For the year ended June 30, 2018, fiduciary net position as a percentage of the total pension liability amounted to 83.43%.

Note 7 - Retirement Systems (cont.)

Changes in net pension liability (in thousands of dollars):

	Total Pension Liability (TPL)	Fiduciary Net Pension (FNP)	Net Pension Liability (NPL)
Balances at June 30, 2017	$ 4,008,189	$ 3,485,925	$ 522,264
Changes for the year:			
Service Cost	63,624	—	63,624
Interest	305,781	—	305,781
Differences between expected and actual experience	11,704	—	11,704
Changes in assumptions	257,616	—	257,616
Contributions – Employer	—	92,200	(92,200)
Contributions – Employee	—	15,299	(15,299)
Net Income Investment	—	322,297	(322,297)
Benefit payments, including refunds of employee contributions	(233,083)	(233,083)	—
Net Changes	405,642	196,713	208,929
Balances at June 30, 2018	$ 4,413,831	$ 3,682,638	$ 731,193

Pension Expense

Annual pension expense consists of service cost and interest on the pension liability less employee contributions and projected earnings on pension plan investments. The difference between actual and expected earnings is recorded as a deferred outflow/inflow of resources and recognized in pension expense over a five year period.

For the year ended June 30, 2018, the Retirement Plan recognized pension expense of $142,185,000. At June 30, 2018, deferred outflows of resources and deferred inflows of resources related to pensions were reported from the following sources (in thousands of dollars):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 14,290	$ 34,921
Changes in assumptions	210,657	—
Net difference between projected and actual earnings on pension plan investments	24,426	—
Total	$ 249,373	$ 34,921

The University recognizes differences between actual and expected investment performance included in deferred outflows/inflows of resources on a straight-line basis over five years. Differences between expected and actual experience on actuarial assumptions are amortized over the average expected remaining service life of the University's employees. The following table summarizes the future recognition of these items:

Fiscal Year Ended June 30	Net Deferred Outflows/Inflows of Resources Recognition
2019	$ 99,084
2020	54,894
2021	4,188
2022	32,600
2023	23,686
Totals	$ 214,452

Note 7 - Retirement Systems (cont.)

Actuarial Assumptions

The October 1, 2017, actuarial valuation utilized the entry age actuarial cost method. During fiscal year 2018, the Board of Curators approved a change in the discount rate from 7.75% to 7.20%. The change resulted in an increase in the Net Pension Liability of $257,616,000 and will be recognized in pension expense over the average expected remaining service lives of employees. Actuarial assumptions included:

Inflation	2.20%
Salary Increases	3.6% - 4.5%
Investment Rate of Return	7.20%

For purposes of determining actuarially required contributions, the actuarial value of assets was determined using techniques that spread effects of short-term volatility in the market value of investments over a five-year period. The underfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis over 26 years from the October 1, 2017, valuation date. Mortality rates were based on the RP-2014 Combined Health Mortality Table projected using Scale MP-2017 and RP-2000 Combined Health Mortality Table projected to 2023 using Scale BB for the October 1, 2017 valuation date.

The actuarial assumptions used in the October 1, 2017, valuation were based on the results the most recent quinquennial study of the University's own experience covering 2018 to 2012.

The annual money-weighted rate of return is calculated as the internal rate of return on pension investments, net of pension plan investment expense. The money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested. The annual money-weighted rate of return on pension plan investments for the years ended June 30, 2018, was 10.2%. The following table provides long-term expected rates of real return:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic large cap equity	14.5%	4.7%
International developed equity	14.5%	9.7%
Emerging markets equity	3.0%	8.6%
Private equity	10.0%	7.8%
Sovereign bonds	15.0%	3.1%
Domestic inflation linked bonds	10.0%	2.9%
Global inflation linked bonds	7.0%	2.6%
Private debt	3.0%	6.5%
Risk balanced	10.0%	9.7%
Commodities	5.0%	4.3%
Core private real estate	1.6%	4.6%
Value add private real estate	4.8%	6.6%
Opportunistic private real estate	1.6%	8.6%
	100.0%	

Note 7 - Retirement Systems (cont.)

Discount Rate

The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the University contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee 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 active and inactive employees. 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. For the October 1, 2017, actuarial valuation, 7.20% was used as the net long-term expected rate of return.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate, as well as, what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher (in thousands of dollars):

	1% Decrease	Current Single Discount Rate Assumption	1% Increase
	6.20%	7.20%	8.20%
MU Net Pension Liability	$1,287,184	$731,193	$262,755

Separate financial statements are not prepared for the Plan.

Detailed information concerning the Plan is presented in the University's 2018 financial report, which is publicly available. Copies of this report may be requested from:

University of Missouri System
118 University Hall
Columbia, Missouri 65211
www.umsystem.edu

Note 8 - Other Postemployment Benefits

In addition to the retirement benefits described in Note 7, the State provides postemployment health care and life insurance benefits, in accordance with State statutes, to the majority of employees who either retire from the State or receive long-term disability benefits. These benefits are administered by the Missouri Consolidated Health Care Plan (MCHCP), the Missouri State Employees' Retirement System (MOSERS), the Missouri Department of Transportation and Highway Patrol Employees' Medical and Life Insurance Plan (MHPML), and the Conservation Employees' Insurance Plan (CEIP). MCHCP is a cost-sharing multiple-employer, defined benefit other postemployment benefits plan, MOSERS is an insured, defined benefit insurance plan, and MHPML and CEIP are single-employer defined benefit public employees' other postemployment benefits plans.

Note 8 - Other Postemployment Benefits (cont.)

Plan Descriptions

Missouri Consolidated Health Care Plan (MCHCP) operates a cost-sharing multiple-employer, defined benefit Other Postemployment Benefits Plan (OPEB), the State Retiree Welfare Benefit Trust (SRWBT). Employees may participate at retirement, if eligible to receive a monthly retirement benefit from either Missouri Employees' Retirement System (MOSERS) or another retirement system whose members grandfathered for coverage under the MCHCP by law. The terms and conditions governing postemployment benefits, are vested with the MCHCP Board of Trustees within the authority granted under 103.003 through 103.178, RSMo. MCHCP provides medical, dental, and vision benefits, and the Strive Employee Life & Family program for the exclusive benefit of current and future retired employees of the state and their dependents who meet eligibility requirements, except those retired members covered by other OPEB plans of the state. Covered categories include active employees, participants and spouses in payment status, participants with a deferred benefit, and disabled participants.

The Missouri Department of Transportation and Highway Patrol Employees' Medical and Life Insurance Plan (MHPML) is a single-employer, defined benefit OPEB plan administered in accordance with Section 104.270, RSMo. MHPML is not a separate legal entity and is self insured. The plan does not maintain assets in a trust and pays expenses on a pay-as-you-go basis. The plan assets are neither legally protected from creditors nor are they dedicated to providing OPEB benefits. The State has no legal obligation to pay the benefits. MHPML provides healthcare insurance benefits to employees who retired from the Department who participated in the Medical and Life Insurance Plan when they were an active employee and had a minimum of five years creditable service. Coverage categories include retirees, certain disabled employees, spouses, certain dependents and survivors of deceased employees and retirees. At June 30, 2017, the number of participants covered by the plan included 6,211 retirees or beneficiaries currently receiving benefits, 90 retirees entitled to but not yet receiving benefits, and 7,558 active employees.

The Conservation Employees' Benefits Plan (CEIP) is a single-employer defined benefit OPEB plan administered by the Conservation Employees' Benefits Plan Board of Trustees in accordance with Article IV, Section 42 of the Missouri Constitution. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The benefit plan for the Department of Conservation is not irrevocable.

CEIP provides for continuation of medical insurance benefits for retirees and their dependents. Coverage categories include active employees, retirees and surviving spouses, and spouses of current retirees. At June 30, 2017, 1,301 active employees, 714 retirees and surviving spouses, and 404 spouses of current employees were participating in the plan.

Contributions

Contributions are established and may be amended by the MCHCP Board of Trustees with the authority granted under 103.003 through 103.178, RSMo. Contributions to MCHCP by the State are not legally or contractually required. For the fiscal year end June 30, 2017, employers contributed 4.26% for the period July 1, 2016 through December 31, 2016, and 4.02% for the period January 1, 2017, through June 30, 2017, of covered payroll. Retiree contribution rates are established based on projected claims experience and funding provided by employer contributions. Contributions to the OPEB plan for MCHCP and MCHCP-CU was $67,099,000 and $18,000, respectively for the year ended June 30, 2017.

The contribution requirements for MHPML are recommended by the Medical and Life Insurance Plan's Board of Trustees and are approved by the Missouri Highways and Transportation Commission. The Commission contributes a percentage of medical premiums for retirees. For those who retired prior to January 1, 2015, an amount ranging from 40.0% to 57.0% of the premium is contributed, dependent on the level of coverage. 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% per year of service, not to exceed 50.0% of the total premium, with the retiree responsible for the remaining balance of the premiums. Benefit projections for financial reporting purposes are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and the historical pattern of cost sharing between employer and the plan members to that point. Contributions to the Plan for the year ended June 30, 2017 was $21,186,000.

Note 8 - Other Postemployment Benefits (cont.)

The contribution requirements for CEIP are established by a trust agreement between the Conservation Commission and the Conservation Employees' Benefits Plan Board of Trustees, which grants the authority to establish and amend benefit terms and financing requirements to the Board of Trustees. The Commission contribution toward retiree medical premium is based on tenure or years of service with the State. At the time of retirement, employees who have 25+ years of service receive a 35% contribution, 20-24 years of service receive a 30% contribution, 15-19 years of service receive a 25% contribution, vested status up to 14 years of service receive a 20% contribution, and employees who retired prior to January 1, 2013 continue to receive a 35% contribution towards their premium. Benefit projections for financial reporting purposes are based on an established policy of the retiree's paying the premium amount less any direct subsidy paid by the Commission based on years of service and date of retirement. Contributions to the Plan for the year ended June 30, 2017 was $3,006,000.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

Cost-Sharing Multiple Employer Plan:

At June 30, 2018, a liability was reported for the State's proportionate share of the collective net OPEB liability for the MCHCP and the MCHCP-CU plans based on an actuarial valuation as of June 30, 2017. The State's proportionate share of the collective net OPEB liability was calculated by dividing the State's contribution to the SRWBT by the total contributions from all applicable employers during the measurement period. During the actuarial calculations associated with the employer schedule of allocations, it was determined that the census file for active participants was valued with 5 additional months of service and that additional service related for administrative law judges and retired legislators should be included. These net adjustments to the actuarial valuation resulted in a decrease in the beginning net OPEB liability of approximately $9 million dollars. Also, from the previous valuation, the discount rate changed from 5.70% to 5.71%.

The State reported the following proportionate share of the collective net OPEB liability and the OPEB expense for the fiscal year ended June 30, 2018 (in thousands of dollars):

	MCHCP	MCHCP-CU
OPEB Expense	$ 123,276	$ 32
Proportionate share: 2018	99.56%	0.03%
Net OPEB Liability	$ 1,756,787	$ 484

Single-Employer Plans:

The State's total OPEB liability and related information for the MHPML and CEIP plans for the fiscal year ended June 30, 2018 (in thousands of dollars):

	MHPML	CEIP
	Total OPEB Liability	Total OPEB Liability
Balances at June 30, 2017	$ 1,222,196	$ 137,344
Changes for the year:		
Service Cost	49,483	3,109
Interest	35,941	4,975
Changes of assumptions or other inputs	(165,036)	(7,665)
Benefit payments	(21,185)	(3,006)
Net Changes	(100,797)	(2,587)
Balances at June 30, 2018	$ 1,121,399	$ 134,757

Note 8 - Other Postemployment Benefits (cont.)

For the year ended June 30, 2018, the MHPML and CEIP recognized OPEB expense of $58,457,000 and $6,844,000, respectively.

At June 30, 2018, deferred outflows of resources and deferred inflows of resources related to OPEBs were reported from the following sources (in thousands of dollars):

	Deferred Outflows of Resources				Deferred Inflows of Resources			
	MCHCP	MHPML	CEIP	MCHCP-CU	MCHCP	MHPML	CEIP	MCHCP-CU
Difference between expected and actual experience	$ —	$ —	$ —	$ —	$ (3,188)	$ —	$ —	$ (1)
Changes of assumptions	—	—	—	—	—	(138,069)	(6,425)	—
Net difference between projected and actual earnings on plan investments	—	—	—	—	(171)	—	—	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	59	—	—	—	(58)	—	—	(18)
Contributions subsequent to the measurement date	68,522	22,866	3,993	20	—	—	—	—
Total	$ 68,581	$ 22,866	$ 3,993	$ 20	$ (3,417)	$ (138,069)	$ (6,425)	$ (19)

Amount reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the measurement period of the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (in thousands of dollars):

	Net Deferred Outflows/Inflows of Resources			
Fiscal Year Ended June 30	MCHCP	MHPML	CEIP	MCHCP-CU
2019	$ (431)	$ (26,967)	$ (1,241)	$ (2)
2020	(430)	(26,967)	(1,240)	(2)
2021	(431)	(26,967)	(1,240)	(2)
2022	(430)	(26,966)	(1,240)	(3)
2023	(388)	(26,966)	(1,241)	(2)
Thereafter	(1,248)	(3,236)	(223)	(8)
Totals	$ (3,358)	$ (138,069)	$ (6,425)	$ (19)

Note 8 - Other Postemployment Benefits (cont.)

Actuarial Assumptions

The total OPEB liability at June 30, 2018, is based upon the June 30, 2017, actuarial valuation date for MCHCP and CEIP, and July 1, 2017 for MHPML, using the entry age normal actuarial cost method. Significant actuarial assumptions used in the actuarial valuations are the following:

	MCHCP and MCHCP-CU
Price Inflation	3.0%
Salary Increases	4.0%
Investment Rate of Return	5.71%
Healthcare Cost Trend Rate	Non-Medicare is 6.5% for fiscal year 2017; the rate decreases by 0.25% per year to an ultimate rate of 5.0% in fiscal year 2023 and later. Medicare is 7.5% for fiscal year 2017; the rate decreases by 0.25% per year to an ultimate of 5.0% in fiscal year 2027 and after.

	MHPML
Price Inflation	2.0%
Salary Increases	2.5%
Investment Rate of Return	3.58%
Healthcare Cost Trend Rate	8.4% for 2017, decreasing to 4.6% for 2018 and later years.

	CEIP
Price Inflation	2.3%
Salary Increases	4.0%
Investment Rate of Return	3.87%
Healthcare Cost Trend Rate	Pre-65 rate of 6.6% for 2017, gradually decreasing to an ultimate rate of 4.1% for 2084 and beyond. Post-65 trend rate of 6.8% for 2017, gradually decreasing to an ultimate rate of 4.3% for 2090 and beyond.

MCHCP's actuarial assumptions used in the June 30, 2017 valuation for SRWBT involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The valuation to determine the SRWBT's total OPEB liability is required to be performed at least every two years. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations. The collective total OPEB liability for June 30, 2017 measurement date was determined by an actuarial valuation as of January 1, 2017, with updated procedures used to roll forward the total OPEB liability to June 30, 2017. The cost method utilized for the valuation year June 30, 2017, was the entry age normal, level percentage of payroll. Mortality rates were based on RP-2016 for Employees/Annuitants without collar adjustments using Scal MP-2016. The last experience study was conducted for the period July 1, 2008 through June 30, 2012. The last independent actuarial review of the reasonableness and accuracy of actuarial assumptions, actuarial cost methods, and valuations was conducted as of June 30, 2016.

MHPML's actuarial assumptions used in the June 30, 2017 valuation were determined using a measurement date of July 1, 2017 with a roll forward to June 30, 2018. The inflation rate was based on the actuary's long-term estimate of inflation as of July 1, 2016 and July 1, 2017. The salary increases were based on projected salaries, which include COLA's. The discount rate was based on Bond Buyer General Obligation 20-Bond Municipal Bond Index. Mortality rates were based on the RP 2014 Employees and Health Annuitants Mortality table, headcount weighted, fully generational projected by Scale MP-2016. The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2016 - June 30, 2017. Changes of assumptions and other inputs reflect a change in the discount rate from 2.85% in 2017 to 3.58% in 2018.

Note 8 - Other Postemployment Benefits (cont.)

CEIP's actuarial assumptions used in the June 30, 2017 valuation were determined using a measurement date of June 30, 2018. The discount rate was based on the 20-year Bond General Obligation Index. Mortality rates were based on RP-2014 Mortality for Employees and Healthy Annuitants, with generational projection per Scale MP-2017. The plan has not had a formal actuarial experience study performed.

For MCHCP, the long-term expected rate of return on OPEB plan investments was determined as a blend of the plan sponsor's best estimate on the expected return on plan assets and the 20-year high quality municipal bond rate as of the measurement date. The target asset allocation and best estimates of arithmetic real rate of returns for each major asset class are listed below.

	MCHCP and MCHCP-CU	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Stocks	20.0%	5.7%
Mid Cap Stocks	10.0%	6.0%
Small Cap Stocks	10.0%	6.0%
High-Yield Bonds	10.0%	2.6%
BarCap Aggregate Bonds	20.0%	1.0%
Long Government/Credit	25.0%	1.4%
Cash Equivalants	5.0%	0.3%
	100.0%	

Discount Rate

A single discount rate based on the expected rate of return on OPEB investments of 5.71%, 3.58%, and 3.87% was used to measure the total OPEB liability for MCHCP, MHPML, and CEIP, respectively. For MCHCP, the projection of cash flows used to determine the discount rate assumed that employee contributions at the current contribution rate and that contributions from employers will be made at required rates, actuarially determined. For years where the expected benefit payments can be covered by projected trust assets, expected returns are used. For years where payments are not expected to be covered by trust assets, the municipal Bond Buyer 20-Bond General Obligation Index rate is utilized.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

Regarding the sensitivity of the net OPEB liability for MCHCP and total OPEB liability for MHPML and CEIP, to changes in the single discount rate, the following presents the State's liability, calculated using a single discount rate, as well as, what the plan's liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher (in thousands of dollars):

	1% Decrease	Current Single Discount Rate Assumption	1% Increase
	4.71%	5.71%	6.71%
MCHCP Net OPEB Liability	2,074,806	1,756,787	1,505,080
	2.58%	3.58%	4.58%
MHPML Total OPEB Liability	1,356,435	1,121,399	941,641
	2.87%	3.87%	4.87%
CEIP Total OPEB Liability	163,978	134,757	112,431
	4.71%	5.71%	6.71%
MCHCP-CU Net OPEB Liability	571	484	414

Note 8 - Other Postemployment Benefits (cont.)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

Regarding the sensitivity of the net OPEB liability for MCHCP and the total OPEB liability for MHPML and CEIP, to changes in healthcare cost trend rates, the following presents the plan's liability, calculated using healthcare cost trend rates, as well as, what the plan's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher (in thousands of dollars):

	1% Decrease	Current Health Care Cost Trend Rates	1% Increase
MCHCP Net OPEB Liability	1,497,398	1,756,787	2,085,312
MHPML Total OPEB Liability	919,386	1,121,399	1,392,141
CEIP Total OPEB Liability	112,514	134,757	164,184
MCHCP-CU Net OPEB Liability	412	484	574

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separate financial reports issued by MCHCP:

Missouri Consolidated Health Care Plan
P.O. Box 104355
Jefferson City, Missouri 65110-4355
www.mchcp.org

Missouri State Insured Defined Benefit Insurance Plan

The Missouri State Insured Defined Benefit Insurance Plan is administered through The Standard, which is a third party administrator with oversight by Missouri State Employees Retirement System (MOSERS). In the event that the Standard becomes insolvent, the Missouri Guarantee Association will work with the Standard to see what assets are available to handle their liabilities and the MO Guarantee Association would handle the open and unpaid claims up to the maximum outlined in Section 376.717 RSMo.

Retiree Life Insurance

Members who retire on or after October 1, 1985 or retirees of the Department of Labor and Industrial Relations (DOLIR) who retire on or after January 1, 1996 are eligible for $5,000 of state-sponsored basic life insurance coverage if they retire directly from active employment. This group plan is financed on a percentage of payroll and is purchased as a group policy through competitive bids. Premiums are contributed as provided by Section 104.515, RSMo. Retirees of the DOLIR who retire prior to January 1, 1996 are eligible for state-sponsored insured defined benefit coverage in the same amount of coverage they were receiving through the DOLIR. The coverage for this closed group is purchased as a group policy at a current cost of $2.07 per thousand dollars of coverage, per month as provided by Section 288.225 RSMo. OPEB expense for fiscal year 2018 was $1,902,000.

Long-Term Disability Insurance (LTD)

MOSERS provides (LTD) coverage for eligible members and generally includes those active members of MOSERS' retirement plans who do not have other disability coverage and are not yet eligible to receive normal (unreduced) retirement benefits. There were 32,836 members covered under the program, as of June 30, 2018. This insured defined-benefit coverage is billed on percentage of covered payroll (0.55%). Purchased as group policy through competitive bids, LTD is administered by The Standard Insurance Company. The cost for the year ended June 30, 2018 was $8,130,000. Premiums are contributed by the state and its component employers as provided for by Section 104.515, RSMo.

Note 8 - Other Postemployment Benefits (cont.)

University of Missouri System

Plan Description

In addition to the retirement benefits described in *Note 7*, the University of Missouri operates a single-employer, defined benefit Other Postemployment Benefits (OPEB) Plan. The assets of the OPEB Trust Fund are irrevocable and legally protected from creditors and dedicated to providing postemployment benefits in accordance with the plan. The OPEB plan provides postemployment medical, dental, and life insurance benefits to employees who retire from the University after attaining age 55 and before reaching age 60 with ten or more years of service, or after age 60 with five or more years of service. As of January 1, 2018, employees must be 60 years old and have 20 years of service at the date of retirement to access the same percentage subsidy as retirees prior to January 1, 2018. Employees with age plus years of service less than 80, but with more than 5 years of service as of January 1, 2018 will receive a subsidy of $100 per year of service up to a maximum of $2,500 annually. Employees with less than 5 years of service as of January 1, 2018 will not receive an insurance subsidy or be eligible to participate in the University's plans.

As of June 30, 2018 and 2017, 8,603 and 7,517 retirees, respectively, were receiving benefits, and an estimated 10,649 active University employees may become eligible to receive benefits under the plan. Post-employment medical, dental and life insurance benefits are also provided to long-term disability claimants who were vested in the University's Retirement Plan at the date the disability began, provided the onset date of the disability was on or after September 1, 1990. As of June 30, 2018 and 2017, 210 and 166 long-term disability claimants, respectively, met those eligibility requirements. The terms and conditions governing the postemployment benefits to which employees are entitled are at the sole authority and discretion of the University's Board of Curators. The OPEB plan does not issue a separate financial report.

Contributions

Postemployment benefits are funded through both employer and employee contributions. Contribution requirements of employees and the University are established and may be amended by the University's Board of Curators. For employees retiring prior to September 1, 1990, the University contributes 2/3 of the medical benefits premium and 1/2 of the dental plan premium. For employees who retire on or after September 1, 1990, the University contributes towards premiums based on the employee's length of service and age at retirement.

The University makes available two group term life insurance options. Option A coverage is equal to the retiree's salary at the date of retirement, while Option B is equal to two times the amount. For each Option, graded decreases in coverage are made when the retiree attains specific age levels. The University pays the full cost of Option A and approximately 91% of Option B coverage. Coverage for group term life insurance ends on January 1 following the retiree's 70th birthday.

For the years ended June 30, 2018 and 2017, participant contributions were $16,480,000 and $14,750,000 or approximately 49.9% and 47.5% respectively, of the total premiums through their required contributions, which vary depending on the plan and coverage selection. In fiscal years 2018 and 2017, the contribution rate as a percentage of covered payroll was 2.58% and 2.72%, respectively, and the University contributed $18,590,000 and $21,394,000, respectively.

The University also makes available two long-term disability options to its employees. Option A coverage is equal to 60% of the employee's salary on the date the disability began, when integrated with benefits from all other sources. Option B coverage is equal to 66-2/3% of the employee's salary, integrated so that benefits from all sources will not exceed 85% of the employee's salary. Both options have a 149-day waiting period and provide benefits until age 65. The University pays the full cost of the Option A premium, while employees enrolled in Option B pay the additional cost over the Optional A premium.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2018, the net OPEB liability for the University was based on an actuarial valuation as of June 30, 2018 and measured as of that date. For the year ended June 30, 2018, fiduciary net position as a percentage of the net OPEB liability amounted to 7.68%.

Note 8 - Other Postemployment Benefits (cont.)

Changes in net OPEB liability (in thousands of dollars):

	Total OPEB Liability (TOL)	Fiduciary Net Pension (FNP)	Net OPEB Liability (NOL)
Balances at June 30, 2017	$ 498,407	$ 36,144	$ 462,263
Changes for the year:			
Service Cost	4,991	—	4,991
Interest	17,434	—	17,434
Changes in assumptions	(18,998)	—	(18,998)
Contributions – Employer	—	18,590	(18,590)
Contributions – Employee	—	16,480	(16,480)
Net Investment Income	—	790	(790)
Benefit payments, including refunds of employee contributions	(22,828)	(35,031)	12,203
Administrative Expenses	—	(172)	172
Net Changes	(19,401)	657	(20,058)
Balances at June 30, 2018	$ 479,006	$ 36,801	$ 442,205

For the year ended June 30, 2018, the University recognized OPEB expense of $15,947,000. At June 30, 2018, deferred outflows of resources and deferred inflows of resources related to OPEBs were reported from the following sources (in thousands of dollars):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ —	$ 33,795
Net difference between projected and actual earnings on OPEB plan investments	—	1,180
Total	$ —	$ 34,975

The University recognizes differences between actual and expected investment performance included in deferred outflows/inflows of resources on a straight-line basis over five years. Differences between expected and actual experience on actuarial assumptions are amortized over the average expected remaining service life of the University's employees. The following table summarizes the future recognition of those items (in thousands of dollars):

Fiscal Year Ended June 30	Net Deferred Outflows/Inflows of Resources Recognition
2019	$ (6,478)
2020	(6,478)
2021	(6,478)
2022	(6,295)
2023	(5,978)
Thereafter	(3,268)
Totals	$ (34,975)

Note 8 - Other Postemployment Benefits (cont.)

Actuarial Assumptions

The total OPEB liability at June 30, 2018, is based upon the June 30, 2018, using the entry age normal, as a level percentage of pay, actuarial cost method. Significant actuarial assumptions used in the actuarial valuations are the following:

Price Inflation	2.2%
Salary Increases	Varies based on age: 0.5% to 4.6% (including inflation) for academic and administrative; 0.2% to 3.0% (including inflation) for clerical and service
Investment Rate of Return	3.87%
Retiree Health PPO Plan, Healthy Savings, and Rx Healthcare Cost Trend Rate	8.75% decreasing by 0.25% per year until ultimate trend of 4.5% is reached.
Pre-65 Rx trend rate	9.75% decreasing by 0.25% per year until ultimate trend of 4.5% is reached.
Medicare Advantage Plans medical trend rate	4.6% and 37.5% for Base Plan; 5.6% and 24.2% for Buy-Up Plan; then 6.5% decreasing by 0.25% per year until an ultimate trend of 4.5% is reached
EWP Rx trend rate	8.75% decreasing by 0.25% per year until an ultimate trend of 4.5% is reached
Dental trend rates	3.0% all years.

The University's actuarial assumptions used in the June 30, 2018 valuation involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Benefit projections for financial reporting purposes are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and the historical pattern of cost sharing between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations. For healthy retiree mortality rates, the RP-2014 Healthy Employee/Annuitant Mortality Table projected generationally using Scale MP-2017 was used. For disabled retiree mortality rates, the RP-2014 Disabled Annuitant Mortality Table projected generationally using Scale MP-2017 was used.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.87% for the year ended June 30, 2018. The projection of cash flows used to determine the discount rate assumed that the University would not make additional contributions to the OPEB Trust and would continue to fund the plan on a pay-as-you-go basis, therefore the University's investments related to OPEB are considered cash and cash equivalents. For the June 30, 2018 actuarial valuation, 3.87% was used as the long-term expected rate of return. Based on these assumptions, the OPEB Plan's fiduciary net position was not projected to cover a full year of projected future benefit payments. Therefore, all future benefit payments are discounted at the current index rate for 20 year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

Regarding the sensitivity of the net OPEB liability for the University, to changes in the single discount rate, the following presents the University's liability, calculated using a single discount rate, as well as, what the plan's liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher (in thousands of dollars):

	1% Decrease	Current Single Discount Rate Assumption	1% Increase
	2.87%	3.87%	4.87%
Net OPEB Liability	513,279	442,205	387,166

Note 8 - Other Postemployment Benefits (cont.)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

Regarding the sensitivity of the net OPEB liability for the University, to changes in healthcare cost trend rates, the following presents the University's liability, calculated using healthcare cost trend rates, as well as, what the plan's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher (in thousands of dollars):

	1% Decrease	Current Health Care Cost Trend Rates	1% Increase
Net OPEB Liability	395,187	442,205	502,943

Detailed information concerning the Plan is presented in the University's 2018 financial report, which is publicly available. Copies of this report may be requested from:

University of Missouri System
118 University Hall
Columbia, Missouri 65211
www.umsystem.edu

Note 9 - Deferred Compensation

Missouri State Public Employees' Deferred Compensation Plan:

In accordance with Internal Revenue Code Section 457, the State offers all employees the opportunity to participate in the Missouri State Public Employees' Deferred Compensation Plan. Under the Plan, employees are permitted to defer a portion of their current salary until future years.

All amounts of compensation deferred under the Plan must be held in a trust, custodial account, or annuity contract for the exclusive benefit of Plan participants and their beneficiaries. Investments are managed by the Plan's trustee under one of several investment options, or a combination thereof. The choice between the investment option(s) available by the Plan is made by the participants.

Copies of the Plan's financial statements may be requested from:

Plan Administrator
c/o MOSERS
P.O. Box 209
907 Wildwood Drive
Jefferson City, Missouri 65102-0209

Note 9 - Deferred Compensation (cont.)

Missouri State Public Employees' Deferred Compensation Plan:

The Plan was established by the Missouri State Public Employees' Deferred Compensation Commission in July 1995 pursuant to Section 401(a) of the Internal Revenue Code.

Under the Plan provisions, any employee of the State is eligible to participate in the Plan if he/she has been an employee of the State for at least 12 consecutive months preceding any employer contributions to the Plan, and is making continuous monthly deferrals of at least $25 to the Missouri State Public Employees' Deferred Compensation Plan. As of March 2010, employer incentive (match) associated with the State of Missouri Deferred Compensation Plan was suspended. Participating employees are 100% vested.

The first employer contributions to the Plan were made in January 1996. The Plan receives contributions from employers as well as rollovers from other qualified plans. During fiscal year 2018, net rollovers and contributions to ICMA-RC were $62,226,000.

Copies of the Plan's financial statements may be requested from:

Plan Administrator
c/o MOSERS
P.O. Box 209
907 Wildwood Drive
Jefferson City, Missouri 65102-0209

Note 10 - Changes in Short-Term Liabilities

The State uses a bank overdraft line of credit to compensate for timing in cash payments and receipts.

The following is a summary of the changes in short-term liabilities for the year ended June 30, 2018 (in thousands of dollars):

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Governmental Activities:				
Bank Overdraft	$ 2	$ 1,307,691	$ (1,307,691)	$ 2

Note 11 - Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2018 (in thousands of dollars):

	*Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018	Due Within One Year
Governmental Activities:					
Due to Other Entities	$ 1,361	$ 59	$ —	$ 1,420	$ —
General Obligation Bonds Payable	154,830	—	(50,135)	104,695	38,575
Other Bonds Payable	2,943,825	124,905	(261,490)	2,807,240	274,690
Unamortized Bond Premium	198,449	9,751	(41,324)	166,876	—
Obligations under Lease Purchase	99,816	9,089	(28,945)	79,960	25,137
Pollution Remediation	47,431	49	(1,241)	46,239	1,783
Compensated Absences	175,015	205,122	(207,408)	172,729	166,929
Claims Liability	177,678	505,888	(507,613)	175,953	118,754
Contingent Liabilities	71,150	4,368	(26,595)	48,923	38,426
2nd Injury Fund Contingent Liabilities	1,840,186	213,633	(100,651)	1,953,168	100,651
Net/Total Other Postemployment Benefit Obligation	3,000,304	219,274	(271,828)	2,947,750	—
Net Pension Liability	5,880,832	1,265,404	(945,511)	6,200,725	—
Total Governmental-Type Activities	$ 14,590,877	$ 2,557,542	$ (2,442,741)	$ 14,705,678	$ 764,945
Business-Type Activities:					
Obligations under Lease Purchase	$ 128	$ —	$ (128)	$ —	$ —
Claims Liability	81,868	15,244	(13,094)	84,018	13,200
Grand Prize Winner Liability	111,185	77,108	(81,708)	106,585	79,233
Compensated Absences	4,604	7,621	(7,765)	4,460	4,404
Net Other Postemployment Benefit Obligation	53,866	4,868	(2,908)	55,826	—
Net Pension Liability	119,627	68,098	(50,883)	136,842	—
Total Business-Type Activities	$ 371,278	$ 172,939	$ (156,486)	$ 387,731	$ 96,837

*Beginning balances as of June 30, 2017 have been restated (see *Note 18*).

Note 12 - Bonds Payable

Bonds are long-term liabilities and are reconciling items from governmental fund financial statements to government-wide financial statements. On the Government-Wide Statement of Net Position, the long-term liabilities are shown as the amounts due within one year from the date of the statement and the amounts due in more than one year from the date of the statement.

Note 12 - Bonds Payable (cont.)

General Obligation Bonds:

The Board of Fund Commissioners of the State of Missouri, upon voter approval and subsequent authorization of the General Assembly, issues general obligation bonds that are secured by a pledge of the full faith, credit, and resources of the State. The principal and interest amounts are transferred one year in advance from the General Fund or other funds to the debt service funds from which principal and interest payments are made. Three types of general obligation bonds are currently outstanding. Proceeds from the Water Pollution Control Bonds were used to provide funds for the protection of the environment through the control of water pollution. Proceeds from the Fourth State Building Bonds were used to provide funds for improvements of buildings and property of higher education institutions, Department of Corrections, and the Division of Youth Services. Proceeds from the Stormwater Control Bonds were used to provide funds to protect the environment through the control of stormwater.

To take advantage of lower interest rates, the Board of Fund Commissioners has issued bonds to refund various outstanding bond issues. The following indicates the refunding bonds issued by the Board (in thousands of dollars):

	Date Issued	Amount Issued	Series Refunded	Amount Refunded
Water Pollution Control Bonds:				
Series A 2010-Refunding	7/27/10	$ 81,450	A 2001	$ 15,030
			A 2002	20,225
			B 2002-Refunding	12,990
			A 2005-Refunding	8,595
			A 2007	31,385
Series A 2012-Refunding	9/27/12	62,460	A 2002	3,225
			B 2002-Refunding	64,080
Fourth State Building Bonds:				
Series A 2010-Refunding	7/27/10	9,060	A 2002-Refunding	8,970
			A 2005-Refunding	1,470
Series A 2012-Refunding	9/27/12	100,395	A 2002-Refunding	110,535
Stormwater Control Bonds:				
Series A 2010-Refunding	7/27/10	15,150	A 2001	7,320
			A 2002	8,475
			A 2005-Refunding	905

Note 12 - Bonds Payable (cont.)

The additional principal amount of the refunding bonds does not decrease the amount of the authorization.

As of June 30, 2018, $594,494,240 of the Water Pollution Control Bonds; $250,000,000 of the Fourth State Building Bonds; and $45,000,000 of the Stormwater Control Bonds have been issued. The remaining authorization for the Water Pollution Control Bonds is $130,505,760 and for Stormwater Control Bonds is $155,000,000. There is no remaining authorization for the Fourth State Buildings Bonds.

General obligation bonds issued and outstanding as of June 30, 2018, were as follows (in thousands of dollars):

	Interest Rates	Payment Dates	Issue Date	Final Maturity Date	Issued	Outstanding
Water Pollution Control Bonds:						
Series A 2007	4.0 - 5.0%	6/1; 12/1	11/07	12/1/21	$ 50,000	$ 7,435
Series A 2010-Refunding	4.0 - 5.0%	12/1; 6/1	7/10	12/1/22	81,450	42,365
Series A 2012-Refunding	3.0 - 4.0%	10/1; 4/1	9/12	10/1/19	62,460	3,670
Fourth State Building Bonds:						
Series A 2010-Refunding	4.0 - 5.0%	12/1; 6/1	7/10	12/1/22	9,060	4,710
Series A 2012-Refunding	2.0 - 4.0%	10/1; 4/1	9/12	10/1/21	100,395	38,640
Stormwater Control Bonds:						
Series A 2010-Refunding	4.0 - 5.0%	12/1; 6/1	7/10	12/1/22	15,150	7,875
Total General Obligation Bonds					$ 318,515	$ 104,695
Less: Amount in Sinking Fund for payment of Principal						(42,619)
						$ 62,076

As of June 30, 2018, general obligation debt service requirements for principal and interest in future years were as follows (in thousands of dollars):

Fiscal Year Ended June 30	Principal	Interest	Totals
2019	$ 38,575	$ 3,712	$ 42,287
2020	21,590	2,445	24,035
2021	15,880	1,666	17,546
2022	16,560	964	17,524
2023	12,090	302	12,392
Totals	$ 104,695	$ 9,089	$ 113,784

Note 12 - Bonds Payable (cont.)

Other Bonds:

The Board of Public Buildings of the State of Missouri, upon the approval of the General Assembly, issues revenue bonds for building projects and commits state agencies to lease space in these buildings. The General Assembly appropriates to the Board, on behalf of the state agencies, amounts sufficient to pay the principal and interest on the bonds, maintain certain required reserves, and to pay the costs of operations. The total amount authorized for the Board equals $1,545,000,000.

To take advantage of lower interest rates, the Board of Public Buildings has issued bonds to refund various outstanding bond issues. The following indicates the refunding bonds issued by the Board (in thousands of dollars):

	Date Issued	Amount Issued	Series Refunded	Amount Refunded
Board of Public Buildings:				
Series A 2011-Refunding	09/27/11	$ 143,020	A 2001	$ 126,850
			A 2003	12,620
			A 2006	3,175
Series A 2012-Refunding	08/23/12	278,835	A 2003	285,340
Series A 2013-Refunding	10/11/13	29,370	A 2003	30,195
Series A 2014-Refunding	08/19/14	88,680	A 2006	87,225
Series A 2015-Refunding	04/01/15	20,250	A 2011-Refunding	21,380

The additional principal amount of the refunding bonds does not decrease the amount of the authorization.

As of June 30, 2018, the Board of Public Buildings Bonds had issued $1,192,915,000 of the bond authorization. The remaining authorization is $352,085,000.

The Board of Public Buildings Bonds issued and outstanding as of June 30, 2018, were as follows (in thousands of dollars):

	Interest Rates	Payment Dates	Issue Date	Final Maturity Date	Issued	Outstanding
Board of Public Buildings:						
Series A 2011-Refunding	1.0 - 5.0%	4/1; 10/1	9/11	10/1/28	$ 143,020	$ 82,940
Series A 2012-Refunding	2.0 - 5.0%	4/1; 10/1	8/12	10/1/28	278,835	219,565
Series A 2013-Refunding	2.0 - 5.0%	4/1; 10/1	10/13	10/1/28	29,370	23,120
Series A 2014-Refunding	1.0 - 5.0%	4/1; 10/1	8/14	10/1/30	88,680	80,930
Series A 2015-Refunding	5.0%	4/1; 10/1	4/15	10/1/24	20,250	20,250
Series A 2015	3.0 - 5.0%	4/1; 10/1	4/15	10/1/39	36,805	34,180
Series B 2015	3.0 - 5.0%	4/1; 10/1	9/15	4/1/30	60,000	49,250
Series A 2016	3.0 - 4.0%	4/1; 10/1	5/16	4/1/36	100,000	88,085
Series A 2017	2.0 - 5.0%	4/1; 10/1	9/17	4/1/32	77,165	72,300
Series A 2018	3.0 - 5.0%	4/1; 10/1	5/18	4/1/38	47,740	47,740
Total Board of Public Buildings Bonds					$ 881,865	$ 718,360

Note 12 - Bonds Payable (cont.)

As of June 30, 2018, the debt service requirements for principal and interest in future years for the Board of Public Buildings Bonds were as follows (in thousands of dollars):

Fiscal Year Ended June 30	Principal	Interest	Totals
2019	$ 48,610	$ 25,789	$ 74,399
2020	50,595	23,645	74,240
2021	52,880	21,267	74,147
2022	55,220	18,828	74,048
2023	57,480	16,573	74,053
2024-2028	304,060	48,612	352,672
2029-2033	118,580	11,354	129,934
2034-2038	26,620	3,018	29,638
2039-2040	4,315	152	4,467
Totals	$ 718,360	$ 169,238	$ 887,598

The Missouri Health and Educational Facilities Authority (MOHEFA) issued $35,000,000 of Educational Facilities Revenue Bonds (University of Missouri-Columbia Arena Project) Series 2001, dated November 1, 2001, to fund the design, acquisition, construction, furnishing, and equipping of a sports arena facility and related facilities on the University of Missouri-Columbia campus. The Missouri Health and Educational Facilities Authority (MOHEFA) issued $20,125,000 of Educational Facilities Refunding Revenue Bonds Series 2011, dated November 17, 2011. The Refunding Educational Facilities Revenue bonds refunded $22,770,000 of Educational Facilities Revenue Bonds Series 2001. These bonds are special, limited obligations of the Authority and do not constitute a pledge of the full faith and credit of the State. However, under a financing agreement, the Office of Administration will request that the Governor's annual budget request to the General Assembly include the State's financing amount for principal and interest each year.

The Educational Facilities Revenue Bonds issued and outstanding as of June 30, 2018, were as follows (in thousands of dollars):

	Interest Rates	Payment Dates	Issue Date	Final Maturity Date	Issued	Outstanding
Educational Facilities Revenue Bonds:						
Series 2011-Refunding	2.0 - 5.0%	4/1; 10/1	11/11	10/1/21	$ 20,125	$ 9,145

As of June 30, 2018, the debt service requirements for principal and interest in future years for the Educational Facilities Revenue Bonds (based on the financing agreement between the State and the Authority) were as follows (in thousands of dollars):

Fiscal Year Ended June 30	Principal	Interest	Totals
2019	$ 2,115	$ 404	$ 2,519
2020	2,225	296	2,521
2021	2,340	182	2,522
2022	2,465	62	2,527
Totals	$ 9,145	$ 944	$ 10,089

Note 12 - Bonds Payable (cont.)

The Regional Convention and Sports Complex Authority issued $132,910,000 of Convention and Sports Facility Project Bonds Series A 1991, dated August 15, 1991, to finance the costs of acquiring land and constructing a multi-purpose convention and indoor sports facility in downtown St. Louis, Missouri. On December 15, 1993, the Authority issued $121,705,000 of Convention and Sports Facility Project Refunding Bonds Series A 1993 for the purpose of refunding the callable portions of the outstanding bonds issued in August 1991 and to pay the costs of additions and enhancements to the project. The outstanding principal amount refunded was $101,410,000. On August 1, 2003, the Authority issued $116,030,000 of Convention and Sports Facility Project Refunding Bonds Series A 2003 for the purpose of refunding Convention and Sports Facility Project Bonds Series A 1991 and Series A 1993 refunding bonds and to pay the costs of additions and enhancements to the project. The outstanding principal amount refunded was $2,845,000 for the Series A 1991 bonds and $113,170,000 for the Series A 1993 refunding bonds. On August 20, 2013, the Authority issued $65,195,000 of Convention and Sports Facility Project Refunding Bonds Series A 2013 for the purpose of refunding Convention and Sports Facility Project Refunding Bonds Series A 2003. The principal amount refunded was $64,385,000. These bonds are limited obligations of the Authority and do not constitute a pledge of the full faith and credit of the State.

The Convention and Sports Facility Project Bonds issued and outstanding as of June 30, 2018, were as follows (in thousands of dollars):

	Interest Rates	Payment Dates	Issue Date	Final Maturity Date	Issued	Outstanding
Convention and Sports Facility Project Bonds:						
Series A 2013-Refunding	2.0 - 5.0%	2/15; 8/15	8/13	8/15/21	$ 65,195	$ 35,450

As of June 30, 2018, the debt service requirements for the principal and interest in future years for the Convention and Sports Facility Project Bonds were as follows (in thousands of dollars):

Fiscal Year Ended June 30	Principal	Interest	Totals
2019	$ 8,225	$ 1,567	$ 9,792
2020	8,635	1,145	9,780
2021	9,070	703	9,773
2022	9,520	238	9,758
Totals	$ 35,450	$ 3,653	$ 39,103

Note 12 - Bonds Payable (cont.)

Under a financing agreement dated August 1, 1991, the Office of Administration will request that the Governor's annual budget request to the General Assembly include the State's financing amount of $10,000,000 for principal and interest and $2,000,000 for maintenance each year. Future payments to the Authority related to the bond repayment were as follows (in thousands of dollars):

Fiscal Year Ended June 30	State Debt Service Payments
2019	$ 10,000
2020	10,000
2021	10,000
2022	5,000
Total	$ 35,000

The Missouri Development Finance Board (MDFB) issued $92,660,000 of Series 2014 Bonds dated December 10, 2014 and $97,225,000 of Series 2016 Bonds dated December 15, 2016, to fund the replacement of the Fulton State Hospital. These bonds are special, limited obligations of the Board and do not constitute a pledge of the full faith and credit of the State. However, under a financing agreement, the Office of Administration will request that the Governor's annual budget request to the General Assembly include the State's financing amount for principal and interest each year.

The MDFB – Fulton State Hospital Project Bonds issued and outstanding as of June 30, 2018, were as follows (in thousands of dollars):

	Interest Rates	Payment Dates	Issue Date	Final Maturity Date	Issued	Outstanding
Fulton State Hospital Project Bonds:						
Series 2014	2.25 - 5.0%	4/1; 10/1	12/14	10/1/39	$ 92,660	$ 85,700
Series 2016	4.0 - 5.0%	4/1; 10/1	12/16	10/1/39	97,225	94,810
Total Fulton State Hospital Bonds					$ 189,885	$ 180,510

As of June 30, 2018, the debt service requirements for principal and interest in future years for the Fulton State Hospital Project Bonds (based on the financing agreement between the State and the Board) were as follows (in thousands of dollars):

Fiscal Year Ended June 30	Principal	Interest	Totals
2019	$ 5,095	$ 7,252	$ 12,347
2020	5,355	6,991	12,346
2021	5,625	6,717	12,342
2022	5,910	6,428	12,338
2023	6,210	6,125	12,335
2024-2028	34,935	26,667	61,602
2029-2033	42,445	19,059	61,504
2034-2038	51,340	10,118	61,458
2039-2040	23,595	969	24,564
Totals	$ 180,510	$ 90,326	$ 270,836

Note 12 - Bonds Payable (cont.)

The Missouri Development Finance Board (MDFB) issued $33,800,000 of Series A 2016 Bonds dated March 11, 2016, to fund the State Historical Society project. These bonds are special, limited obligations of the Board and do not constitute a pledge of the full faith and credit of the State. However, under a financing agreement, the Office of Administration will request that the Governor's annual budget request to the General Assembly include the State's financing amount for principal and interest each year.

The MDFB – State Historical Society Project Bonds issued and outstanding as of June 30, 2018, were as follows (in thousands of dollars):

	Interest Rates	Payment Dates	Issue Date	Final Maturity Date	Issued	Outstanding
State Historical Society Project Bonds:						
Series A 2016	2.0 - 5.0%	4/1; 10/1	3/16	10/1/35	$ 33,800	$ 31,405

As of June 30, 2018, the debt service requirement of the State for principal and interest in future years for the State Historical Society Project were as follows (in thousands of dollars):

Fiscal Year Ended June 30	Principal	Interest	Totals
2019	$ 1,290	$ 1,039	$ 2,329
2020	1,350	973	2,323
2021	1,415	903	2,318
2022	1,480	831	2,311
2023	1,530	779	2,309
2024-2028	8,295	3,168	11,463
2029-2033	9,605	1,738	11,343
2034-2036	6,440	300	6,740
Totals	$ 31,405	$ 9,731	$ 41,136

State Road Bonds:

The Missouri Highways and Transportation Commission authorized by Article IV, Section 29-34 of the Missouri Constitution and Section 226.133 of the State Highway Act, issues bonds for highway construction and repairs. Under the Missouri Constitution, the principal and interest of the State Road Bonds are payable solely from the revenues of the Missouri Road Fund. State Road Bonds have the following levels of priority: Senior Bonds, First Lien Bonds, Second Lien Bonds, and Third Lien Bonds. Proceeds from State Road Bonds are used for the purpose of constructing and maintaining the State's highways. As of June 30, 2018, the Missouri Highways and Transportation Commission had issued $3,812,195,000.

Note 12 - Bonds Payable (cont.)

To take advantage of lower interest rates, the Missouri Highways and Transportation Commission has issued Bonds to refund various outstanding bond issues. The following indicates the refunding bonds issued by the Commission (in thousands of dollars):

	Date Issued	Amount Issued	Series Refunded	Amount Refunded
Senior Lien State Road Bonds:				
Series 2006-Refunding	12/13/06	$ 394,870	A 2000	$ 135,980
			A 2001	105,075
			A 2002	109,165
			A 2003	57,390
Series C 2010-Refunding	11/10/10	130,390	A 2001	11,135
			A 2002	18,405
			A 2003	111,760
Series A 2014-Refunding	6/3/14	589,015	A 2006	149,150
			B 2006	503,330
Series B 2014-Refunding	6/3/14	311,975	2007	325,290

The State Road Bonds issued and outstanding as of June 30, 2018, were as follows (in thousands of dollars):

	Interest Rates	Payment Dates	Issue Date	Final Maturity Date	Issued	Outstanding
Missouri Highways and Transportation Commission:						
State Road Bonds						
Series 2006-Refunding	4.00 - 5.00%	2/1; 8/1	12/06	2/1/19	$ 394,870	$ 61,200
Series A 2008-Second Lien	3.00 - 5.00%	5/1; 11/1	12/08	5/1/25	142,735	78,260
Series A 2009	2.00 - 5.00%	5/1; 11/1	9/09	5/1/21	195,625	62,620
Series B 2009	4.802 - 5.252%	5/1; 11/1	9/09	5/1/33	404,375	404,375
Series C 2009-Third Lien	4.313 - 5.213%	5/1; 11/1	11/09	5/1/29	300,000	261,325
Series A 2010	1.50 - 5.00%	5/1; 11/1	3/10	5/1/22	128,865	42,160
Series B 2010	4.72 - 5.02%	5/1; 11/1	3/10	5/1/25	56,135	56,135
Series C 2010-Refunding	3.00 - 5.00%	2/1; 8/1	11/10	2/1/23	130,390	65,770
Series A 2014-Refunding	2.00 - 5.00%	5/1; 11/1	6/14	5/1/26	589,015	550,250
Series B 2014-Refunding	3.00 - 5.00%	5/1; 11/1	6/14	5/1/25	311,975	250,275
Total Missouri Highways and Transportation Commission					$ 2,653,985	$ 1,832,370

Note 12 - Bonds Payable (cont.)

As of June 30, 2018, debt service requirements for principal and interest in future years for the Missouri Highways and Transportation Commission were as follows (in thousands of dollars):

Fiscal Year Ended June 30	Principal	Interest	Totals
2019	$ 209,355	$ 92,447	$ 301,802
2020	170,340	82,413	252,753
2021	183,515	74,224	257,739
2022	196,330	65,170	261,500
2023	199,720	55,530	255,250
2024-2028	643,185	145,947	789,132
2029-2033	229,925	35,328	265,253
Totals	$ 1,832,370	$ 551,059	$ 2,383,429

Component Units' Long-Term Debt - The following bonds are included in the balance sheet of the college and universities and the non-major component units.

Major

College and Universities:

The college and universities of the State issue revenue bonds for various projects on each respective campus. Bonds are payable, both principal and interest, only out of net income and revenues arising from operations of facilities funded by the bonds. As of June 30, 2018, debt service requirements for principal and interest for the college and universities were as follows (in thousands of dollars):

Fiscal Year Ended June 30	Principal	Interest	Totals
2019	$ 65,444	$ 90,594	$ 156,038
2020	173,123	85,836	258,959
2021	62,475	81,092	143,567
2022	62,794	78,691	141,485
2023	67,588	76,172	143,760
2024-2028	386,913	336,250	723,163
2029-2033	322,833	260,885	583,718
2034-2038	260,388	194,078	454,466
2039-2043	329,044	111,257	440,301
2044-2048	153,115	35,591	188,706
2049-2053	—	31,778	31,778
2054-2057	150,000	9,533	159,533
Totals (1)	$ 2,033,717	$ 1,391,757	$ 3,425,474

(1) The bond schedule does not include notes payable, therefore, it differs from the bonds and notes payable amount reported in the statements.

Note 12 - Bonds Payable (cont.)

Non-Major

Missouri Development Finance Board:

In December 2000, the Board issued $6,500,000 in St. Louis Convention Center Hotel Series 2000B, taxable infrastructure facilities revenue bonds and $14,600,000 in St. Louis Convention Center Hotel Series 2000C, tax-exempt infrastructure facilities revenue bonds, respectively for the purpose of paying the costs of acquiring land and constructing a parking garage. Bonds are payable, both principal and interest, out of revenues derived from the operation of the parking garage.

In April 2010, the Board issued $9,000,000 in Seventh Street Garage Series 2010A, tax exempt infrastructure facilities revenue bonds.

The Missouri Development Finance Board Revenue Bonds issued and outstanding as of June 30, 2018, were as follows (in thousands of dollars):

	Interest Rates	Payment Dates	Issue Date	Final Maturity Date	Issued	Outstanding
Missouri Development Finance Board:						
Revenue Bonds						
Series 2000B	Variable	12/1	12/00	12/1/20	$ 6,500	$ 3,910
Series 2000C	Variable	12/1	12/00	12/1/20	14,600	5,410
Series 2010A	Variable	monthly	4/10	5/1/40	9,000	7,832
Total Missouri Development Finance Board Revenue Bonds					$ 30,100	$ 17,152

As of June 30, 2018, the debt service requirements for principal and interest in future years for the Missouri Development Finance Board Revenue Bonds were as follows (in thousands of dollars):

Fiscal Year Ended June 30	Principal	Interest	Totals
2019	$ 223	$ 250	$ 473
2020	232	247	479
2021	9,562	244	9,806
2022	252	101	353
2023	264	98	362
2024-2028	1,501	426	1,927
2029-2033	1,855	306	2,161
2034-2038	2,292	157	2,449
2039-2040	971	14	985
Totals (1)	$ 17,152	$ 1,843	$ 18,995

(1)The bond schedule does not include notes payable, therefore, it differs from the bonds and notes payable amount reported in the statements.

Note 12 - Bonds Payable (cont.)

The annual debt service schedule assumes an interest rate of 0.098%, representing the interest rate at June 30, 2018, for the Series 2000B and Series 2000C bonds. The annual debt service also assumes an interest rate of 4.25%, representing the interest rate as of June 30, 2018, for the Seventh Street Garage Series 2010A bonds. As of June 28, 2012 through April 30, 2015, the Board entered into an interest deferral agreement whereby the bond interest rate for the Seventh Street Garage Series 2010A bonds is the lesser of the modified pay rate or 4.25% annually.

Bond Transactions of the State of Missouri - The following schedule is a summary of bond activity for the fiscal year ended June 30, 2018 (in thousands of dollars):

	Governmental Funds		Component Units	
	General Obligation Bonds	Other Bonds	Revenue Bonds	Totals
Bonds Payable at July 1, 2017	$ 154,830	$ 2,943,825	$ —	$ 3,098,655
Bond Issuance	—	124,905	—	124,905
Bonds Retired	(50,135)	(261,490)	—	(311,625)
Subtotal	104,695	2,807,240	—	2,911,935
College and Universities [1]	—	—	2,033,717	2,033,717
Missouri Development Finance Board	—	—	17,152	17,152
Bonds Payable at June 30, 2018	$ 104,695	$ 2,807,240	$ 2,050,869	$ 4,962,804

[1] Detailed information for college and universities are not shown.

Note 13 - Defeased Debt

A. Current Year Debt Defeasance

On December 20, 2017, Missouri State University issued $36,190,000 of Auxiliary Enterprise System Revenue Bonds, Series 2017A, with interest rate ranging from 2.15% to 2.63%. As a result of the refunding, the University reduced its total debt service payments by $2,659,129 to obtain an economic gain (difference between the present values of the old and the new debt service payments) of $2,120,193.

B. Cumulative Debt Defeasances

Various bond issues have been defeased by the advance refunding of bonds. Irrevocable escrow accounts, containing proceeds of the refunding bond issues in the form of cash and U.S. government securities, are used to pay principal, interest, or redemption prices of the defeased bonds as and when due.

For financial reporting purposes, the following debt has been defeased and therefore removed as a liability from the governmental activities and college and universities Statement of Net Position.

Governmental Activities - As of June 30, 2018, bonds outstanding of $21,380,000 are defeased.

College and Universities - As of June 30, 2018, bonds outstanding of $309,010,000 are defeased.

Note 14 - Payables and Receivables

A summary of accounts payable and accounts receivable at June 30, 2018, is shown below (in thousands of dollars):

	Governmental Activities	Business-Type Activities	Balance June 30, 2018
Accounts Payable:			
Taxpayers	$ 165,378	$ 85	$ 165,463
Other Governments	96,754	1	96,755
Vendors	1,128,200	25,829	1,154,029
Employees	115,347	3,278	118,625
Other	79,097	6	79,103
Total Accounts Payable	$ 1,584,776	$ 29,199	$ 1,613,975
Accounts Receivable with expected date of receipt within one year:			
Taxpayers	$ 1,912,622	$ 1,678	$ 1,914,300
Other Governments	844,703	6,388	851,091
Vendors	129,324	—	129,324
Customers	181,575	161,822	343,397
Other	1,382,427	567	1,382,994
	4,450,651	170,455	4,621,106
Accounts Receivable with expected date of receipt greater than one year:			
Taxpayers	111,822	—	111,822
Other Governments	16	—	16
Vendors	25,952	—	25,952
Customers	148,322	20	148,342
Other	23,187	—	23,187
	309,299	20	309,319
Accounts Receivable	4,759,950	170,475	4,930,425
Amounts not expected to be collected	(532,052)	—	(532,052)
Accounts Receivable, net	$ 4,227,898	$ 170,475	$ 4,398,373

The Accounts Receivable amounts greater than one year for taxpayers increased from FY17 due to an error correction.

Note 15 - Deferred Inflows and Outflows

Deferred outflows of resources are defined as consumption of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources are defined as acquisition of net assets by the government that is applicable to a future reporting period. Deferred outflows increase net position, similar to assets and deferred inflows decrease net position, similar to liabilities.

Note 15 - Deferred Inflows and Outflows (cont.)

The components of deferred outflows of resources and deferred inflows of resources reported in the government-wide financial statements as of June 30, 2018, are as follows (in thousands):

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Deferred Outflows of Resources				
Pension Differences Between Expected and Actual Experience	$ 23,753	$ 876	$ 24,629	$ 19,320
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	806,507	26,490	832,997	176,530
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	15	—	15	6,630
Pension Changes in Assumptions	393,057	13,876	406,933	290,333
Pension Contributions Subsequent to the Measurement Date	543,512	11,395	554,907	63,393
Changes in Proportion and Differences Between OPEB Plan Contributions and Proportionate Share of Contributions	57	2	59	—
OPEB Changes in Assumptions	—	—	—	29
OPEB Contributions Subsequent to the Measurement Date	92,526	2,496	95,022	20
Deferred for Refunding Bonds	57,242	—	57,242	31,219
Cash Flow Hedge	—	—	—	12,953
Accumulated Decrease in Fair Value of Hedging Derivatives	—	—	—	387
Total Deferred Outflows of Resources	$ 1,916,669	$ 55,135	$ 1,971,804	$ 600,814
Deferred Inflows of Resources				
Pension Differences Between Expected and Actual Experience	$ 130,935	$ 2,491	$ 133,426	$ 49,222
Pension Changes in Assumptions	10,339	397	10,736	2,279
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	92,183	—	92,183	—
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	2,579	94	2,673	4,136
OPEB Differences Between Expected and Actual Experience	3,055	119	3,174	1
OPEB Changes in Assumptions	144,295	—	144,295	34,161
Net Differences Between Projected and Actual Earnings on OPEB Plan Investments	164	6	170	1,180
Changes in Proportion and Differences Between OPEB Plan Contributions and Proportionate Share of Contributions	—	—	—	18
Deferred for Refunding Bonds	632	—	632	—
Charitable Annuities	—	—	—	13,393
Total Deferred Inflows of Resources	$ 384,182	$ 3,107	$ 387,289	$ 104,390

Note 15 - Deferred Inflows and Outflows (cont.)

Deferred inflows and outflows of resources balances are as follows (in thousands):

Deferred inflows of resources on the governmental funds balance sheet as of June 30, 2018 are unavailable revenues. Unavailable revenues are those for which asset recognition criteria has not been met for governmental funds, which uses the modified accrual basis of accounting (in thousands):

Governmental Funds	General Fund	Public Education	Conservation and Environmental Protection	Missouri Road Fund	Non-Major Governmental Funds	Total
Deferred Inflows of Resources						
Unavailable Revenue	$1,096,787	$ 57,102	$ 24,263	$ 22,532	$ 7,605	$ 1,208,289

Proprietary	State Lottery	Petroleum Storage Tank Insurance	Non-Major Funds	Total Enterprise Funds	Governmental Activities – Internal Service Funds
Deferred Outflows of Resources					
Pension Differences Between Expected and Actual Experience	$ 99	$ 13	$ 764	$ 876	$ 694
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	2,972	406	23,112	26,490	20,986
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	—	—	—	—	15
Pension Changes in Assumptions	1,556	213	12,107	13,876	10,993
Pension Contributions Subsequent to the Measurement Date	1,291	177	9,927	11,395	9,292
Changes in Proportion and Differences Between OPEB Plan Contributions and Proportionate Share of Contributions	—	—	2	2	1
OPEB Contributions Subsequent to the Measurement Date	283	38	2,175	2,496	1,896
Total Deferred Outflows of Resources	$ 6,201	$ 847	$ 48,087	$ 55,135	$ 43,877
Deferred Inflows of Resources					
Pension Differences Between Expected and Actual Experience	$ 279	$ 39	$ 2,173	$ 2,491	$ 1,973
Pension Changes in Assumptions	44	6	347	397	314
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	11	1	82	94	199
OPEB Differences Between Expected and Actual Experience	13	2	104	119	87
Net Differences Between Projected and Actual Earnings on OPEB Plan Investments	1	—	5	6	4
Total Deferred Inflows of Resources	$ 348	$ 48	$ 2,711	$ 3,107	$ 2,577

Note 15 - Deferred Inflows and Outflows (cont.)

Fiduciary	Pension (And Other Employee Benefit) Trust Funds	Private-Purpose Trust Funds
Deferred Outflows of Resources		
Pension Differences Between Expected and Actual Experience	$ —	$ 9
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	—	250
Pension Changes in Assumptions	—	131
Pension Contributions Subsequent to the Measurement Date	—	110
OPEB Contributions Subsequent to the Measurement Date	335	24
Total Deferred Outflows of Resources	$ 335	$ 524
Deferred Inflows of Resources		
Pension Differences Between Expected and Actual Experience	$ —	$ 23
Pension Changes in Assumptions	—	4
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	—	1
OPEB Differences Between Expected and Actual Experience	13	1
OPEB Changes in Assumptions	199	—
Net Differences Between Projected and Actual Earnings on OPEB Plan Investments	1	—
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	58	—
Total Deferred Inflows of Resources	$ 271	$ 29

Note 15 - Deferred Inflows and Outflows (cont.)

Component Units	College and Universities	Non-Major
Deferred Outflows of Resources		
Pension Differences Between Expected and Actual Experience	$ 19,306	$ 14
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	176,119	411
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	6,521	109
Pension Changes in Assumptions	290,118	215
Pension Contributions Subsequent to the Measurement Date	63,199	194
OPEB Changes in Assumptions	29	—
OPEB Contributions Subsequent to the Measurement Date	—	20
Deferred for Refunding Bonds	31,219	—
Cash Flow Hedge	12,953	—
Accumulated Decrease in Fair Value of Hedging Derivatives	—	387
Total Deferred Outflows of Resources	$ 599,464	$ 1,350
Deferred Inflows of Resources		
Pension Differences Between Expected and Actual Experience	$ 49,183	$ 39
Pension Changes in Assumptions	2,273	6
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	4,024	112
OPEB Differences Between Expected and Actual Experience	—	1
OPEB Changes in Assumptions	34,161	—
Net Differences Between Projected and Actual Earnings on OPEB Plan Investments	1,180	—
Changes in Proportion and Differences Between OPEB Plan Contributions and Proportionate Share of Contributions	—	18
Charitable Annuities	13,393	—
Total Deferred Inflows of Resources	$ 104,214	$ 176

Note 16 - Interfund Assets and Liabilities

A summary of interfund assets and liabilities at June 30, 2018, is shown below (in thousands of dollars):

	Due From Other Funds, Component Units, and Primary Government					
Due to Other Funds, Component Units, and Primary Government	Public Education	Conservation and Environmental Protection	Non-Major Governmental Funds	Non-Major Enterprise Funds	Internal Service Funds	Totals
General Fund	$ —	$ —	$ —	$ 46	$ 4,942	$ 4,988
Public Education	—	—	—	—	14	14
Conservation and Environmental Protection	—	—	—	329	222	551
Missouri Road Fund	—	—	—	—	227	227
Non-Major Governmental Funds	—	—	—	—	1,189	1,189
State Lottery	27,950	—	—	—	57	28,007
Unemployment Compensation	—	—	630	—	—	630
Petroleum Storage Tank Insurance	—	—	—	2	4	6
Non-Major Enterprise Funds	—	—	—	—	87	87
Internal Service Funds	—	—	—	3	275	278
Non-Major Component Units	—	250	—	—	2	252
Totals	$ 27,950	$ 250	$ 630	$ 380	$ 7,019	$ 36,229

	Advance From Component Units
Advance To Component Units	Non-Major Component Units
Conservation and Environmental Protection	$ 267

The loans from the component units were for animal waste treatment systems.

During the consolidation process for the Government-Wide Statement of Net Position, interfund payables and receivables were eliminated as follows: $2,000 on the face of the Proprietary Funds Statements of Net Assets and governmental activities in the amount of $6,869,000.

The $26.4 million increase in the amount due to the Lottery Proceeds Fund from the State Lottery is due to increased lottery ticket sales during fiscal year 2018 and the timing of actual cash transfers in the year end cash to accrual adjustments.

Note 17 - Interfund Transfers

All transfers must be legally authorized by the legislature through transfer appropriations. Interfund transfers for the fiscal year ended June 30, 2018, were as follows (in thousands of dollars):

	Transfers In:				
Transfers Out:	General Fund	Public Education	Conservation and Environmental Protection	Missouri Road Fund	Non-Major Governmental Funds
General Fund	$ —	$ 1,007,870	$ 2,074	$ —	$ 292,836
Public Education	27,513	—	—	—	—
Conservation and Environmental Protection	1,532	—	—	—	1,702
Non-Major Governmental Funds	22,103	5,050	—	463,282	5,611
State Lottery	—	332,453	—	—	—
Unemployment Compensation	—	—	—	—	7,277
Non-Major Enterprise Funds	327	—	—	—	721
Internal Service Funds	2,121	—	—	—	80
Totals	$ 53,596	$ 1,345,373	$ 2,074	$ 463,282	$ 308,227

Continues Below

Transfers Out:	State Lottery	Non-Major Enterprise Funds	Internal Service Funds	Totals
General Fund	$ —	$ 698	$ 79	$ 1,303,557
Public Education	—	—	—	27,513
Conservation and Environmental Protection	—	—	—	3,234
Non-Major Governmental Funds	—	8,400	—	504,446
State Lottery	—	—	—	332,453
Unemployment Compensation	—	—	—	7,277
Non-Major Enterprise Funds	—	—	—	1,048
Internal Service Funds	49	—	35	2,285
Totals	$ 49	$ 9,098	$ 114	$ 2,181,813

Principal reasons for interfund transfers include:

- moving general revenue funds to support elementary and secondary education
- moving state lottery funds to support elementary and secondary education
- moving general revenue funds to support social assistance programs reported in non-major governmental funds
- moving funds related to the construction of capital assets

There were transfers of capital assets for $11,463,000 from a non-major special revenue fund to the enterprise funds. These are reported as capital contributions in the enterprise funds and excluded from the non-major special revenue funds; therefore these transfers are also not included in the reconciliation.

Note 18 - Restatements

During fiscal year 2018, additional information became available which required fund equity amounts. The following table presents a summary of these restatements by fund (in thousands of dollars):

	June 30, 2017 Fund Balance/ Net Position Previously Reported	Prior Period Adjustments	June 30, 2017 Fund Balance/ Net Position Restated
GOVERNMENTAL FUNDS			
Major Governmental Funds			
General Fund	$ 1,437,975	$ (3,722)	$ 1,434,253
Public Education	277,575	464	278,039
Conservation and Environmental Protection	1,818,754	(126)	1,818,628
Non-Major Governmental Funds			
Special Revenue	455,643	(1,711)	453,932
Total Governmental Funds	$ 3,989,947	$ (5,095)	$ 3,984,852
PROPRIETARY FUNDS			
Major Proprietary Funds			
State Lottery	$ (3,178)	$ (6,972)	$ (10,150)
Unemployment Compensation	902,878	647	903,525
Petroleum Storage Tank Insurance	(32,306)	(830)	(33,136)
Non-Major Proprietary Funds			
Enterprise	73,896	(45,523)	28,373
Internal Service	419,655	(48,346)	371,309
Total Proprietary Funds	$ 1,360,945	$ (101,024)	$ 1,259,921
FIDUCIARY FUNDS			
Pension (And Other Employee Benefit) Trust Funds	$ 12,418,799	$ (7,777)	$ 12,411,022
Private Purpose Trust	52,395	(508)	51,887
Total Fiduciary Funds	$ 12,471,194	$ (8,285)	$ 12,462,909
DISCRETELY PRESENTED COMPONENT UNITS			
College and Universities	$ 6,200,528	$ (295,303)	$ 5,905,225
Non-Major	219,765	(471)	219,294
Total Component Units	$ 6,420,293	$ (295,774)	$ 6,124,519

Breakdown of restatements by type:

- General Fund, the restatement was due to a decrease in cash of $3,000, a decrease in accounts receivable of $3,239,000, an increase in interest receivable of $1,362,000, a decrease of inventories of $1,335,000, and an increase of escheat/unclaimed property of $507,000.
- Public Education, the restatement was due to a decrease in accounts receivable of $49,000 and an increase of interest receivable of $513,000.
- Conservation and Environmental Protection, the restatement was due to a decrease in accounts receivable of $126,000.
- Non-major special revenue funds, the restatement was due to a decrease in accounts receivable of $383,000 and a decrease of inventories of $1,328,000.
- State Lottery, the restatement due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, decreased net position of $6,972,000.
- Unemployment Compensation, the restatement was due to a decrease of cash and cash equivalents of $96,000, an increase in accounts receivable of $1,365,000, and an increase in accounts payable of $622,000.
- Petroleum Storage Tank Insurance, the restatement due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, decreased net position of $830,000.

Note 18 - Restatements (cont.)

- Non-major enterprise funds, the restatement was due to an increase in accounts receivable of $34,000, a decrease in inventory of $63,000, and a decrease in capital assets (net of accumulated depreciation/amortization) of $1,916,000. The restatement due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, decreased net position of $43,578,000.
- Non-major internal service funds, the restatement was due to a decrease in accounts receivable of $120,000, a decrease of capital assets (net of accumulated depreciation/amortization) of $1,774,000, and a decrease of obligations under lease purchase of $481,000. The restatement due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, decreased net position of $46,933,000.
- Fiduciary funds - pension (and other employee benefit) trust funds, the restatement due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, decreased net position of $7,777,000.
- Fiduciary funds - private-purpose trust funds, the restatement due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, decreased net position of $508,000.
- Discretely presented component units - colleges and universities, the restatement due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* decreased net position of $282,320,000. For the University of Missouri, the implementation of GASB Statement No. 81*, Irrevocable Split-Interest Agreements,* decreased net position of $12,983,000.
- Discreetly presented component units - non-major funds, the restatement due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, decreased net position of $471,000.

Purpose for restatements:

The items on the schedule were restated as a result of additional information received this year related to prior year corrections.

On the Government-Wide Statement of Activities, net position for the governmental activities were restated by the amounts shown on the restatement schedule for governmental funds and internal service funds. In addition, capital assets (net of accumulated depreciation/amortization) decreased by $17,969,000, obligations under lease purchase increased by $481,000, deferred outflows of resources for refunding bonds decreased by $5,631,000, unamortized bond premium decreased by $4,730,000, and internal balance increased by $13,000. The restatement due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, decreased net position by $1,770,181,000.

On the Government-Wide Statement of Activities, net position for the business-type activities were restated by the amounts shown on the restatement schedule for enterprise funds and by a decrease in internal balance of $13,000.

Note 19 - Fund Deficit

The following funds had a deficit balance:

Enterprise Fund – Petroleum Storage Tank Insurance – At June 30, 2018, this fund had a net position deficit of $40,982,000. The deficit at June 30, 2017 was $33,136,000. The deficit occurred when transport load fees collected were not sufficient to cover the estimated claims liability for clean up of petroleum storage tank leaks. This liability amount is the cumulative result of numerous years of petroleum storage tank leaks. Per Section 319.129, RSMo, this fund will not accept new claim liabilities after December 31, 2020, or upon revocation of federal regulation 40 CFR, whichever occurs first, unless extended by action of the General Assembly. Under Section 319.132, RSMo, the Board of Trustees has authority to increase the transport load fee to a maximum of $60 per 8,000 gallons. In addition, under Section 319.133, RSMo, the Board can increase annual participation fees to a maximum of $500 per tank per year. These facts, along with the knowledge that PSTIF's claim reserves are set using very conservative assumptions, assure that adequate revenues will be available to meet its liabilities. Per Section 319.131, RSMo, the liability of the Petroleum Storage Tank Insurance Fund is not the liability of the State. Upon dissolution of this fund, the liability would be liquidated.

Note 19 - Fund Deficit (cont.)

Enterprise Funds – State Lottery and Missouri Veterans' Homes, and Internal Service Funds – Natural Resources Cost Allocation, Economic Development Administrative, Professional Registration Fees, Missouri State Employees Insurance Plan and Missouri Consolidated Health Care Plan – At June 30, 2018, these funds had a net position deficit of $12,196,000, $102,762,000, $15,235,000, $2,599,000, $7,565,000, $46,000 and $20,386,000 respectively. These funds, except for the Missouri State Employees Insurance Plan and Missouri Consolidated Health Care Plan, have deficit balances due to the fiscal year 2015 implementation of GASB 68 and the reporting of net pension liabilities and the fiscal year 2018 implementation of GASB 75 and the reporting of OPEB liabilities. It is expected that these liabilities will be funded over time. The Missouri State Employees Insurance Plan has a deficit due to administrative costs allocated exceeded reimbursement received. The Missouri Consolidated Health Care Plan (MCHCP) had a poor claims experience during fiscal year 2018, due to a few high claimants. This issue is being resolved with a $62.6 million increase in appropriations to MCHCP and by employee health care plan design changes.

Note 20 - Tax Abatements

The State has entered into various agreements to provide tax abatements through certain programs that provide economic benefit to the State.

Tax Abatement Program	Amount of Taxes Abated during Fiscal Year 2018 (in thousands)
Housing	
Missouri Low Income Housing Tax Credit	$ 169,139
Neighborhood Preservation Tax Credit	3,293
Business Recruitment	
Missouri Quality Jobs	68,229
Missouri Works - Business Incentives	56,399
Missouri Works New Jobs Training	5,600
Missouri Works Job Retention Training	3,521
Missouri Manufacturing Jobs Act	15,638
Business Use Incentives for Large-Scale Development	9,818
Enhanced Enterprise Zone	5,569
Business Facility Tax Credit	6,330
Amateur Sports Ticket Sales Tax Credit	1,276
Rebuilding Communities Tax Credit	359
Development Tax Credit	542
Data Center Sales Tax Exemption	— *
Redevelopment	
Historic Preservation Tax Credit	56,483
Brownfield Remediation	3,160
Distressed Areas Land Assemblage	68
TOTAL	$ 405,424
Chapter 100 Personal Property Tax Exemption - maximum amount exemption certificates issued	$ 268

*Confidential

Note 20 - Tax Abatements (cont.)

Housing

The Missouri Low Income Housing Tax Credit (MOLIHTC) is authorized by Sections 135.350-135.363, RSMo, and provides a tax credit to qualified owners of affordable rental housing. To qualify upon application, a development must 1) rent at least 20% of its units to families earning 50% of the area median family income or 2) rent at least 40% of its units to families earning 60% of the area median family income, each adjusted for family size. The MOLIHTC generates equity investments that are purchased by the private sector for the development of new or rehabilitated rental housing which enables owners to lower rents to affordable levels for low-income families. The investor of the MOLIHTC can redeem the credit by applying it dollar for dollar to the following types of tax liabilities: income tax, corporate franchise tax, insurance premium tax, other financial institutions tax, or express company tax. MOLIHTC properties must comply with tenant eligibility, property maintenance, and fair housing law throughout a 15-year period. The Missouri Housing Development Commission monitors the properties for compliance and reports non-compliance to the Internal Revenue Service and Missouri Department of Revenue. Property owners found to be out of compliance are subject to recapture through the provisions of Section 135.355, RSMo and IRS §42. The MOLIHTC reduced state taxes by $169,139,000 during fiscal year 2018.

The Neighborhood Preservation Tax Credit is authorized by Sections 135.475-135.487, RSMo, and provides incentives for homeowners in lower income areas who rehabilitate or construct owner-occupied homes in qualifying or eligible areas of the State. Upon application, the eligible property must be in a qualifying area with a median household income of less than 70% of the median household income for the metropolitan statistical area (MSA) or non-MSA; or be located in an eligible area with a median household income of 70-89% of the median household income for the applicable MSA or non-MSA. Recipients are eligible to receive a credit for 15% of eligible costs up to $25,000 per residence for new residences in eligible areas; 15% of eligible costs up to $40,000 per residence for new residences in qualifying areas; 25% of eligible costs with a minimum of $10,000 and not to exceed $25,000 per residence for substantial rehabilitation in eligible areas; 35% of eligible costs with a minimum of $5,000 or 50% of purchase price and not to exceed $70,000 per residence for substantial rehabilitation in qualifying areas; and 25% of eligible costs with a minimum of $5,000 and not to exceed $25,000 per residence for non-substantial rehabilitation in qualifying areas. The abatements can be applied against income tax, corporate franchise tax, bank tax, insurance premium tax, or other financial institutions tax. A taxpayer, other than the owner-occupant who receives a certificate of tax credit, shall have 30 days within the date of the sale to furnish satisfactory proof that the residence was sold at market to the Director of the Department of Economic Development (DED). If the Director determines that the residence was not in good faith intended for long-term owner occupancy, then the Director may revoke any tax credits issued and seek recovery of those credits pursuant to Section 620.017, RSMo. There are no other commitments made as part of the agreement. The Neighborhood Preservation Tax Credit reduced state taxes by $3,293,000 during fiscal year 2018.

Business Recruitment

Missouri Quality Jobs is authorized by Sections 620.1875-620.1890, RSMo and provides tax incentives to qualified companies for facilitating the creation of new jobs or the retention of existing jobs in the State. This program has been replaced by Missouri Works, except for current projects. To qualify, the company must create a minimum number of jobs within the project facility within 2 to 3 years after the approval of the Notice of Intent and must maintain those jobs for the duration of the benefit. The average wage of the new jobs must equal or exceed the average county wage and the company must offer health insurance and pay at least 50% of the premium. The company must also submit an annual report. Companies may retain 100% of withholding tax that would otherwise be paid into the State or receive tax credits based on the percentage of new payroll or a combination of both for the new or retained jobs approved. The credits can be applied against income tax, bank tax, insurance premium tax, or other financial institutions tax. There are no provisions for recapture and no other commitments are made as part of the agreement. Missouri Quality Jobs reduced state taxes by $68,229,000 during fiscal year 2018.

Note 20 - Tax Abatements (cont.)

The Missouri Works - Business Incentives is authorized by Sections 620.2000-620.2020, RSMo and provides tax incentives for qualified companies to create or retain jobs in the State. To qualify for the credit, a company must create or retain a minimum number of new jobs at the project facility with average wages of 80%, 90%, 120%, or 140% of the county average wage, must offer health insurance and pay at least 50% of the premium, must meet the required number of jobs within 2 years of the Approval of the Notice of Intent, must maintain those minimums for the duration of the benefit, and must submit an annual report. Companies may retain 100% of withholding tax that would otherwise be paid into the State or receive tax credits based on the percentage of new payroll or a combination of both for the new or retained jobs approved. The credits can be applied against income tax, bank tax, insurance premium tax, or other financial institutions tax. Taxes may be recaptured due to misrepresentation, out-of-state relocation, or failure to file an annual report. The agreement requires 100% of the benefits received to be repaid within 60 days for misrepresentation or out-of state location or one year for failure to file an annual report. There are no other commitments made as part of the agreement. Missouri Works - Business Incentives reduced state taxes by $56,399,000 during fiscal year 2018.

Missouri Works New Jobs Training and Job Retention Training are authorized by Sections 620.800-620.809, RSMo. New Jobs Training provides assistance to eligible companies to train workers in newly created jobs. To qualify, the company must create new jobs in the state; the project must include eligible training costs, as well as other eligibility criteria such as types of occupations, wage rates, and turnover rates. Job Retention Training provides training assistance to eligible companies for job retention efforts. To qualify, a project must be for an existing Missouri company making a capital investment of at least 5 times the total project costs, retaining at least 100 eligible jobs at the facility for at least one year, be located in a border community, or be determined to represent substantial risk of relocation. Eligible companies for both programs include manufacturing, research and development, or those engaged in interstate commerce. The company must retain the eligible jobs in the project for at least 5 years and use the funding only toward eligible project costs. These programs are administered locally through community colleges. While the recipient's taxes are not actually reduced, a portion of normal withholding payments (paid to the Department of Revenue) are deferred to pay for eligible project costs. The amount that can be deferred is 2.5% of the payroll for the first 100 jobs in the project and 1.5% of the payroll for the remaining jobs in the project. The company may file withholding claims for the project until the budgeted project funds are disbursed; typically for a period of 3-5 years, with maximum limit of 8 years. There are no other commitments under these programs. Recapture provisions apply in accordance with Section 620.017, RSMo in which the recipient shall repay training funds under these programs if the jobs included in the project are moved out of Missouri or are eliminated within five years of the date the project is approved by DED. The Director of the Division of Workforce Development within DED shall have the authority and discretion to exempt the recipient in whole or in part of such repayment. Missouri Works New Jobs Training and Job Retention Training reduced state taxes by $5,600,000 and $3,521,000, respectively, during fiscal year 2018.

The Missouri Manufacturing Jobs Act is authorized by Section 620.1910, RSMo and provides incentives in the form of retaining withholding taxes to expand manufacturing facilities for an existing product or the creation of a new product. This program sunset in 2016 and no new applications are being accepted. To qualify, manufacturing companies must have a North American Industry Classification System (NAICS) of 33611, which is an establishment primarily engaged in (1) manufacturing complete automobile and light duty motor vehicles or (2) manufacturing automobile and light duty motor vehicle chassis. The company must manufacture goods at a facility in the state throughout the period benefits are received, and make a capital investment at a facility of at least $75,000 per retained job for the manufacture of a new product within 2 years of beginning to retain withholding taxes or commit to make a capital investment of at least $50,000 per retained job at the facility for the modification or expansion of the manufacture of an existing product within 2 years of beginning to retain withholding taxes. Qualified suppliers of an eligible manufacturer must attest to DED that they derive more than 10% of its total annual sales revenue from sales to a qualified manufacturing company, add 5 or more new jobs for a period of 3 years, pay wages for the new jobs equal to or exceeding the county average wage using the NAICS industry classification, but are not less than 60% of the statewide average wage, and the company must offer health insurance and pay at least 50% of the premium. If qualified, the company is allowed to retain 100% of the withholding tax that would otherwise have been paid in to the state for those jobs for 10 years for qualified manufacturers or 3 to 5 years for qualified suppliers. There are no provisions for recapture and no other commitments are made as part of the agreement. The Missouri Manufacturing Jobs Act reduced state taxes by $15,638,000 during fiscal year 2018.

Note 20 - Tax Abatements (cont.)

Business Use Incentives for Large-Scale Development (BUILD) is authorized by Sections 100.700-100.850, RSMo. The incentives offered by the BUILD Missouri Program are designed to offset infrastructure and other capital costs of certain large projects by making the cost of investing in Missouri more competitive. The costs are financed through the issuance of Board of Certificates (bonds or notes), where the principal and interest will be repaid by the business. Businesses are then reimbursed for these repayments through the issuance by the Board of Missouri state income tax credits. The businesses may use these credits against taxes, which would otherwise be due, or to obtain a refund if the business has insufficient Missouri income tax liability to offset the credit. A business can apply these credits against income tax, bank tax, insurance premium tax, or other financial institutions tax. To qualify, an eligible industry in manufacturing, processing, assembly, research and development, agricultural processing or services in interstate commerce must invest a minimum of $15 million; or $10 million for an office industry in an economic development project; and create a minimum of 100 new jobs at the project facility within 3 years, or a minimum of 500 jobs if the project is an office industry, or a minimum of 200 new jobs if the project is an office industry located within a distressed community as defined in Section 135.530, RSMo. The tax credits become subject to recapture if the company does not expend the minimum investment on or before the first test date established in the program agreement, or create and maintain the minimum number of new jobs on or before the first test date. The first test date is the last day of the closest calendar quarter ending 3 years following bond closing. The tax credits are also subject to recapture if the company eliminates or announces its intention to eliminate all the new jobs at the project within 2 years of the first test date. If subject to recapture, the company shall, within 30 days following written demand from the Board, reimburse the Board in full for the face amount of the tax credits received from the date of execution of the program agreement to the date of such demand. There are no other commitments made as part of the agreement. The BUILD program reduced state taxes by $9,818,000 during fiscal year 2018.

The Enhanced Enterprise Zone is authorized by Sections 135.950-135.973, RSMo and provides tax credits to new or expanding businesses in enhanced enterprise zones. To qualify, a company must create or maintain at least 2 new jobs and make at least $100,000 in eligible investments. In addition, a Notice of Intent must be approved by DED, and the business must submit an annual report. Eligibility for the credit is determined by the zone based on creation of sustainable jobs in a targeted industry or demonstrated impact on local industry cluster development. Taxes are reduced by claiming a tax credit against the Missouri income tax liability owed to the state. The tax credits are calculated at 2% of new payroll and 0.5% of new investment. There are no provisions for recapture and no other commitments are made as part of the agreement. The Enhanced Enterprise Zone reduced state taxes by $5,569,000 during fiscal year 2018.

The Business Facility Tax Credit is authorized by Sections 135.100-135.150 and Section 135.258, RSMo and provides to facilitate the expansion of new or existing facilities in Missouri. To qualify, a Notice of Intent must be approved by DED; the facility must create at least 2 new jobs and make $100,000 in eligible investments or pursuant to House Bill 191 (2009), for “headquarters” that commence operations and “headquarters” of certain “employee-owned” businesses that commence or expand operations must create 25 new jobs and make $1,000,000 in new investment. The company must submit an annual report to DED. Taxes are reduced by claiming a tax credit against the Missouri tax liability owed to the state. The tax credits are calculated as $75 to $150 per new job and $75 to $150 for each $100,000 in new investment for up to 10 years. The tax credits for headquarters are calculated as the greater of $400 per new job plus 4% of new investment or $500 per new job plus $500 per each $100,000 in new investment for up to 10 years. The credit may be applied against income tax, insurance premium tax, or insurance company retaliatory tax. This program has sunset as of January 1, 2005 except headquarters that commence or expand operations on or before December 31, 2019 may be eligible for the program. There are no provisions for recapture and no other commitments are made as part of the agreement. The Business Facility Tax Credit reduced state taxes by $6,330,000 during fiscal year 2018.

Note 20 - Tax Abatements (cont.)

The Amateur Sports Ticket Sales Tax Credit is authorized by Section 67.3000, RSMo and provides an incentive to encourage the location of competitively bid amateur sporting events in Missouri. Upon application, applicants must submit predictions on the anticipated economic benefit to the state. Applicants will be evaluated based upon anticipated and verified economic performance. The program is available to one or more certified sponsors, endorsing counties, endorsing municipalities, or a local organizing committee, acting individually or collectively. The program provides tax credits equal to the lesser of: $5 per admission ticket sold to the event; or 100% of eligible costs incurred by the applicant. The recipient is able to reduce their outstanding tax liability in an amount equal to the value of the tax credit and may be taken against income tax, bank tax, insurance premium tax, and other financial institutions tax. There are no provisions for recapture and no other commitments are made as part of the agreement. The Amateur Sports Ticket Sales Tax Credit reduced state taxes by $1,276,000 during fiscal year 2018.

The Rebuilding Communities Tax Credit is authorized by Section 135.535, RSMo and provides a tax credit for eligible businesses locating, relocating, or expanding within a distressed community. This program has been replaced by Missouri Works, except for current projects. To qualify, a business must have fewer than 100 full-time employees, 75% of which must be located in the distressed community; be primarily engaged in manufacturing, biomedical, medical devices, scientific research, animal research, computer software design, computer software development or computer programming, which includes Internet, web hosting, and other information technology, wireless, wired or other telecommunications, or a professional firm. The business must submit an annual tax credit application documenting eligible expenditures on the project to DED. Once approved, the tax credit is calculated at 40% or 25% of the qualifying expenditures and may be applied against income tax, corporate franchise tax, bank tax, insurance premium tax, or other financial institutions tax. There are no provisions for recapture and no other commitments are made as part of the agreement. The Rebuilding Communities Tax Credit reduced state taxes by $359,000 during fiscal year 2018.

The Development Tax Credit is authorized by Sections 32.100-32.125, RSMo and provides incentives to facilitate a business project in order to create new jobs. This program has been replaced by Missouri Works, except for current projects. Tax credits are issued to approved taxpayers that make an eligible donation to a non-profit corporation. The non-profit leases assets to an approved company. The company must create a specified number of jobs within 2 years and be in a distressed or blighted area. In many instances, the taxpayer that makes the donation is also the company that is creating the economic impact. The donor that makes the contribution must submit a tax credit application to DED. Once approved, taxes are reduced by claiming a tax credit against Missouri tax liability owed to the state. The tax credit is calculated at 50% of the eligible donation and may be applied against income tax, corporate franchise tax, bank tax, insurance premium tax, other financial institutions tax, or express company tax. No other commitments are made as part of the agreement. DED may recapture tax credits up to the amount issued if the non-profit fails to complete the project or comply with the agreement. The non-profits only and not the donors are subject to the recapture. The Development Tax Credit reduced state taxes by $542,000 during fiscal year 2018.

Note 20 - Tax Abatements (cont.)

Chapter 100 Personal Property Tax Exemption is authorized by Section 144.054 (2), RSMo and provides a state and local sales tax exemption on tangible personal property leased by a company from the City or County. To qualify, cities and counties may apply to DED on behalf of eligible companies for which Chapter 100 bond proceeds are used to purchase tangible personal property, which is leased back to the company. DED may apply discretionary benefit exemption if the benefit contained in a formal DED proposal is accepted by the company. Since DED cannot enact the sales tax exemption on the lease without the underlying Municipality Chapter 100 in place, any inclusion in a formal DED proposal will be coordinated with the Municipality and their economic developer. The proposal must have been accepted by the company prior to any project announcements, no approval or issuance of the bonds may have taken place, and the tangible personal property may not have been purchased prior to the acceptance of the proposal. The project must also be competitive, have comprehensive local incentive participation, have above average wages with benefits, be located in an economically distressed or blighted area, have a positive state fiscal impact, and have an indication that the municipality has offered the local Chapter 100 exemptions. The company receives the exemption on sales tax as the facility, construction materials, and certain tangible personal property may be purchased as exempt by the City or County and then leased back to the company. The company will be responsible for the payment of sales tax on purchases exceeding the maximum accepted in the proposal, ineligible purchases, or the revenue stream generated by lease of ineligible personal property. There are no provisions for recapture and no other commitments are made as part of the agreement. For fiscal year 2018, DED has provided certificates for the exemption of state sales tax related to lease payments of tangible personal property under a Chapter 100 structure for 1 project. The sales tax is applicable to the lease payments made over a period not to exceed 20 years by statute and restricted further by local ordinance. The sales tax exemptions are only applicable if tangible personal property purchases are made within established project time periods, as listed on the certificate. The fiscal year 2018 project certificates total a cumulative amount of state sales tax not to exceed $268,000 over the terms of the respective leases.

Data Center Sales Tax exemption is authorized by Section 144.810, RSMo and incentivizes the location and expansion of data centers in the state by providing an exemption of the sales and use taxes associated with a variety of activities necessary to build a new facility or expand an existing facility. To qualify, companies must create 5 new jobs and $5 million in investment for expanding facilities or create 10 new jobs and $25 million in investment for new facilities within certain time frames. A company is refunded their sales and use taxes for new purchases related to the data center project for the period prior to meeting the threshold for participation and then are exempt for a period of no more than 10 years for expanding facilities or 15 years for a new facility. Taxes may be subject to recapture if the full investment projected is not met or if the jobs created are not maintained, causing the cost/benefit to the State to be negative, or if the company does not meet the minimum thresholds. Taxes will be recaptured up to the amount that creates a positive cost/benefit to the state, or if the company does not meet the minimum thresholds, the full exemptions to date must be repaid. No other commitments are made as part of the agreement. The amount that state taxes were reduced is confidential under Section 32.057, RSMo.

Redevelopment

The Historic Preservation Tax Credit is authorized by Sections 253.545-253.561, RSMo and provides an incentive for the redevelopment of commercial and residential historic structures in the state. Upon application, the eligible property must be listed on the National Register of Historic Places, be certified by the Department of Natural Resources (DNR) as contributing to the historical significance of a certified historic district listed on the National Register, or located within a local historic district that has been certified by the U.S. Department of Interior. The costs and expenses associated with the rehabilitation must exceed 50% of the total basis of the property. All approved applicants must commence rehabilitation within 2 years of the date of issuance of the letter of approval from DED. The program provides state tax credits equal to 25% of eligible costs and expenses of the rehabilitation of approved historic structures, which the recipient is able to use to reduce their outstanding tax liability in an amount equal to the value of their tax credit. The credit may be applied against income tax, bank tax, insurance premium tax, or other financial institutions tax. There are no provisions for recapture and no other commitments are made as part of the agreement. The Historic Preservation Tax Credit reduced state taxes by $56,483,000 during fiscal year 2018.

Note 20 - Tax Abatements (cont.)

Brownfield Remediation is authorized by Sections 447.700-447.718, RSMo and provides incentives to businesses or developers to redevelop property contaminated with hazardous waste. To qualify, the property must be abandoned or underutilized for at least 3 years, and contaminated with hazardous substance, the applicant cannot be a responsible party, the project must be accepted into DNR Voluntary Cleanup Program, the project must be endorsed by city or county government, must create at least 10 new jobs or retain 25 jobs, the project must create a positive net state economic benefit, and must demonstrate need for the credits. The recipient is able to reduce their outstanding tax liability in an amount equal to the value of the tax credit. The tax credits may be issued for up to 100% of eligible costs and expenses for remediating the project property. The tax credit may also include up to 100% of the costs of demolition that are not directly part of the remediation activities. The amount of the credit available for demolition not associated with remediation cannot exceed the total amount of credits approved for remediation including demolition required for remediation. DED will issue 75% of the credits upon adequate proof of payment of the costs; the remaining 25% will not be issued until a clean letter has been issued by DNR. The tax credits may be applied against income tax, corporate franchise tax, bank tax, insurance premium tax, or other financial institutions tax. The tax credits may be subject to recapture in the event the owner sells the abandoned or underutilized property within a 5 year period after the receipt of remediation tax credits, grants, loans or loan guarantee. Subject to Sections 447.700-447.718, RSMo, the owner shall repay a portion of the tax credits and grant funds provided based on the percentage of the owner's investment for the project to DED's total financial assistance, upon achieving an annual internal rate of return of 25%. The internal rate of return calculation shall be documented by the owner's capital gains tax calculation. Owner investment is equity and debt for the eligible project. At the end of the project, a purchaser who has performed voluntary remediation action certifies to DNR that the goals of the purchaser's voluntary remediation plan have been attained. DNR verifies the remediation plan goals are achieved and issues a certificate that states that the site has been cleaned up to DNR standards pertaining to the property itself and therefore protects both current and future owners of the property. Brownfield Remediation reduced state taxes by $3,160,000 during fiscal year 2018.

Distressed Areas Land Assemblage is authorized by Section 99.1205, RSMo and provides incentives to redevelop blighted areas. This program has sunset and no new applications are being accepted. To qualify, the area must be at least 75 acres; at least 80% of the area must be within a Distressed Area or a federal Qualified Census Tract; the redeveloper must acquire at least 50 acres of the area; the average parcels per acre must be 4 or more; and less than 5% of the acreage for acquisition by the redeveloper under the redevelopment plan shall consist of owner-occupied residences. The recipient is able to reduce their outstanding tax liability in an amount equal to the value of the tax credit. The tax credits are provided to the redeveloper based on 50% of the acquisition costs, including maintenance costs, and 100% of the interest costs incurred for a period of 5 years after the acquisition of an eligible parcel. The credits may be applied against income tax, bank tax, insurance premium tax, or other financial institutions tax. Any funds generated through the use or sale of the tax credits issued shall be used to redevelop the eligible project area. There are no provisions for recapture and no other commitments are made as part of the agreement. Distressed Areas Land Assemblage reduced state taxes by $68,000 during fiscal year 2018.

Note 21 - Commitments

Contracts

The Department of Conservation had contracts outstanding of $300,000 for construction at June 30, 2018. These contracts are funded through the special revenue funds from specific sales tax, fees, and permits.

The Department of Natural Resources had construction contracts outstanding at June 30, 2018 of $54,000. This project is funded through a special revenue fund.

The Department of Transportation had long-term contracts of $697,915,000 outstanding at June 30, 2018. These contracts are paid from capital projects funds with approximately 84% federal reimbursement expected.

Note 21 - Commitments (cont.)

The Office of Administration, Division of Facilities Management, Design and Construction, had construction contracts outstanding at June 30, 2018 of $42,314,000. Approximately 29.5% will be paid from the General Fund, 4.7% from special revenue funds, 65.5% from the capital projects funds, and 0.3% will be paid from enterprise funds.

On March 10, 1988, the State of Missouri entered into a contract with the United States Army Corps of Engineers confirming an assurance agreement of April 8, 1965. The State obtained rights to a portion of the water supply storage from the Clarence Cannon Dam and Mark Twain Lake Project. The State agreed to pay up to $10.8 million plus interest for the investment costs allocated to the water supply storage, the amount of such payments to be determined by the portion of the water storage space put in use by the State for that purpose. The contract provided a ten year interest free period running from 1984 to 1994. In fiscal year 1995, the State began making interest payments. The interest payment amount for fiscal year 2018 was $364,000. Payment of principal and interest must be completed by March 2038.

As of June 30, 2018, the University of Missouri had outstanding commitments for the usage and ongoing support of the University Health System's information technology environment totaling $190,170,000. The payments are as follows:

2019	$	24,554,000
2020		25,378,000
2021		26,229,000
2022		27,109,000
2023		28,017,000
2024-2025		58,883,000

Truman State University had approximately $5,721,000 in outstanding commitments for various construction contracts at June 30, 2018.

Southeast Missouri State University had outstanding commitments of approximately $10,050,000 related to construction contracts at June 30, 2018.

Missouri State University had approximately $16,807,000 in outstanding commitments for various construction contracts at June 30, 2018.

University of Central Missouri had approximately $6,968,000 in outstanding commitments related to construction contracts at June 30, 2018.

Northwest Missouri State University had approximately $7,203,000 in outstanding commitments related to various construction contracts at June 30, 2018.

Note 22 - Risk Management and Insurance

The state is exposed to various risks of loss related to tort, general, motor vehicle, and contractor liability and injuries to employees. The state assumes its own liability for risks except for the purchase of surety bond, aircraft, and boiler coverage. The State's Office of Administration (OA), Risk Management Unit, self-insures its workers' compensation program for all state employees, with the exception of the Missouri Department of Transportation (MoDOT) and the State Highway Patrol. Liability insurance is also provided by OA-Risk Management, pursuant to state statute, through the State's Legal Expense Fund, which is a component of the General Fund in this report. This insurance covers all state employees.

Note 22 - Risk Management and Insurance (cont'd)

The Workers' Compensation and Legal Expense Fund claims liability is based upon actual claims that have been submitted to OA-Risk Management. Incurred but not reported (IBNR) liability is not included since workers' compensation and liability insurance claims are reported timely, and therefore any potential IBNR liability amount would be considered immaterial. The state has not had any insurance settlements exceed the coverage. OA-Risk Management also procures property insurance for approximately 3% of all State buildings, with the remainder uninsured. The buildings are insured through purchased property insurance and through the Property Preservation Fund. Buildings insured through the Property Preservation Fund are backed with bonded debt through the Board of Public Buildings.

The Transportation Self-Insurance Plan covers workers' compensation for employees of MoDOT and the State Highway Patrol, and covers vehicle liability and general liability insurance for the employees of MoDOT. The Transportation Self-Insurance Plan is presented as an internal service fund. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Estimated claims payable is based on known claims pending as well as an estimate of IBNR claims from data provided by an actuary. Liabilities are reported at their discounted value, assuming an investment yield of 2%.

The Missouri Consolidated Health Care Plan (MCHCP) provides health care insurance to all state employees, except for MoDOT, the State Highway Patrol, and the Department of Conservation. The Plan is presented as an internal service fund. Estimated claims payable is based on known medical claims pending as well as an estimate of IBNR claims from data provided by an actuary.

The MoDOT and MSHP Medical and Life Insurance Plan (MHPML) accounts for the medical coverage provided on a self-insured basis and life insurance benefits, underwritten by a commercial insurance company, for employees of MoDOT and the State Highway Patrol. The Plan is presented as an internal service fund. Estimated claims payable is based on known insurance claims pending as well as an estimate of IBNR claims from data provided by an actuary.

The Conservation Employees' Insurance Plan (CEIP) provides health care and life insurance to employees of the Department of Conservation. The Plan is presented as an internal service fund. Estimated claims payable is based on known claims pending as well as an estimate of IBNR claims.

The Petroleum Storage Tank Insurance Fund (PSTIF) has claims liability for the cost of contamination cleanup for policyholders and other eligible site owners who have submitted notice of a contamination. The PSTIF is presented as a major enterprise fund.

The University of Missouri System provides workers' compensation, liability, and medical insurance for its employees. The University funds this through a combination of self-insurance and commercially purchased insurance. The amount of coverage is based upon analysis of historical information and actuarial estimates. Settled claims have not exceeded commercial coverage in any of the past three fiscal years. The claims liability is the present value of the claims, using discounted rates ranging between 0.75% and 3.25% based on future investment yields. The University of Missouri System is included with college and universities as a major component unit of the State.

Missouri State University is exposed to various risks of loss. These include loss related to torts; business interruption; employee injuries and illnesses; employee health, dental and accidental benefits; natural disasters; damage to and destruction of assets; and errors and omissions. Commercial insurance coverage is purchased for claims arising from such matters other than those related to natural disasters and employee health benefits, general liability, and workers' compensation. Settled claims have not exceeded the commercial coverage in any of the three preceding years. Additional coverage is provided through the State Self-Insurance Program, through the Risk Management Unit of the Office of Administration. The State of Missouri self-insures the workers' compensation benefits for all state employees, including University employees.

Note 22 - Risk Management and Insurance (cont.)

Changes in the balances of claims liability (in thousands of dollars) during the current and prior fiscal years are as follows:

	Type of Insurance Claims	Fiscal Year Claims Liability 6/30/2017	Current Year Claims and Estimated Changes	Claim Payments	Fiscal Year Claims Liability 6/30/2018
Governmental Activities					
OA Workers Compensation Fund	Workers Comp.	$ 29,767	$ 30,319	$ (31,028)	$ 29,058
OA Legal Expense Fund	Liability	8,222	5,053	(9,593)	3,682
Transportation Self-Insurance Plan	Workers Comp. and Liability	82,576	20,180	(21,312)	81,444
MCHCP	Health Care	42,221	302,935	(299,019)	46,137
MHPML	Health Care	12,300	129,546	(129,346)	12,500
CEIP	Health Care	2,592	17,855	(17,315)	3,132
Total Governmental Activities		$ 177,678	$ 505,888	$ (507,613)	$ 175,953
Business-Type Activities					
PSTIF	Contamination Cleanup	$ 81,868	$ 15,244	$ (13,094)	$ 84,018
Component Units					
University of Missouri System	Workers Comp. and Liability	$ 89,082	$ 220,389	$ (223,625)	$ 85,846
Missouri State University	Health Care, Workers Comp. and Liability	1,807	20,292	(20,675)	1,424
Total Component Units		$ 90,889	$ 240,681	$ (244,300)	$ 87,270

Note 22 - Risk Management and Insurance (cont.)

	Type of Insurance Claims	Fiscal Year Claims Liability 6/30/2016	Current Year Claims and Estimated Changes	Claim Payments	Fiscal Year Claims Liability 6/30/2017
Governmental Activities					
OA Workers Compensation Fund	Workers Comp.	$ 35,633	$ 25,175	$ (31,041)	$ 29,767
OA Legal Expense Fund	Liability	2,250	16,102	(10,130)	8,222
Transportation Self-Insurance Plan	Workers Comp. and Liability	90,646	8,307	(16,377)	82,576
MCHCP	Health Care	41,395	267,726	(266,900)	42,221
MHPML	Health Care	9,800	128,322	(125,822)	12,300
CEIP	Health Care	2,706	17,823	(17,937)	2,592
Total Governmental Activities		$ 182,430	$ 463,455	$ (468,207)	$ 177,678
Business-Type Activities					
PSTIF	Contamination Cleanup	$ 83,235	$ 13,565	$ (14,932)	$ 81,868
Component Units					
University of Missouri System	Workers Comp. and Liability	$ 85,887	$ 218,074	$ (214,879)	$ 89,082
Missouri State University	Health Care, Workers Comp. and Liability	2,680	18,736	(19,609)	1,807
Total Component Units		$ 88,567	$ 236,810	$ (234,488)	$ 90,889

Risk Management Pool:

The State of Missouri participates in the property program of the Midwestern Higher Education Compact (MHEC) as defined in Section 173.700, RSMo. This program was formed to expand coverage, reduce costs, and stabilize property insurance rates over extended time periods at higher education institutions in all member states. The program offers loss limit coverage tailored to individual institutions as well as self-insured retention by institution. The MHEC Risk Management Oversight Committee directs the major operations of the program overseeing the development of program policies, premium allocations, new program memberships, and selection of program administrators and insurance underwriters.

Note 23 - Pollution Remediation and Landfill Closure and Postclosure

The State has an obligation to address current or potential detrimental effects of existing pollution by participating in pollution remediation activities.

The Missouri Department of Natural Resources (DNR) was compelled to assess and oversee the cleanup of contaminated sites subject to federal law under the Resource Conservation and Recovery Act (RCRA), also known as the Superfund Law, administered by the U.S. Environmental Protection Agency (EPA). Under this law, the State is required to pay or ensure payment of 10% of the costs of remediation action and 100% of the costs of operations and maintenance at sites where the party responsible for the contamination is unknown, uncooperative, or insolvent. Similarly, Section 260.371.7, RSMo, states that the public should bear a portion of the cost to pay for the State's share of Superfund cleanup to be appropriated from general revenue. At the end of fiscal year 2018, the State was participating in the cleanup of sixteen Superfund sites. Total pollution remediation obligation for these sites totaled approximately $46.2 million. The basis for these costs are State Superfund contracts that list the estimated cost of cleanup, or actual costs if cleanup is complete, less any payments that have been made to the EPA. Estimated costs will change as actual costs become available. The Hazardous Waste Fund is a component of Conservation and Environmental Protection.

The Office of Administration (OA), Division of Facilities Management, Design and Construction, performed soil and groundwater testing and remediation for one State site during fiscal year 2018. The remaining obligation as of June 30, 2018 is $17,000. These costs were based on contractual pricing estimates and are subject to change if the pollution remediation requires more time or material than was estimated.

The Missouri Department of Transportation (MoDOT) is aware of a contaminated site (related to building and grounds) due to a fuel leak. The potential for pollution remediation exists; however, at this time, MoDOT's portion of the costs for the cleanup cannot be determined.

The Department of Public Safety, Office of the Adjutant General, has been named as a potentially responsible party in the Pools Prairie Superfund site in Newton County, Missouri. The site is listed on the National Priorities List (NPL) and is governed by the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). At this time, the Department of Public Safety's portion of the costs for the cleanup cannot be determined.

Changes in the balances of pollution remediation liability (in thousands of dollars) during the current fiscal year are as follows:

Governmental Activities	Type of Pollution Remediation	Fiscal Year Remediation Liability 6/30/2017	Current Year Assessments and Estimated Changes	Payments	Fiscal Year Remediation Liability 6/30/2018	Due Within One Year
Hazardous Waste Fund	Superfund Sites	$ 47,431	$ 32	$ (1,241)	$ 46,222	$ 1,783
Facilities Maintenance Reserve Fund	Soil and Groundwater Testing and Remediation	—	17	—	17	—
Total Governmental Activities		$ 47,431	$ 49	$ (1,241)	$ 46,239	$ 1,783

Note 23 - Pollution Remediation and Landfill Closure and Postclosure (cont.)

Each landfill owner/operator is required to obtain a financial assurance instrument, which is held by the State as security in the case of a default or forfeiture. Financial assurance instruments can include financial guarantee or performance bonds, letters of credit, insurance policies, corporate guarantees, contracts of obligations, trust funds, and escrow accounts. At June 30, 2018, the DNR, Solid Waste Program tracked the value of the secured financial assurance instruments held by the State to be $334,512,000. This amount is disclosed, but not reported in the financial statements, because the State does not perform the investment function and does not have significant administrative involvement. While the State maintains possession of the financial assurance instruments, it does not meet criteria to be reported in a fiduciary fund.

At June 30, 2018, eleven Municipal Solid Waste Landfills (MSWLFs) and two waste tire facilities have defaulted. The owners/operators failed to properly close or maintain post-closure care for these facilities; therefore, the State took possession of the forfeited financial assurance instruments to initiate the closure or post-closure activities as required by Section 260.228, RSMo. The State will monitor and pay post-closure care costs of these facilities for the next 30 years in accordance with the DNR Solid Waste Management Law and Regulations. At June 30, 2018, it is expected that $1,492,000 will be paid over the remaining monitoring periods. This is the amount of the assigned fund balance that has been designated on the General Fund balance sheet for forfeited assets.

The University of Missouri System has been working with the Voluntary Cleanup Program at DNR to characterize subsurface contamination on a University owned property. The University received the results of the two-year sampling process in fiscal year 2016. The University is awaiting a determination from DNR. The site is now on the National Regulatory Commission (NRC) license and must be decommissioned. Upon further review of the documents, the University determined that it does not believe that the documents support the decision to add the site to the NRC license. The University made a formal request to remove the site from the NRC license. NRC responded with a request for more information including a dose assessment, which is estimated at a cost of $15,000. If the NRC finds the dose assessment to be unacceptable, then the University will be required to fully decommission the site, including a sampling plan. The cost of a sampling plan to characterize the chemical contamination is estimated at $1,000,000. The University has not commenced any actions requiring the recognition of a liability for this property.

Note 24- Contingencies

Contingent claims liabilities are reported when it is probable a loss has occurred and the amount can be reasonably estimated. These losses include estimates of claims which have been incurred but not reported, including the effects of specific, incremental claim adjustment expenditures/expenses, salvage, subrogation, and other allocated or unallocated claim adjustment expenditures/expenses. Liabilities of governmental funds are reported as a reconciling item to the Government-Wide Statement of Net Position. Expenditures are recognized as payments are made.

As of June 30, 2018, the amount of contingent liabilities was $48.9 million. Changes in reported liability since June 30, 2017, resulted from the following (in thousands of dollars):

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance Fiscal Year End
2017-2018	$ 71,150	$ 4,368	$ (26,595)	$ 48,923
2016-2017	39,040	59,672	(27,562)	71,150
2015-2016	19,921	35,216	(16,097)	39,040

Note 24- Contingencies (cont.)

Section 287.220.8, RSMo, requires an actuarial study of the Second Injury Fund be made every year to determine solvency of the fund. Figures presented below for current year claims and changes in estimates are based on the 2017 actuarial study. As at June 30, 2018, the amount of liabilities for Second Injury Fund was $2.0 billion. Changes in reported liability since June 30, 2017, resulted from the following (in thousands of dollars):

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance Fiscal Year End
2017-2018	$ 1,840,186	$ 213,633	$ (100,651)	$ 1,953,168
2016-2017	1,732,685	206,662	(99,161)	1,840,186
2015-2016	1,684,732	151,464	(103,511)	1,732,685

The State receives federal grants which are subject to review and audit by federal grantor agencies. This could result in requests for reimbursements by the grantor agency for expenditures disallowed under grant agreements. The State believes such disallowances, if any, would be immaterial in the next fiscal year.

Sales and Use Tax Lawsuits:

Southwestern Bell Telephone Company vs. Director of Revenue (Case No. SC83859 and follow up Case No. SC86441): the Supreme Court ruled that Southwestern Bell Telephone Company was entitled to a refund of use tax paid on machinery and equipment used to create its digital phone service product. Manufacturing was found to include producing taxable services as well as tangible personal property products. A settlement was reached regarding some claims, filed by multiple taxpayers, related to the Southwestern Bell cases. No current liability remains as of June 30, 2018. Refund claims related to similar cases filed by other companies are still pending verification. Exclusive of interest, which could be substantial, the negative financial impact on the State is estimated at $9.5 million, of which $8.8 million is related to the General Fund.

The Attorney General, on behalf of other state agencies, is involved in litigation for tort claims including wrongful death, motor vehicle accidents, medical malpractice, assault and battery, and deliberate indifference, as well as employment discrimination claims not included in the 2018 liability amount. It is reasonably possible an adverse court decision may incur an estimated loss of $12.7 million.

Tobacco Master Settlement Agreement:

Under the 1998 Tobacco Master Settlement Agreement (“MSA”), Missouri receives annual settlement payments in perpetuity from Participating Manufacturers (“PMs”) of tobacco products. Each year on or about April 15th, Missouri receives an annual payment typically between $120 and $140 million. Annual MSA payments are subject to a downward adjustment if the PMs lose more than 2% of their pre-MSA market share to Non-Participating Manufacturers (“NPMs”). Individual states may avoid their share of this “NPM Adjustment” by enacting and diligently enforcing model legislation, which imposes certain escrow obligations on NPMs.

The tobacco manufacturers contest Missouri’s enforcement of the model legislation for 2004 and subsequent years, each of which is subject to binding arbitration. Arbitration regarding diligent enforcement for 2004 is ongoing and set for hearing in March 2019. If the panel finds that Missouri was not diligent in 2004, the State will face a downward adjustment on the annual payment following the panel’s determination. The ultimate resolution of the 2004 proceeding, the timing of the panel’s decision, and the outcome of any subsequent arbitration proceedings between the tobacco manufacturers and Missouri cannot be predicted with any degree of certainty.

Note 24- Contingencies (cont.)

Department of Corrections Settlements:

Hootselle v. Department of Corrections, No. 12AC-CC00518 (Cole County Circuit Court). This lawsuit was filed on August 14, 2012 by several corrections officers alleging that the Missouri Department of Corrections failed to compensate them for pre- and post-shift activities, including passing through security checkpoints and retrieving equipment such as keys and radios. The officers' union was later added as a plaintiff and asserted claims for breach of its collective bargaining agreement. It is reasonably possible an adverse court decision may incur an estimated loss of $45 million.

Natural Resource Settlements:

The Department of Natural Resources works jointly with the United States Fish and Wildlife Service and United States Forest Service to recover damages from parties responsible for causing injuries to natural resources. Funds from these settlements are typically held in the federal treasury in a joint account administered by the United States Department of Interior. Expenditures of these funds may only be by mutual agreement of the Missouri Trustee Council (the Department of Natural Resources, the United States Fish and Wildlife Service and, at times, United States Forest Service) and such funds may only be used to restore, replace, or acquire natural resources similar to those that were injured. As of June 30, 2018, the balance of Missouri-related joint settlement funds in the Department of Interior restoration fund is approximately $49 million.

Department of Health and Senior Services

The Nurse Student Loan Program provides forgivable student loans to eligible Missouri undergraduate, graduate, post-graduate, and doctoral nursing students in exchange for service in underserved communities and facilities in the state. Current annual award levels, based on statute, are a one-time amount of $2,500 for LPN students and $5,000 for professional nursing students. Loans are repaid either through service in an underserved area, or via cash repayment at 9.5% simple interest. For repayment via service, participants provide one year of professional service for each school year a loan is received, up to a maximum of 5 years. The number of loans awarded per year varies based upon available funding, number of previous students anticipating continued funding, and number of eligible new applicants.

The Health Professional Student Loan Program is a competitive state program that awards forgivable loans to students pursuing health care training leading to Missouri licensure. Eligible disciplines are primary care physicians, primary care dentists, and dental hygienists. The amount of funding provided depends upon the student's chosen discipline and educational status. Repayment of loans can be completed either through obtaining employment to earn forgiveness or through cash repayment at 9.5% simple interest. Forgiveness is based upon the number of loans received and is earned at a rate of one year of professional service for each loan received, up to a maximum of 5 years. Qualifying employment is considered as full-time, direct patient care at a facility located in an area of need also referred to as a Health Professional Shortage Area.

The purpose of the Missouri Health Professional State Loan Repayment Program (SLRP) is to improve access to primary care by assisting rural and underserved communities with recruitment and retention of primary care providers. SLRP offers eligible healthcare providers an opportunity to receive up to $50,000 in financial assistance towards the repayment of their qualifying educational loans in exchange for a minimum two-year commitment to provide healthcare services at an ambulatory public, nonprofit or private nonprofit primary care practice site located in a federally designated Health Professional Shortage Area (HPSA).

The Missouri Nurse Loan Repayment Program (NLRP) offers Registered Nurses (RNs) and Advanced Practice Registered Nurses (APRNs) an opportunity to receive financial assistance towards the repayment of their qualifying educational loans in exchange for a minimum two-year commitment to provide healthcare services in an area of defined need in the State of Missouri.

Note 24- Contingencies (cont.)

For all types of loan programs, in the event of a default, i.e. the loanee does not complete the service agreement, the loan status changes to repayment. In the event the loanee does not repay according to the terms of their agreement, the Department of Health and Senior Services will work with the Attorney General's Office to try to collect the outstanding receivables. The current total amount of loans outstanding is $6.9 million; the total amount in repayment is $2.8 million. There is no correlation between who will or will not repay their debt once a default has occurred since it is subject to each individual case and the legal remedies pursued. Therefore the amount of loss cannot be reasonably estimated.

Note 25 - Nonexchange Financial Guarantees

The following nonexchange financial guarantees are extended by the Missouri Agricultural and Small Business Development Authority (MASBDA) and the Missouri Department of Agriculture (MDA). The exchange financial guarantees are not recognized as a liability, which indicates that the State will most likely not be required to make a payment related to the nonexchange financial guarantees. As of June 30, 2018, the State extends the following financial guarantees:

Programs	Maximum Guarantee Period	Total Number of Loans Outstanding	Total Dollar Amount of Loans Outstanding (in thousands)	Total Dollar Amount Guaranteed by the State (in thousands)
Missouri Value-Added Loan Guarantee Program	10 Years	4	$ 576	$ 288
Single-Purpose Animal Facilities Loan Guarantee Program	10 Years	5	364	288
Crop and Livestock Loan Guarantee Program	2 Years	20	54	27

Missouri Value-Added Loan Guarantee Program

The Missouri Value-Added Loan Guarantee Program provides up to a 50% first-loss guarantee on loans, of $250,000 or less, made by lenders for the purpose of agricultural business development. The loan guarantee is for a duration of up to 10 years. The program is intended to create new economic activity by creating or retaining jobs. Loans guaranteed by the value-added loan guarantee program can be used to finance agricultural property, which includes land, buildings, structures, improvements, and equipment used for the purpose of processing, manufacturing, marketing, exporting, or adding value to an agricultural product. Loans may also be guaranteed to buy stock in a new generation processing entity that processes an agricultural product. In the event of a default, the MASBDA will work with the Attorney General's Office or the loan recipient's bank to try to collect. There were three loan defaults under this program in fiscal year 2018.The outstanding balance on judgments for amounts owed to the State totals $28,000.

Single-Purpose Animal Facilities Loan Guarantee Program

The Single-Purpose Animal Facilities Loan Guarantee Program is designed to provide banks and other lenders with a 50% first-loss guarantee on loans of up to $250,000 for up to 10 years. Independent livestock producers may use the loans to finance, refinance or restructure breeding or feeder livestock, earthworms, land, buildings, facilities, equipment, machinery and animal waste systems for producing poultry, swine, beef and dairy cattle, or other livestock. In the event of a default, the MASBDA will work with the Attorney General's Office or the loan recipient's bank to try to collect. There were no loan defaults under this program in fiscal year 2018.

Note 25- Nonexchange Financial Guarantees (cont.)

Crop and Livestock Loan Guarantee Program

The Crop and Livestock Loan Guarantee Program, authorized in Section 261.027(3), RSMo, is a 50% guarantee on a loan made to a 4-H and Future Farmers of America (FFA) member who borrows money to purchase livestock, input, etc., for their Supervised Agriculture Education (SAE) project. Loans eligible for the program are limited to the purchase of livestock, feed, seed, fertilizer, and other miscellaneous out-of-pocket expenses directly related to the project. In the event of a default, the MDA will work with the Attorney General's Office or the loan recipient's bank to try to collect. As of June 30, 2018, there are five loan defaults under this program. The outstanding balance on judgments for amounts owed to the State totals $2,580.

Note 26 - Joint Ventures

The Regional Convention and Sports Complex Authority was created by state law for the purpose of financing, constructing, operating, and maintaining a multipurpose convention and sports facility to be located in the City of St. Louis. The Authority operates under a board of commissioners of whom five are appointed by the Governor of the State, three by the County Executive of St. Louis County, and three by the Mayor of the City of St. Louis. The Authority is granted all rights and powers necessary to plan, finance, construct, equip, and maintain the facility.

The Authority is considered a joint venture of the State, County, and City because it constitutes a contractual agreement for public benefit in which the State, County, and City retain an ongoing financial responsibility for the Convention and Sports Facility Project Bonds. In August 1991, the Authority issued $258,670,000 of Convention and Sports Facility Project Bonds. The bonds were sponsored in the amount of $132,910,000 by the State (Series A), $65,685,000 by the County (Series B), and $60,075,000 by the City (Series C). In December 1993, the Authority issued $181,885,000 in Convention and Sports Facility Project and Refunding Bonds to advance refund $101,410,000 and $50,275,000 of the outstanding 1991 Series A and Series B bonds, respectively, and for additional construction costs. The bonds were sponsored in the amount of $121,705,000 by the State (Series A) and $60,180,000 by the County (Series B). In February 1997, the Authority issued $61,285,000 in Series C refunding bonds to advance refund $47,155,000 of the outstanding 1991 Series C bonds. In August 2003, the Authority issued $116,030,000 of Convention and Sports Facility Project and Refunding Bonds Series A 2003 to refund $2,845,000 and $113,170,000 of Series A 1991 and Series A 1993 refunding bonds, respectively, and for additional construction costs. In May 2007, the Authority issued $49,585,000 in Series C 2007 refunding bonds to refund $61,285,000 of original principal of the Series C 1997 refunding bonds. In August 2013, the Authority issued $65,195,000 in Series A 2013 refunding bonds to refund $65,385,000 of Series A 2003 bonds and issued $32,560,000 in Series B 2013 refunding bonds to refund $32,180,000 of Series B 2003 bonds.

Pursuant to a financing agreement entered into in August 1991, and terminating in August 2021, the Authority leased the facility to the sponsors who subleased the facility back to the Authority. The payments made by the State, County, and City under the financing agreement are sufficient to pay the principal and interest on the bonds. See *Note 12* for the specific debt service requirements that make up the State's ongoing financial responsibility for this joint venture.

Note 26 - Joint Ventures (cont.)

Summary financial information for the Authority as of and for the fiscal year ended December 31, 2017, is presented below (in thousands of dollars):

Total Assets	$	176,280
Total Deferred Outflows of Resources		686
Total Assets and Deferred Outflows of Resources	$	176,966
Total Liabilities	$	80,743
Total Net Position		96,223
Total Liabilities and Net Position	$	176,966
Total Revenues	$	24,562
Total Expenses		15,888
Net Increase in Net Position	$	8,674

Copies of the Authority's financial statements may be requested from:

St. Louis Regional Convention
and Sports Complex Authority
901 North Broadway
St. Louis, Missouri 63101

Note 27 - Endowments

Donor-restricted endowments for Missouri reside primarily within the higher education institutions, which are reported as a major component unit of the State. For the college and universities, except the University of Missouri, the net appreciation/depreciation of the endowments is $3,006,000. Of this amount, $1,612,000 is reported as restricted non-expendable, $1,379,000 is reported as restricted expendable, and $15,000 is reported as unrestricted net position. The University of Missouri reported a net appreciation/depreciation of restricted non-expendable net position in the amount of $96,277,000 which consisted of both realized and unrealized gains and losses on investment. For detailed information on the college and universities, please see the individual financial statements. The Revised Statutes of Missouri authorize the acceptance of donations at State agencies or public institutions. The governing boards of these institutions and the donor agreements determine whether net appreciation can be spent and the acceptable spending rate as detailed in Section 402.134, RSMo. These policies are entity specific and vary with each institution.

Note 28 - Conduit Debt

As of June 30, 2018, the Missouri Development Finance Board issued $1,637,968,000 in Private Activity Bonds and $2,624,104,000 in Public Purpose and Refunding Revenue Bonds. The outstanding balances on these bonds and notes as of June 30, 2018, were approximately $382,493,000 and $1,016,018,000 respectively.

The Missouri Development Finance Board and the State have no liability for repayment of these revenue bonds and funding notes aside from reserve fund deposits and, accordingly, these bonds and notes have not been recorded as a liability on the financial statements for the Missouri Development Finance Board. The debtor pays all debt service requirements. Security for the bondholders consists of insurance, letters of credit, annual appropriation pledges, and certain funds held through trustees under the various indentures.

Note 28 - Conduit Debt (contl)

The State Environmental Improvement and Energy Resources Authority, a related organization of the State of Missouri, issues Water Pollution Control and Drinking Water Revenue Bonds on behalf of the Department of Natural Resources. The outstanding balance on these bonds as of June 30, 2018, is $579,335,000.

The State of Missouri has no liability for repayment of these revenue bonds beyond the resources provided by related loan programs. The bonds are limited obligations of the State Environmental Improvement and Energy Resources Authority.

Note 29 - Subsequent Events

University of Missouri

On July 27, 2018, MU Health Care signed a non-binding letter of intent to purchase two hospitals, SSM Health St. Mary's - Audrain and SSM Health St. Mary's - Jefferson City, from SSM Health. The proposed closing date would be the later of December 31, 2018 or ten days after all governmental approvals and third party consents for material contract assignments have been received, not to exceed June 30, 2019. The closing of the proposed transaction is conditioned upon the negotiation and execution of a mutually satisfactory definitive agreement and subject to reasonable and customary due diligence.

Missouri Western State University

On August 23, 2018, the University Board of Governors voted to refund $3,765,000 of the outstanding 2008 Auxiliary Revenue bonds. The Auxiliary System Refunding Revenue Bonds Series 2018 mature on October 1, 2029, with an interest rate of 3.53%.

University of Central Missouri

On August 29, 2018, the University issued the following debt: $7,075,000 in Educational Facilities Revenue Bonds, Series 2018A, with interest rates ranging from 3.375% - 5.0% with principal maturities continuing until October 1, 2033 and $3,670,000 in Educational Facilities Revenue Bonds, Series 2018 B, with interest rates ranging from 3.25% - 4.0% with principal maturities continuing until October 1, 2034.

Missouri State University

On October 19, 2018, the Board of Governors approved purchase and sale agreements for certain buildings in the area commonly known as Brick City located in Springfield, Missouri, for a purchase price of $17,700,000 with a closing scheduled for January 23, 2019. The Board of Governors also approved the declaration of official intent towards the issuance of educational facilities revenue bonds to purchase these buildings.

Missouri Development Finance Board

In August 2018, the Board approved a commitment to make a loan in an amount not to exceed $6.1 million, to Missouri State University (MSU) to support a portion of the construction costs of a parking garage necessary for an expansion of the Jordan Valley Innovation Center (JVIC). If originated, the principal of the loan will be amortized over the term of the loan, not to exceed 20 years from the date of closing, with annual payments of principal and interest to correspond with special assessments of tax from a Transportation Development District formed by the Board. The Board will also require a first mortgage on the parking garage and an assignment of all rents and revenues of the parking garage. MSU must own and control the parking garage for 20 years and, along with the City of Springfield and property developer, each must covenant not to build or offer alternate parking unless the parking garage is regularly and routinely full.

Note 29 - Subsequent Events (cont.)

Retirement Systems

The MOSERS Board approved the reduction of their assumed rate of return (ARR) on investments from 7.50% to 7.25%, effective June 30, 2018. This change includes the intention to further reduce the ARR to 7.10%, effective June 30, 2019, and then to 6.95%, effective June 30, 2020. The Board approved utilizing a 5-year closed asset smoothing method with a 7-year transition period for previous losses. The Board also approved resetting the amortization period for the unfunded liability from 26 years to a layered 30-year closed period.

Department of Corrections Settlements

The lawsuit Hootselle v. Department of Corrections was filed on August 14, 2012 by several corrections officers alleging that the Missouri Department of Corrections failed to compensate them for pre- and post-shift activities. The officers' union was later added as a plaintiff and asserted claims for breach of its collective bargaining agreement. Following a jury trial on the plaintiffs' breach of contract claims in August 2018, the court entered judgment against the State of $113,715,000. The State filed a notice of appeal on October 26, 2018. Appellate briefs have not yet been submitted and oral argument have not been scheduled.

Required Supplementary Information (RSI) *includes the Budgetary Comparison Schedule for the General Fund and Major Special Revenue Funds, as well as the Budget to Generally Accepted Accounting Principles (GAAP) reconciliation, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Proportionate Share of the Net Pension Liability, Schedule of State Contributions, Schedule of Changes in Total OPEB Liability and Related Ratios, Schedule of Changes in Net OPEB Liability and Related Ratios, Schedule of Proportionate Share of the Collective Net OPEB Liability, and the Notes to RSI on Budgetary Reporting.*

STATE OF MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND, MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2018
(In Thousands of Dollars)

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Beginning Budgetary Fund Balance	$ 1,359,424	$ 1,359,424	$ 1,359,424	$ —
Resources (Inflows):				
Taxes:				
Sales and Use	2,238,812	2,201,450	2,197,029	(4,421)
Individual Income	7,875,256	7,743,833	7,728,281	(15,552)
Corporate Income	468,220	460,407	459,482	(925)
County Foreign Insurance	315,838	310,568	309,944	(624)
Beer	7,579	7,453	7,437	(16)
Liquor	25,565	25,138	25,088	(50)
Cigarette	—	—	—	—
Corporation Franchise	2,283	2,245	2,240	(5)
Reimbursement/Miscellaneous	177,763	174,795	174,445	(350)
Total Taxes	11,111,316	10,925,889	10,903,946	(21,943)
Licenses, Fees, and Permits	95,248	93,667	93,431	(236)
Sales	1,167	1,152	1,125	(27)
Leases and Rentals	13	13	13	—
Services	529,305	529,119	481,397	(47,722)
Contributions and Intergovernmental	10,282,795	10,254,642	9,460,028	(794,614)
Interest	24,003	23,606	23,540	(66)
Penalties and Unclaimed Property	16,660	16,497	15,841	(656)
Cost Reimbursement/Miscellaneous	1,186,924	1,184,546	1,088,122	(96,424)
Transfers In	3,600,852	3,689,436	2,876,110	(813,326)
Total Resources (Inflows)	26,848,283	26,718,567	24,943,553	(1,775,014)
Amount Available for Appropriation	28,207,707	28,077,991	26,302,977	(1,775,014)
Charges to Appropriations (Outflows):				
Current:				
General Government	2,456,907	2,411,195	2,052,038	359,157
Education	4,443,828	4,419,236	4,220,818	198,418
Natural and Economic Resources	395,500	403,018	211,735	191,283
Transportation and Law Enforcement	500,892	465,281	288,148	177,133
Human Services	13,593,862	14,440,030	13,031,823	1,408,207
Debt Service	124,514	122,152	105,921	16,231
Transfers Out	5,386,822	5,477,724	4,649,037	828,687
Total Charges to Appropriations	26,902,325	27,738,636	24,559,520	3,179,116
Ending Budgetary Fund Balance	$ 1,305,382	$ 339,355	$ 1,743,457	$ 1,404,102
Reconciling Items:				
Reclassifying Cash Equivalents as Investments			(1,085,932)	
Investments at Fair Value			1,096,486	
Receivables, Net			2,311,020	
Due from Other Funds			—	
Due from Component Units			—	
Inventories			22,990	
Advance to Component Units			—	
Accounts Payable			(1,233,795)	
Accrued Payroll			(59,100)	
Due to Other Funds			(4,988)	
Unearned Revenue			(62,030)	
Escheat/Unclaimed Property			(112,464)	
Deferred Inflows of Resources			(1,096,787)	
Fund Balance - GAAP Basis			$ 1,518,857	

Public Education				Conservation and Environmental Protection			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
$ 160,191	$ 160,191	$ 160,191	$ —	$ 475,208	$ 475,208	$ 475,208	$ —
1,602,542	1,602,542	895,569	(706,973)	268,944	268,944	215,229	(53,715)
10,420	10,420	5,823	(4,597)	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
103,913	103,913	58,070	(45,843)	—	—	—	—
—	—	—	—	—	—	—	—
593,938	593,938	331,918	(262,020)	709	709	567	(142)
2,310,813	2,310,813	1,291,380	(1,019,433)	269,653	269,653	215,796	(53,857)
2,627	2,627	1,468	(1,159)	107,179	107,179	85,772	(21,407)
—	—	—	—	9,518	9,518	7,617	(1,901)
—	—	—	—	91	91	73	(18)
—	—	—	—	2	—	2	2
129,312	129,312	72,265	(57,047)	109,729	109,729	87,813	(21,916)
4,889	4,889	2,732	(2,157)	13,117	13,117	10,497	(2,620)
1,723	1,723	963	(760)	1,013	1,013	811	(202)
155,430	155,430	86,861	(68,569)	136,922	136,922	109,575	(27,347)
1,754,629	1,757,954	1,716,529	(41,425)	2,108	2,116	2,113	(3)
4,359,423	4,362,748	3,172,198	(1,190,550)	649,332	649,338	520,069	(129,269)
4,519,614	4,522,939	3,332,389	(1,190,550)	1,124,540	1,124,546	995,277	(129,269)
1,107	1,103	487	616	3,843	3,906	2,863	1,043
2,816,326	2,813,160	2,735,657	77,503	—	—	—	—
16,180	16,180	5,716	10,464	997,290	994,573	399,697	594,876
375	375	136	239	997	997	743	254
16,059	15,822	15,275	547	711	711	673	38
—	—	—	—	—	—	—	—
438,520	444,538	428,120	16,418	56,114	57,169	51,552	5,617
3,288,567	3,291,178	3,185,391	105,787	1,058,955	1,057,356	455,528	601,828
$ 1,231,047	$ 1,231,761	$ 146,998	$ (1,084,763)	$ 65,585	$ 67,190	$ 539,749	$ 472,559
		(85,160)				(358,800)	
		85,999				355,983	
		163,547				1,375,304	
		27,950				—	
		—				250	
		123				380	
		—				267	
		(63)				(12,588)	
		(191)				(4,980)	
		(14)				(551)	
		—				(157)	
		—				—	
		(57,102)				(24,263)	
		$ 282,087				$ 1,870,594	

Budgetary Presentation:

A Budgetary Comparison Schedule is presented as Required Supplementary Information for the State's General Fund and Major Special Revenue Funds. Revenues and expenditures are reported on a budgetary basis where actual revenues are recognized when cash is received, and actual expenditures are recognized for cash disbursements. The accounting principles applied for reporting on a budgetary basis differ from those used to present the financial statements in accordance with GAAP. A reconciliation of the two for the fiscal year ended June 30, 2018, has been presented at the bottom of the Budgetary Comparison Schedule.

The budgetary expenditures are included in the current year's Appropriation Activity Report, which demonstrates legal compliance with the current year's budget. This report can be viewed at http://oa.mo.gov/accounting/reports/annual-reports/appropriation-activity-reports. The original budget expenditures and transfers are for what was originally appropriated for each fund. The final budget expenditures and transfers takes into account any increases and decreases to appropriations during the fiscal year less the Governor's amounts reverted (withheld) for each fund less any reappropriations to the next fiscal year.

Once a year, the Office of Administration-Division of Budget and Planning receives budgeted revenues from state agencies for each of their funds as well as a revised revenue estimate in the spring for the State's General Revenue Fund. The revised revenue estimate is used in the final budget column for the General Fund and is very comparable to actual revenue resulting in a small negative variance on this Schedule.

In accordance with State statute, all state funds must have an appropriation before amounts can be expended or transferred to another state fund; therefore, variances between budgeted and actual expenditures on the budgetary schedule will always be positive.

For budget purposes, interfund activity is not eliminated. A summary of interfund eliminations at June 30, 2018, is shown below (in thousands):

	Final Budget Transfer		Actual Transfer	
	In	Out	In	Out
GENERAL FUND	$ 3,260,520	$ (3,260,520)	$ 2,556,861	$ (2,556,861)
SPECIAL REVENUE FUNDS				
Public Education	405,981	(405,981)	390,031	(390,031)
TOTAL	$ 3,666,501	$ (3,666,501)	$ 2,946,892	$ (2,946,892)

Budgetary Control:

Budgetary control is maintained at the departmental level; each Department of the Missouri government formulates a budget to be submitted for approval by the General Assembly prior to the beginning of the fiscal year. These budgets are prepared essentially on the cash basis. The legislature reviews, revises, and legally adopts these budgets. The Governor then has the authority to approve or veto each budget, subject to legislative override.

Budgeted expenditures cannot exceed estimated revenues and other sources of funding, including beginning fund balances. In the event that actual revenues are insufficient to cover budgeted expenditures, the Governor must order budget reductions or call a special session of the legislature to address the issue.

Unexpended appropriations lapse at the end of each appropriation year, unless reappropriated to the following appropriation year.

STATE OF MISSOURI
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FISCAL YEARS 2015-2018
(In Thousands of Dollars)

	Judicial Plan*			
	2018**	2017**	2016**	2015**
Total Pension Liability				
Service Cost	$ 12,946	$ 10,932	$ 10,614	$ 8,990
Interest on the Total Pension Liability	40,617	37,755	36,162	34,014
Difference between Expected and Actual Experience	(10,687)	(5,037)	5,103	13,361
Changes in Assumptions	7,906	53,991	—	—
Benefit Payments, including member refunds	(33,985)	(32,989)	(31,246)	(29,407)
Disability Premiums	—	—	—	—
Transfers to Other Retirement Systems	—	—	—	—
Net Change in Total Pension Liability	16,797	64,652	20,633	26,958
Total Pension Liability - Beginning	547,621	482,969	462,336	435,378
Total Pension Liability - Ending (a)	564,418	547,621	482,969	462,336
Plan Fiduciary Net Position				
Contributions - Employer	34,247	33,642	32,696	29,265
Contributions - Employee	787	661	488	295
Pension Plan Net Investment Income	4,680	28	(3,610)	21,395
Benefit Payments, including member refunds	(33,985)	(32,989)	(31,246)	(29,407)
Disability Premiums	—	—	—	—
Pension Plan Administrative Expense	(150)	(137)	(123)	(106)
Net Transfers	—	—	—	—
Other	—	—	—	—
Net Change in Plan Fiduciary Net Position	5,579	1,205	(1,795)	21,442
Plan Fiduciary Net Position - Beginning*	132,056	130,851	132,646	111,204
Plan Fiduciary Net Position - Ending (b)	137,635	132,056	130,851	132,646
Net Pension Liability - Ending (a) - (b)	$ 426,783	$ 415,565	$ 352,118	$ 329,690
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	24.39%	24.11%	27.09%	28.69%
Covered Payroll	$ 58,592	$ 57,421	$ 55,656	$ 49,588
Net Pension Liability as a Percentage of Covered Payroll	728.40%	723.72%	632.66%	664.86%

*After post-valuation adjustments.

**Based on a measurement date and actuarial valuation as of the end of the preceding fiscal year. The measurement date is as of June 30, except University of Missouri Retirement System which is based on a measurement date of October 1.

Note: This schedule is ultimately required to show information for ten years. However, until a full ten-year trend is compiled, only the years that information is available will be reported.

Missouri Department of Transportation and Highway Patrol Employees' Retirement System				University of Missouri Retirement System			
2018**	2017**	2016**	2015**	2018**	2017**	2016**	2015**
$ 45,713	$ 45,441	$ 45,358	$ 44,740	$ 63,624	$ 66,269	$ 68,328	$ 70,574
283,569	280,432	275,285	270,526	305,781	296,885	288,438	275,762
(37,287)	(39,810)	(13,324)	(17,614)	11,704	(22,741)	(38,227)	13,226
—	—	—	—	257,616	—	—	—
(246,939)	(236,687)	(237,013)	(227,977)	(233,083)	(211,036)	(203,300)	(182,488)
(1,620)	(1,568)	(1,555)	(1,532)	—	—	—	—
(2,725)	(1,921)	(3,147)	(1,876)	—	—	—	—
40,711	45,887	65,604	66,267	405,642	129,377	115,239	177,074
3,761,733	3,715,846	3,650,242	3,583,975	4,008,189	3,878,812	3,763,573	3,586,499
3,802,444	3,761,733	3,715,846	3,650,242	4,413,831	4,008,189	3,878,812	3,763,573
206,563	199,609	200,639	183,354	92,200	96,631	99,454	103,895
4,892	3,483	3,294	2,260	15,299	15,218	14,976	14,486
220,302	21,432	92,646	319,446	322,297	364,486	6,646	36,412
(246,939)	(236,687)	(237,013)	(227,977)	(233,083)	(211,036)	(203,300)	(182,488)
(1,620)	(1,568)	(1,555)	(1,532)	—	—	—	—
(4,516)	(4,370)	(4,067)	(3,736)	—	—	—	—
(981)	808	(2,033)	(92)	—	—	—	—
—	—	—	—	—	—	—	(2,150)
177,701	(17,293)	51,911	271,723	196,713	265,299	(82,224)	(29,845)
1,992,074	2,009,367	1,957,456	1,685,733	3,485,925	3,220,626	3,302,850	3,332,695
2,169,775	1,992,074	2,009,367	1,957,456	3,682,638	3,485,925	3,220,626	3,302,850
$1,632,669	$1,769,659	$1,706,479	$1,692,786	$ 731,193	$ 522,264	$ 658,186	$ 460,723
57.06%	52.96%	54.08%	53.63%	83.43%	86.97%	83.03%	87.76%
$ 356,515	$ 344,635	$ 342,265	$ 336,591	$1,146,836	$1,144,412	$1,129,784	$1,109,431
457.95%	513.49%	498.58%	502.92%	63.76%	45.64%	58.26%	41.53%

STATE OF MISSOURI
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FISCAL YEARS 2015-2018
(In Thousands of Dollars)

	2018*	2017*	2016*	2015*
Missouri State Employees' Plan				
State's proportion of the net pension liability	82.19%	82.21%	82.26%	82.45%
State's proportionate share of the net pension liability	$ 4,279,391	$ 3,816,328	$ 2,641,347	$ 1,944,098
State's covered payroll	$ 1,617,463	$ 1,593,034	$ 1,593,238	$ 1,613,263
State's proportionate share of the net pension liability as a percentage of its covered payroll	264.57%	239.56%	165.78%	120.51%
Plan fiduciary net position as a percentage of the total pension liability	60.41%	63.60%	72.62%	79.49%
Judicial Plan				
State's proportion of the net pension liability	100.00%	100.00%	100.00%	100.00%
State's proportionate share of the net pension liability	$ 426,783	$ 415,565	$ 352,118	$ 329,690
State's covered payroll	$ 58,592	$ 57,421	$ 55,656	$ 49,588
State's proportionate share of the net pension liability as a percentage of its covered payroll	728.40%	723.72%	632.66%	664.86%
Plan fiduciary net position as a percentage of the total pension liability	24.39%	24.11%	27.09%	28.69%
Missouri Department of Transportation and Highway Patrol Employees' Retirement System				
State's proportion of the net pension liability	100.00%	100.00%	100.00%	100.00%
State's proportionate share of the net pension liability	$ 1,632,669	$ 1,769,659	$ 1,706,479	$ 1,692,786
State's covered payroll	$ 356,515	$ 344,635	$ 342,265	$ 336,591
State's proportionate share of the net pension liability as a percentage of its covered payroll	457.95%	513.49%	498.58%	502.92%
Plan fiduciary net position as a percentage of the total pension liability	57.06%	52.96%	54.08%	53.63%
Missouri State Employees' Plan - Component Units				
Component Unit's proportion of the net pension liability	17.44%	17.41%	17.38%	17.19%
Component Unit's proportionate share of the net pension liability	$ 908,000	$ 808,175	$ 557,955	$ 405,189
Component Unit's covered payroll	$ 343,472	$ 337,401	$ 336,571	$ 325,490
Component Unit's proportionate share of the net pension liability as a percentage of its covered payroll	264.36%	239.53%	165.78%	124.49%
Plan fiduciary net position as a percentage of the total pension liability	60.41%	63.60%	72.62%	79.49%
University of Missouri Retirement System				
University's proportion of the net pension liability	100.00%	100.00%	100.00%	100.00%
University's proportionate share of the net pension liability	$ 731,193	$ 522,264	$ 658,186	$ 460,723
University's covered payroll	$ 1,146,836	$ 1,144,412	$ 1,129,784	$ 1,109,431
University's proportionate share of the net pension liability as a percentage of its covered payroll	63.76%	45.64%	58.26%	41.53%
Plan fiduciary net position as a percentage of the total pension liability	83.43%	86.97%	83.03%	87.76%

*Based on a measurement date and actuarial valuation as of the end of the preceding fiscal year. The measurement date is as of June 30, except University of Missouri Retirement System which is based on a measurement date of October 1.

Note: This schedule is ultimately required to show information for ten years. However, until a full ten-year trend is compiled, only the years that information is available will be reported.

STATE OF MISSOURI
SCHEDULE OF STATE CONTRIBUTIONS
PENSION
FISCAL YEARS 2014-2018
(In Thousands of Dollars)

	2018	2017*	2016	2015	2014
Missouri State Employees' Plan					
Required Contributions	$ 313,167	$ 274,510	$ 270,198	$ 270,220	$ 269,106
Contributions in relation to the required contribution	$ 313,167	$ 274,510	$ 270,198	$ 270,220	$ 269,106
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —
State's covered payroll	$ 1,610,149	$ 1,617,463	$ 1,593.034	$ 1,593.238	$ 1,613.263
Contributions as a percentage of covered payroll	19.45%	16.97%	16.96%	16.96%	16.68%
Judicial Plan					
Required Contributions	$ 36,895	$ 32,671	$ 33,642	$ 32,696	$ 29,265
Contributions in relation to the required contribution	$ 36,895	$ 34,247	$ 33,642	$ 32,696	$ 29,265
Contribution deficiency (excess)	$ —	$ (1,576)	$ —	$ —	$ —
State's covered payroll	$ 59,404	$ 58,592	$ 57,421	$ 55,656	$ 49,588
Contributions as a percentage of covered payroll	62.11%	58.45%	58.59%	58.70%	59.02%
Missouri Department of Transportation and Highway Patrol Employees' Retirement System					
Required Contributions	$ 204,955	$ 206,563	$ 199,609	$ 200,639	$ 183,354
Contributions in relation to the required contribution	$ 204,955	$ 206,563	$ 199,609	$ 200,639	$ 183,354
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —
State's covered payroll	$ 353,751	$ 356,515	$ 344,635	$ 342,265	$ 336,591
Contributions as a percentage of covered payroll	58.00%	58.00%	58.00%	58.62%	54.44%
Missouri State Employees' Plan - Component Units					
Required Contributions	$ 63,533	$ 58,246	$ 57,219	$ 57,081	$ 56,087
Contributions in relation to the required contribution	$ 63,533	$ 58,246	$ 57,219	$ 57,081	$ 56,087
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —
Component Unit's covered payroll	$ 326,631	$ 343,472	$ 337,401	$ 336,571	$ 325,490
Contributions as a percentage of covered payroll	19.45%	16.96%	16.96%	16.96%	17.23%
University of Missouri Retirement System					
Required Contributions	$ 92,200	$ 96,631	$ 99,454	$ 103,895	$ 113,688
Contributions in relation to the required contribution	$ 92,200	$ 96,631	$ 99,454	$ 103,895	$ 113,688
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —
University's covered payroll	$ 1,146,836	$ 1,144,412	$ 1,129,784	$ 1,109,431	$ 1,078,347
Contributions as a percentage of covered payroll	8.04%	8.44%	8.80%	9.36%	10.54%

*After post-valuation adjustments.

Note: Schedule revised to show by most recent fiscal year end rather than the measurement date.

Note: This schedule is ultimately required to show information for ten years. However, until a full ten-year trend is compiled, only the years that information is available will be reported.

Notes to the Schedule:
Changes of benefit terms. Senate Bill 62 (SB 62), which contained changes to the benefit structure for Missouri State Employees' MSEP 2011 Plan and the Missouri Department of Transportation and Highway Patrol Employees' Retirement System Year 2000 Plan-2011 Tier, was passed by the 2017 legislature (effective January 1, 2018). The provisions of the bill decreased vesting from ten to five years of service, but also included provisions that essentially offset the cost of the vesting change. As a result, SB 62 had no impact on the employer contribution rate and created a decrease to the UAAL for the MSEP 2011 Plan of $1.6 million. There are no changes to benefit terms in the plans for the year ended June 30, 2017.

Changes of assumptions.
For MOSERS: The board reduced the investment return assumption used in the June 30, 2017 valuation to 7.5%.
For MPERS: No changes in assumptions.
For MU: The board reduced the discount rate used in the October 1, 2017 valuation to 7.20%.

STATE OF MISSOURI
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FISCAL YEAR 2018
(In Thousands of Dollars)

	Missouri Department of Transportation and Highway Patrol Medical and Life Insurance Plan*	Conservation Employees' Benefits Plan*
	2018*	2018*
Total OPEB Liability		
Service Cost	$ 49,483	$ 3,109
Interest	35,941	4,975
Changes of Benefit Terms	—	—
Differences Between Expected and Actual Experience	—	—
Changes of Assumptions or Other Inputs	(165,036)	(7,665)
Benefit Payments	(21,185)	(3,006)
Net Change in Total OPEB Liability	(100,797)	(2,587)
Total OPEB Liability - Beginning	1,222,196	137,344
Total OPEB Liability - Ending (a)	$ 1,121,399	$ 134,757
Covered-Employee Payroll	$ 355,663	$ 62,235
Total OPEB Liability as a Percentage of Covered-Employee Payroll	315.30%	216.53%

*Based on a measurement date and actuarial valuation as of the end of the preceding fiscal year. The measurement date is as of June 30, except the MSHP and MoDOT Medical and LIfe Insurance Plan which is based on a measurement date of July 1.

Note: This schedule is ultimately required to show information for ten years. However, until a full ten-year trend is compiled, only the years that information is available will be reported.

STATE OF MISSOURI
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
FISCAL YEAR 2018
(In Thousands of Dollars)

	University of Missouri OPEB Plan*
	2018
Total OPEB Liability	
Service Cost	$ 4,991
Interest on the Total OPEB Liability	17,434
Changes in Assumptions	(18,998)
Benefit Payments, including member refunds	(22,828)
Net Change in Total Pension Liability	(19,401)
Total OPEB Liability - Beginning	498,407
Total OPEB Liability - Ending (a)	479,006
Plan Fiduciary Net Position	
Contributions - Employer	18,590
Contributions - Employee	16,480
Net Investment Income	790
Benefit Payments, including refunds of employee contributions	(35,031)
Other	(172)
Net Change in Plan Fiduciary Net Position	657
Plan Fiduciary Net Position - Beginning*	36,144
Plan Fiduciary Net Position - Ending (b)	36,801
Net OPEB Liability - Ending (a) - (b)	$ 442,205
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	7.68%
Covered-Employee Payroll	$ 721,517
Net OPEB Liability as a Percentage of Covered-Employee Payroll	61.29%

*Based on a measurement date of June 30, 2018.

Note: This schedule is ultimately required to show information for ten years. However, until a full ten-year trend is compiled, only the years that information is available will be reported.

STATE OF MISSOURI
SCHEDULE OF PROPORTIONATE SHARE OF THE COLLECTIVE NET OPEB LIABILITY
FISCAL YEARS 2018
(In Thousands of Dollars)

	2018*
Missouri Consolidated Health Care Plan	
State's proportion of the collective net OPEB liability	99.56%
State's proportionate share of the collective net OPEB liability	$ 1,756,787
State's covered payroll	$ 1,480,735
State's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	118.64%
Plan fiduciary net position as a percentage of the total OPEB liability	6.64%
Missouri Consolidated Health Care Plan - CU	
Component Unit's proportion of the collective net OPEB liability	0.03%
Component Unit's proportionate share of the collective net OPEB liability	$ 484
Component Unit's covered payroll	$ 176
Component Unit's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	275.00%
Plan fiduciary net position as a percentage of the total OPEB liability	6.64%

*Based on a measurement date and actuarial valuation as of the end of the preceding fiscal year.

Note: This schedule is ultimately required to show information for ten years. However, until a full ten-year trend is compiled, only the years that information is available will be reported.

Notes to the Schedules:

Neither MHPML or CEIP have assets that are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Changes of benefit terms. There were no changes in benefit terms.

Changes of assumptions.
For MCHCP: The discount rate changed from 5.70% to 5.71%, in the June 30, 2017 valuation.
For CEIP: The discount rate went from 3.58% to 3.87% in the June 30, 2017 valuation.
MHPML: None
For MU: The 75% pre-65 medical participation assumption was split to 90% in the Retiree Health PPO Plan and 10% in the Healthy Savings Plan. The 90% post-65 participation assumption was split to 33% in the Base Plan and 67% in the Buy-Up Plan at the January 1, 2017 effective date. Also, in the interest rate used for the valuations was changed from 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018.

Supplementary Information *includes the Budgetary Comparison Schedule and Reconciliation for the Major Capital Projects Fund (Missouri Road Fund), as well as the Combining and Individual Fund Statements and Schedules for the General Fund and all Non-Major Funds.*

STATE OF MISSOURI
SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON STATEMENT
MAJOR CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2018
(In Thousands of Dollars)

	Missouri Road Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Beginning Budgetary Fund Balance	$ 712,394	$ 712,394	$ 712,394	$ —
Resources (Inflows):				
Taxes:				
Vehicle Sales and Use	181,112	181,112	177,892	(3,220)
Fuel	112	112	124	12
Total Taxes	181,224	181,224	178,016	(3,208)
Licenses, Fees, and Permits	95,156	95,156	105,181	10,025
Contributions and Intergovernmental	946,948	947,262	935,017	(12,245)
Interest	5,038	5,038	9,070	4,032
Cost Reimbursement/Miscellaneous	96,380	96,380	83,371	(13,009)
Transfers In	510,000	510,000	461,282	(48,718)
Total Resources (Inflows)	1,834,746	1,835,060	1,771,937	(63,123)
Amount Available for Appropriation	2,547,140	2,547,454	2,484,331	(63,123)
Charges to Appropriations (Outflows):				
Current:				
Transportation and Law Enforcement	841,418	869,438	827,949	41,489
Capital Outlay				
Transportation and Law Enforcement	855,863	884,365	842,163	42,202
Debt Service	114,036	117,833	112,210	5,623
Total Charges to Appropriations	1,811,317	1,871,636	1,782,322	89,314
Ending Budgetary Fund Balance	$ 735,823	$ 675,818	$ 702,009	$ 26,191
Reconciling Items:				
Reclassifying Cash Equivalents as Investments			(423,685)	
Investments at Fair Value			418,095	
Receivables, Net			124,609	
Inventories			33,738	
Accounts Payable			(107,010)	
Accrued Payroll			(17,213)	
Due to Other Funds			(227)	
Unearned Revenue			(4,306)	
Deferred Inflows of Resources			(22,532)	
Fund Balance - GAAP Basis			$ 703,478	

*The **Combining and Individual** Fund Statements and Schedules*

Major Funds

General Fund - Accounts for all current financial resources not required by law or administrative action to be accounted for in another fund.

Non-Major Funds

This includes all non-major governmental and enterprise funds, as well as the non-major component units. It also includes all internal service and fiduciary funds because the "major fund" classification, created under GASB Statement 34, does not apply to these funds.

A budgetary comparison schedule is provided for all non-major governmental funds with the exception of capital projects funds.

STATE OF MISSOURI
BALANCE SHEET
GENERAL FUND
June 30, 2018
(In Thousands of Dollars)

	General Fund				Totals	
	General		Federal		June 30, 2018	
ASSETS						
Cash and Cash Equivalents	$	525,977	$	131,548	$	657,525
Investments		871,882		224,604		1,096,486
Accounts Receivable, Net		1,375,881		903,036		2,278,917
Interest Receivable		6,110		39		6,149
Inventories		21,984		1,006		22,990
Loans Receivable		25,954		—		25,954
Total Assets	$	2,827,788	$	1,260,233	$	4,088,021
LIABILITIES						
Accounts Payable	$	585,382	$	648,413	$	1,233,795
Accrued Payroll		47,059		12,041		59,100
Due to Other Funds		2,137		2,851		4,988
Unearned Revenue		1,271		60,759		62,030
Escheat/Unclaimed Property		112,464		—		112,464
Total Liabilities		748,313		724,064		1,472,377
DEFERRED INFLOWS OF RESOURCES		865,104		231,683		1,096,787
FUND BALANCES						
Nonspendable		47,938		1,006		48,944
Restricted		4,433		303,480		307,913
Committed		617,661		—		617,661
Assigned		86,705		—		86,705
Unassigned		457,634		—		457,634
Total Fund Balances		1,214,371		304,486		1,518,857
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$	2,827,788	$	1,260,233	$	4,088,021

STATE OF MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND
For the Fiscal Year Ended June 30, 2018
(In Thousands of Dollars)

	General Fund			Totals
	General	Federal	Eliminations	June 30, 2018
Revenues:				
Taxes	$ 9,333,308	$ —	$ —	$ 9,333,308
Licenses, Fees, and Permits	92,437	478	—	92,915
Sales	516	15	—	531
Leases and Rentals	12	—	—	12
Services	7,991	139,860	—	147,851
Contributions and Intergovernmental	1,641,701	8,617,587	—	10,259,288
Investment Earnings:				
Net Increase (Decrease) in the Fair Value of Investments	(2,206)	(775)	—	(2,981)
Interest	23,162	196	—	23,358
Penalties and Unclaimed Properties	48,606	6,282	—	54,888
Cost Reimbursement/Miscellaneous	121,189	183,578	—	304,767
Total Revenues	11,266,716	8,947,221	—	20,213,937
Expenditures:				
Current:				
General Government	629,130	25,719	—	654,849
Education	3,253,760	1,008,916	—	4,262,676
Natural and Economic Resources	57,936	211,054	—	268,990
Transportation and Law Enforcement	86,733	212,262	—	298,995
Human Services	5,820,276	7,473,076	—	13,293,352
Debt Service:				
Principal	76,938	672	—	77,610
Interest	29,367	40	—	29,407
Bond Issuance Cost	356	—	—	356
Total Expenditures	9,954,496	8,931,739	—	18,886,235
Excess Revenues (Expenditures)	1,312,220	15,482	—	1,327,702
Other Financing Sources (Uses):				
Issuance of Notes/Capital Leases	6,080	772	—	6,852
Sale of Capital Assets	568	364	—	932
Transfers In	242,060	142,361	(330,825)	53,596
Transfers Out	(1,441,973)	(192,409)	330,825	(1,303,557)
Total Other Financing Sources (Uses)	(1,193,265)	(48,912)	—	(1,242,177)
Net Change in Fund Balances	118,955	(33,430)	—	85,525
Fund Balances - Beginning	1,095,485	338,768	—	1,434,253
Increase (Decrease) in Reserve for Inventory	(69)	(852)	—	(921)
Fund Balances - Ending	$ 1,214,371	$ 304,486	$ —	$ 1,518,857

STATE OF MISSOURI
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
June 30, 2018
(In Thousands of Dollars)

	Special Revenue	Debt Service	Capital Projects	Permanent	Totals June 30, 2018
ASSETS					
Cash and Cash Equivalents	$ 155,287	$ 36,141	$ 49,230	$ 998	$ 241,656
Investments	238,834	65,961	107,175	56,638	468,608
Accounts Receivable, Net	166,450	17,395	—	—	183,845
Interest Receivable	626	311	472	1	1,410
Due from Other Funds	630	—	—	—	630
Inventories	3,674	—	—	—	3,674
Loans Receivable	3,498	—	—	—	3,498
Total Assets	$ 568,999	$ 119,808	$ 156,877	$ 57,637	$ 903,321
LIABILITIES					
Accounts Payable	$ 68,551	$ —	$ 11,060	$ —	$ 79,611
Accrued Payroll	11,931	—	—	—	11,931
Due to Other Funds	1,189	—	—	—	1,189
Total Liabilities	81,671	—	11,060	—	92,731
DEFERRED INFLOWS OF RESOURCES	7,372	59	173	1	7,605
FUND BALANCES					
Nonspendable	3,674	—	—	57,524	61,198
Restricted	181,898	119,749	145,644	—	447,291
Committed	39,120	—	—	—	39,120
Assigned	255,264	—	—	112	255,376
Total Fund Balances	479,956	119,749	145,644	57,636	802,985
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 568,999	$ 119,808	$ 156,877	$ 57,637	$ 903,321

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
For the Fiscal Year Ended June 30, 2018
(In Thousands of Dollars)

	Special Revenue	Debt Service	Capital Projects	Permanent	Totals June 30, 2018
Revenues:					
Taxes	$ 949,105	$ 184,928	$ —	$ —	$ 1,134,033
Licenses, Fees, and Permits	392,060	—	—	—	392,060
Sales	1,397	—	—	—	1,397
Leases and Rentals	2	—	—	—	2
Services	800	—	—	—	800
Contributions and Intergovernmental	355,966	4,709	—	5	360,680
Investment Earnings:					
Net Increase (Decrease) in the Fair Value of Investments	(894)	(703)	(472)	(166)	(2,235)
Interest	3,350	2,228	2,479	6	8,063
Penalties and Unclaimed Properties	11,782	—	—	2,162	13,944
Cost Reimbursement/Miscellaneous	65,422	—	—	—	65,422
Total Revenues	1,778,990	191,162	2,007	2,007	1,974,166
Expenditures:					
Current:					
General Government	234,929	—	17,341	—	252,270
Education	1,536	—	55,349	—	56,885
Natural and Economic Resources	246,342	—	1,231	—	247,573
Transportation and Law Enforcement	338,744	1	9,135	—	347,880
Human Services	688,963	—	16,245	2	705,210
Capital Outlay:					
General Government	—	—	1,320	—	1,320
Education	—	—	106	—	106
Natural and Economic Resources	—	—	3,549	—	3,549
Transportation and Law Enforcement	—	—	276	—	276
Human Services	—	—	64,467	—	64,467
Debt Service:					
Principal	648	175,305	—	—	175,953
Interest	213	75,160	—	—	75,373
Underwriter's Discount	—	—	985	—	985
Total Expenditures	1,511,375	250,466	170,004	2	1,931,847
Excess Revenues (Expenditures)	267,615	(59,304)	(167,997)	2,005	42,319
Other Financing Sources (Uses):					
Issuance of Notes/Capital Leases	82	—	—	—	82
Issuance of Bonds	—	—	124,905	—	124,905
Bond Premium	—	—	9,751	—	9,751
Proceeds from Sale of Capital Assets	7,976	—	—	—	7,976
Transfers In	254,132	53,864	231	—	308,227
Transfers Out	(504,446)	—	—	—	(504,446)
Total Other Financing Sources (Uses)	(242,256)	53,864	134,887	—	(53,505)
Net Change in Fund Balances	25,359	(5,440)	(33,110)	2,005	(11,186)
Fund Balances - Beginning	453,932	125,189	178,754	55,631	813,506
Increase (Decrease) in Reserve for Inventory	665	—	—	—	665
Fund Balances - Ending	$ 479,956	$ 119,749	$ 145,644	$ 57,636	$ 802,985

*The **Special Revenue Funds** account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The State has numerous individual Special Revenue Funds. Therefore, the funds have been combined into specific functional areas.*

Non-Major Special Revenue Funds:

Professional Registration - Provides for the control and regulation of various professions. Each profession has its own fund to account for its operation.

Judicial Protection and Assistance - Provides for protection of public employees by the Attorney General's Office, conviction of criminal offenders by prosecuting attorneys and assistance to victims of criminal offenses.

Agriculture and State Fair - Provides for inspections of products, market development, and awards for competition at the State Fair.

Social Assistance - Provides financial, health, and other services to qualifying individuals.

Transportation and Law Enforcement - Provides transportation services, road construction and maintenance, and the enforcement of vehicle laws and traffic safety.

Unemployment and Workers' Compensation - Provides for the administration of these laws and benefits to workers who qualify for workers' compensation.

Reimbursements and Other - Provides various reimbursements of costs to other governments and various regulatory commissions not included in other functional areas.

STATE OF MISSOURI
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
June 30, 2018
(In Thousands of Dollars)

	Professional Registration	Judicial Protection and Assistance	Agriculture and State Fair	Social Assistance	Transportation and Law Enforcement	Unemployment and Workers' Compensation	Reimbursements and Other	Totals June 30, 2018
ASSETS								
Cash and Cash Equivalents	$ 19,150	$ 14,311	$ 3,802	$ 20,866	$ 48,328	$ 15,914	$ 32,916	$ 155,287
Investments	33,342	24,917	7,803	36,312	51,581	27,694	57,185	238,834
Accounts Receivable, Net	—	1,269	111	4,942	132,929	24,738	2,461	166,450
Interest Receivable	—	52	20	113	165	89	187	626
Due from Other Funds	—	—	—	—	—	630	—	630
Inventories	26	8	13	29	3,369	—	229	3,674
Loans Receivable	—	—	2,040	—	1,458	—	—	3,498
Total Assets	$ 52,518	$ 40,557	$ 13,789	$ 62,262	$ 237,830	$ 69,065	$ 92,978	$ 568,999
LIABILITIES								
Accounts Payable	$ 194	$ 1,426	$ 115	$ 42,819	$ 2,565	$ 18,326	$ 3,106	$ 68,551
Accrued Payroll	238	421	271	325	7,620	462	2,594	11,931
Due to Other Funds	19	508	16	80	366	95	105	1,189
Total Liabilities	451	2,355	402	43,224	10,551	18,883	5,805	81,671
DEFERRED INFLOWS OF RESOURCES	—	63	12	448	5,130	593	1,126	7,372
FUND BALANCES								
Nonspendable	26	8	13	29	3,369	—	229	3,674
Restricted	—	23,430	3,829	5,934	37,597	49,589	61,519	181,898
Committed	16,554	7,591	549	7,417	835	—	6,174	39,120
Assigned	35,487	7,110	8,984	5,210	180,348	—	18,125	255,264
Total Fund Balances	52,067	38,139	13,375	18,590	222,149	49,589	86,047	479,956
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 52,518	$ 40,557	$ 13,789	$ 62,262	$ 237,830	$ 69,065	$ 92,978	$ 568,999

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2018
(In Thousands of Dollars)

	Professional Registration	Judicial Protection and Assistance	Agriculture and State Fair	Social Assistance	Transportation and Law Enforcement	Unemployment and Workers' Compensation	Reimbursements and Other	Totals June 30, 2018
Revenues:								
Taxes	$ 112	$ —	$ 4,577	$ 102,834	$ 722,831	$ 118,599	$ 152	$ 949,105
Licenses, Fees, and Permits	14,399	30,125	11,585	18,437	211,012	—	106,502	392,060
Sales	—	—	6	1,051	—	—	340	1,397
Leases and Rentals	—	—	—	—	—	—	2	2
Services	—	793	—	—	—	—	7	800
Contributions and Intergovernmental	—	764	146	351,238	4	—	3,814	355,966
Investment Earnings:								
Net Increase (Decrease) in the Fair Value of Investments	(83)	(84)	(120)	(111)	(271)	(71)	(154)	(894)
Interest	—	261	208	524	965	437	955	3,350
Penalties and Unclaimed Properties	440	8,913	—	36	600	—	1,793	11,782
Cost Reimbursement/ Miscellaneous	175	1,397	98	37,710	1,803	220	24,019	65,422
Total Revenues	15,043	42,169	16,500	511,719	936,944	119,185	137,430	1,778,990
Expenditures:								
Current:								
General Government	163	12,720	178	1,477	208,155	5,336	6,900	234,929
Education	75	—	—	1,461	—	—	—	1,536
Natural and Economic Resources	18,384	994	15,597	3,847	—	105,822	101,698	246,342
Transportation and Law Enforcement	—	23,549	—	3,439	263,034	—	48,722	338,744
Human Services	—	156	—	685,078	—	—	3,729	688,963
Debt Service:								
Principal	—	20	—	—	—	82	546	648
Interest	—	6	8	—	—	19	180	213
Total Expenditures	18,622	37,445	15,783	695,302	471,189	111,259	161,775	1,511,375
Excess Revenues (Expenditures)	(3,579)	4,724	717	(183,583)	465,755	7,926	(24,345)	267,615
Other Financing Sources (Uses):								
Issuance of Notes/ Capital Leases	—	3	59	—	—	—	20	82
Proceeds from Sale of Capital Assets	—	43	5	—	7,917	—	11	7,976
Transfers In	28	1,387	38	198,477	732	7,280	46,190	254,132
Transfers Out	(768)	(18)	—	(14,721)	(466,070)	(1,153)	(21,716)	(504,446)
Total Other Financing Sources (Uses)	(740)	1,415	102	183,756	(457,421)	6,127	24,505	(242,256)
Net Change in Fund Balances	(4,319)	6,139	819	173	8,334	14,053	160	25,359
Fund Balances - Beginning	56,387	32,000	12,554	18,398	213,158	35,536	85,899	453,932
Increase (Decrease) in Reserve for Inventory	(1)	—	2	19	657	—	(12)	665
Fund Balances - Ending	$ 52,067	$ 38,139	$ 13,375	$ 18,590	$ 222,149	$ 49,589	$ 86,047	$ 479,956

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2018
(In Thousands of Dollars)

	Professional Registration			Judicial Protection and Assistance		
	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:						
Taxes:						
Sales and Use	$ —	$ —	$ —	$ —	$ —	$ —
Cigarette	—	—	—	—	—	—
Fuel	—	—	—	—	—	—
County Foreign Insurance	—	—	—	—	—	—
Liquor/Wine	—	—	—	—	—	—
Reimbursement/Miscellaneous	110	112	2	—	—	—
Total Taxes	110	112	2	—	—	—
Licenses, Fees, and Permits	14,130	14,409	279	26,926	30,713	3,787
Sales	—	—	—	—	—	—
Leases and Rentals	—	—	—	—	—	—
Services	—	—	—	695	793	98
Contributions and Intergovernmental	1	1	—	2,207	2,517	310
Interest	—	—	—	223	254	31
Penalties and Unclaimed Property	431	440	9	7,814	8,913	1,099
Cost Reimbursement/ Miscellaneous	173	176	3	1,251	1,426	175
Total Revenues	14,845	15,138	293	39,116	44,616	5,500
Expenditures:						
Current:						
General Government	60	2	58	22,496	13,511	8,985
Education	150	78	72	—	—	—
Natural and Economic Resources	12,098	8,910	3,188	1,185	2	1,183
Transportation and Law Enforcement	—	—	—	34,846	24,461	10,385
Human Services	—	—	—	750	154	596
Total Expenditures	12,308	8,990	3,318	59,277	38,128	21,149
Excess Revenues (Expenditures)	2,537	6,148	3,611	(20,161)	6,488	26,649
Other Financing Sources (Uses):						
Transfers In	320	10	(310)	3,085	2,982	(103)
Transfers Out	(13,794)	(10,562)	3,232	(2,491)	(2,289)	202
Total Other Financing Sources (Uses)	(13,474)	(10,552)	2,922	594	693	99
Net Change in Fund Balances	(10,937)	(4,404)	6,533	(19,567)	7,181	26,748
Fund Balances - Beginning	57,099	57,099	—	32,198	32,198	—
Fund Balances - Ending	$ 46,162	$ 52,695	$ 6,533	$ 12,631	$ 39,379	$ 26,748
Reconciling Items:						
Reclassifying Cash Equivalents as Investments		(33,545)			(25,068)	
Investments at Fair Value		33,342			24,917	
Receivables, Net		—			1,321	
Due from Other Funds		—			—	
Inventories		26			8	
Accounts Payable		(194)			(1,426)	
Accrued Payroll		(238)			(421)	
Due to Other Funds		(19)			(508)	
Deferred Inflows of Resources		—			(63)	
Fund Balance per GAAP		$ 52,067			$ 38,139	

Agriculture and State Fair			Social Assistance		
Budget	Actual	Variance	Budget	Actual	Variance
$ —	$ —	$ —	$ —	$ —	$ —
—	—	—	40,558	39,337	(1,221)
—	—	—	—	—	—
—	—	—	—	—	—
4,650	4,576	(74)	—	—	—
—	—	—	64,769	62,820	(1,949)
4,650	4,576	(74)	105,327	102,157	(3,170)
11,815	11,628	(187)	19,082	18,508	(574)
6	6	—	1,084	1,051	(33)
—	—	—	—	—	—
—	—	—	—	—	—
187	184	(3)	368,823	357,722	(11,101)
91	90	(1)	519	503	(16)
—	—	—	20	19	(1)
156	154	(2)	44,794	43,446	(1,348)
16,905	16,638	(267)	539,649	523,406	(16,243)
291	105	186	5,068	2,929	2,139
—	—	—	3,179	1,899	1,280
14,932	12,092	2,840	6,946	3,895	3,051
—	—	—	5,353	2,989	2,364
—	—	—	534,666	499,354	35,312
15,223	12,197	3,026	555,212	511,066	44,146
1,682	4,441	2,759	(15,563)	12,340	27,903
5	5	—	271,934	210,640	(61,294)
(3,990)	(3,716)	274	(308,566)	(219,667)	88,899
(3,985)	(3,711)	274	(36,632)	(9,027)	27,605
(2,303)	730	3,033	(52,195)	3,313	55,508
8,972	8,972	—	54,066	54,066	—
$ 6,669	$ 9,702	$ 3,033	$ 1,871	$ 57,379	$ 55,508
	(5,900)			(36,513)	
	7,803			36,312	
	2,171			5,055	
	—			—	
	13			29	
	(115)			(42,819)	
	(271)			(325)	
	(16)			(80)	
	(12)			(448)	
	$ 13,375			$ 18,590	

This schedule is continued on pages 161 - 162

	Transportation and Law Enforcement			Unemployment and Workers' Compensation		
	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:						
Taxes:						
Sales and Use	$ 11,817	$ 11,577	$ (240)	$ —	$ —	$ —
Cigarette	—	—	—	—	—	—
Fuel	744,195	729,054	(15,141)	—	—	—
County Foreign Insurance	—	—	—	—	—	—
Liquor/Wine	—	—	—	—	—	—
Reimbursement/Miscellaneous	—	—	—	145,131	120,120	(25,011)
Total Taxes	756,012	740,631	(15,381)	145,131	120,120	(25,011)
Licenses, Fees, and Permits	219,107	214,649	(4,458)	—	—	—
Sales	7,291	7,143	(148)	—	—	—
Leases and Rentals	—	—	—	—	—	—
Services	—	—	—	—	—	—
Contributions and Intergovernmental	590	578	(12)	3,396	2,811	(585)
Interest	954	935	(19)	515	426	(89)
Penalties and Unclaimed Property	568	556	(12)	9,445	7,817	(1,628)
Cost Reimbursement/ Miscellaneous	1,533	1,501	(32)	448	371	(77)
Total Revenues	986,055	965,993	(20,062)	158,935	131,545	(27,390)
Expenditures:						
Current:						
General Government	226,657	215,345	11,312	22,131	9,908	12,223
Education	—	—	—	—	—	—
Natural and Economic Resources	—	—	—	155,307	112,705	42,602
Transportation and Law Enforcement	310,060	274,897	35,163	—	—	—
Human Services	—	—	—	—	—	—
Total Expenditures	536,717	490,242	46,475	177,438	122,613	54,825
Excess Revenues (Expenditures)	449,338	475,751	26,413	(18,503)	8,932	27,435
Other Financing Sources (Uses):						
Transfers In	562,287	548,494	(13,793)	6	4	(2)
Transfers Out	(1,089,245)	(1,025,338)	63,907	(13,388)	(11,690)	1,698
Total Other Financing Sources (Uses)	(526,958)	(476,844)	50,114	(13,382)	(11,686)	1,696
Net Change in Fund Balances	(77,620)	(1,093)	76,527	(31,885)	(2,754)	29,131
Fund Balances - Beginning	98,216	98,216	—	46,530	46,530	—
Fund Balances - Ending	$ 20,596	$ 97,123	$ 76,527	$ 14,645	$ 43,776	$ 29,131
Reconciling Items:						
Reclassifying Cash Equivalents as Investments		(48,795)			(27,862)	
Investments at Fair Value		51,581			27,694	
Receivables, Net		134,552			24,827	
Due from Other Funds		—			630	
Inventories		3,369			—	
Accounts Payable		(2,565)			(18,326)	
Accrued Payroll		(7,620)			(462)	
Due to Other Funds		(366)			(95)	
Deferred Inflows of Resources		(5,130)			(593)	
Fund Balance per GAAP		$ 222,149			$ 49,589	

This schedule is continued from page 160.

Reimbursements and Other			Totals		
Budget	Actual	Variance	Budget	Actual	Variance
$ —	$ —	$ —	$ 11,817	$ 11,577	$ (240)
—	—	—	40,558	39,337	(1,221)
—	—	—	744,195	729,054	(15,141)
171	172	1	171	172	1
—	—	—	4,650	4,576	(74)
—	—	—	210,010	183,052	(26,958)
171	172	1	1,011,401	967,768	(43,633)
105,828	106,639	811	396,888	396,546	(342)
373	376	3	8,754	8,576	(178)
2	2	—	2	2	—
7	7	—	702	800	98
4,280	4,313	33	379,484	368,126	(11,358)
922	929	7	3,224	3,137	(87)
1,779	1,793	14	20,057	19,538	(519)
23,467	23,647	180	71,822	70,721	(1,101)
136,829	137,878	1,049	1,892,334	1,835,214	(57,120)
9,746	6,140	3,606	286,449	247,940	38,509
—	—	—	3,329	1,977	1,352
110,723	87,529	23,194	301,191	225,133	76,058
48,323	42,158	6,165	398,582	344,505	54,077
3,727	2,905	822	539,143	502,413	36,730
172,519	138,732	33,787	1,528,694	1,321,968	206,726
(35,690)	(854)	34,836	363,640	513,246	149,606
90,220	69,582	(20,638)	927,857	831,717	(96,140)
(104,668)	(70,765)	33,903	(1,536,142)	(1,344,027)	192,115
(14,448)	(1,183)	13,265	(608,285)	(512,310)	95,975
(50,138)	(2,037)	48,101	(244,645)	936	245,581
92,457	92,457	—	389,538	389,538	—
$ 42,319	$ 90,420	$ 48,101	$ 144,893	$ 390,474	$ 245,581
	(57,504)			(235,187)	
	57,185			238,834	
	2,648			170,574	
	—			630	
	229			3,674	
	(3,106)			(68,551)	
	(2,594)			(11,931)	
	(105)			(1,189)	
	(1,126)			(7,372)	
	$ 86,047			$ 479,956	

The ***Debt Service Funds*** *account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.*

<u>Debt Service Funds</u>:

Water Pollution Control Bond and Interest - Accounts for moneys used to pay the principal of the Water Pollution Control Bonds and the interest thereon.

Fourth State Building Bond and Interest - Accounts for moneys used to pay the principal of the Fourth State Building Bonds and the interest thereon.

Stormwater Control Bond and Interest - Accounts for moneys used to pay the principal of the Stormwater Control Bonds and the interest thereon.

Fulton State Hospital Bond and Interest - Accounts for moneys used to pay the principal of the Fulton State Hospital Bonds and the interest thereon.

Missouri Road Bond - Accounts for moneys used to pay bonds issued by the Highway and Transportation Commission.

STATE OF MISSOURI
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
June 30, 2018
(In Thousands of Dollars)

	Water Pollution Control Bond and Interest	Fourth State Building Bond and Interest	Stormwater Control Bond and Interest	Fulton State Hospital Bond and Interest	Missouri Road Bond	Totals June 30, 2018
ASSETS						
Cash and Cash Equivalents	$ 4,629	$ 8,197	$ 564	$ 3,903	$ 18,848	$ 36,141
Investments	10,077	17,845	1,227	8,497	28,315	65,961
Accounts Receivable, Net	—	—	—	—	17,395	17,395
Interest Receivable	45	76	5	36	149	311
Total Assets	$ 14,751	$ 26,118	$ 1,796	$ 12,436	$ 64,707	$ 119,808
DEFERRED INFLOWS OF RESOURCES	$ 16	$ 28	$ 2	$ 13	$ —	$ 59
FUND BALANCES						
Restricted	14,735	26,090	1,794	12,423	64,707	119,749
Total Fund Balances	14,735	26,090	1,794	12,423	64,707	119,749
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 14,751	$ 26,118	$ 1,796	$ 12,436	$ 64,707	$ 119,808

Note: There were no liabilities for fiscal year ended June 30, 2018.

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
For the Fiscal Year Ended June 30, 2018
(In Thousands of Dollars)

	Water Pollution Control Bond and Interest	Fourth State Building Bond and Interest	Stormwater Control Bond and Interest	Fulton State Hospital Bond and Interest	Missouri Road Bond	Totals June 30, 2018
Revenues:						
Taxes	$ —	$ —	$ —	$ —	$ 184,928	$ 184,928
Contributions and Intergovernmental	—	—	—	—	4,709	4,709
Investment Earnings:						
Net Increase (Decrease) in the Fair Value of Investments	(14)	(111)	(8)	(53)	(517)	(703)
Interest	249	345	24	163	1,447	2,228
Total Revenues	235	234	16	110	190,567	191,162
Expenditures:						
Current:						
Transportation and Law Enforcement	—	—	—	—	1	1
Debt Service:						
Principal	24,960	23,815	1,360	4,850	120,320	175,305
Interest	3,110	2,054	428	7,501	62,067	75,160
Issuance Cost	—	—	—	—	—	—
Total Expenditures	28,070	25,869	1,788	12,351	182,388	250,466
Excess Revenues (Expenditures)	(27,835)	(25,635)	(1,772)	(12,241)	8,179	(59,304)
Other Financing Sources (Uses):						
Transfers In	14,270	25,630	1,769	12,195	—	53,864
Total Other Financing Sources (Uses)	14,270	25,630	1,769	12,195	—	53,864
Net Change in Fund Balances	(13,565)	(5)	(3)	(46)	8,179	(5,440)
Fund Balances - Beginning	28,300	26,095	1,797	12,469	56,528	125,189
Fund Balances - Ending	$ 14,735	$ 26,090	$ 1,794	$ 12,423	$ 64,707	$ 119,749

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL DEBT SERVICE FUNDS
For the Fiscal Year Ended June 30, 2018
(In Thousands of Dollars)

	Water Pollution Control Bond and Interest			Fourth State Building Bond and Interest		
	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:						
Vehicle Sales and Use Tax	$ —	$ —	$ —	$ —	$ —	$ —
Interest	246	245	(1)	319	320	1
Total Revenues	246	245	(1)	319	320	1
Expenditures:						
Debt Service	28,070	28,070	—	25,869	25,869	—
Total Expenditures	28,070	28,070	—	25,869	25,869	—
Excess Revenues (Expenditures)	(27,824)	(27,825)	(1)	(25,550)	(25,549)	1
Other Financing Sources (Uses):						
Transfers In	14,557	14,269	(288)	25,927	25,630	(297)
Transfers Out	—	—	—	—	—	—
Total Other Financing Sources (Uses)	14,557	14,269	(288)	25,927	25,630	(297)
Net Change in Fund Balances	(13,267)	(13,556)	(289)	377	81	(296)
Fund Balances - Beginning	28,378	28,378	—	26,166	26,166	—
Fund Balances - Ending	$ 15,111	$ 14,822	$ (289)	$ 26,543	$ 26,247	$ (296)
Reconciling Items:						
Reclassifying Cash Equivalents as Investments		(10,193)			(18,050)	
Investments at Fair Value		10,077			17,845	
Receivables, Net		45			76	
Deferred Inflows of Resources		(16)			(28)	
Fund Balances - GAAP Basis		$ 14,735			$ 26,090	

Stormwater Control Bond and Interest			Fulton State Hospital Bond and Interest		
Budget	Actual	Variance	Budget	Actual	Variance
$ —	$ —	$ —	$ —	$ —	$ —
22	22	—	150	150	—
22	22	—	150	150	—
1,788	1,788	—	12,945	12,351	594
1,788	1,788	—	12,945	12,351	594
(1,766)	(1,766)	—	(12,795)	(12,201)	594
1,783	1,769	(14)	12,350	12,195	(155)
—	—	—	—	—	—
1,783	1,769	(14)	12,350	12,195	(155)
17	3	(14)	(445)	(6)	439
1,802	1,802	—	12,504	12,504	—
$ 1,819	$ 1,805	$ (14)	$ 12,059	$ 12,498	$ 439
	(1,241)			(8,595)	
	1,227			8,497	
	5			36	
	(2)			(13)	
	$ 1,794			$ 12,423	

This schedule is continued on page 169.

	Missouri Road Bond			Totals		
	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:						
Vehicle Sales and Use Tax	$ 186,146	$ 182,763	$ (3,383)	$ 186,146	182,763	$ (3,383)
Interest	230	1,092	862	967	1,829	862
Total Revenues	186,376	183,855	(2,521)	187,113	184,592	(2,521)
Expenditures:						
Debt Service	177,690	177,672	18	246,362	245,750	612
Total Expenditures	177,690	177,672	18	246,362	245,750	612
Excess Revenues (Expenditures)	8,686	6,183	(2,503)	(59,249)	(61,158)	(1,909)
Other Financing Sources (Uses):						
Transfers In	—	—	—	54,617	53,863	(754)
Transfers Out	—	—	—	—	—	—
Total Other Financing Sources (Uses)	—	—	—	54,617	53,863	(754)
Net Change in Fund Balances	8,686	6,183	(2,503)	(4,632)	(7,295)	(2,663)
Fund Balances - Beginning	41,360	41,360	—	110,210	110,210	—
Fund Balances - Ending	$ 50,046	$ 47,543	$ (2,503)	$ 105,578	$ 102,915	$ (2,663)
Reconciling Items:						
Reclassifying Cash Equivalents as Investments		(28,695)			(66,774)	
Investments at Fair Value		28,315			65,961	
Receivables, Net		17,544			17,706	
Deferred Inflows of Resources		—			(59)	
Fund Balances - GAAP Basis		$ 64,707			$ 119,749	

This schedule is continued from page 168.

*The **Capital Projects Funds** account for financial resources to be used for the acquisition or construction of major capital facilities.*

Non-Major Capital Projects Funds:

Board of Public Buildings - Accounts for bond sale proceeds to be used for renovating state buildings and structures.

Fulton State Hospital - Accounts for proceeds from the sale of bonds to be used for the completion of the design and construction of the replacement for Fulton State Hospital.

State Historical Society - Accounts for proceeds from the sale of bonds to be used for the design, acquisition, and construction of the building for the State Historical Society.

STATE OF MISSOURI
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUNDS
June 30, 2018
(In Thousands of Dollars)

	Board of Public Buildings	Fulton State Hospital	State Historical Society	Totals June 30, 2018
ASSETS				
Cash and Cash Equivalents	$ 25,825	$ 15,740	$ 7,665	$ 49,230
Investments	56,222	34,266	16,687	107,175
Interest Receivable	221	169	82	472
Total Assets	$ 82,268	$ 50,175	$ 24,434	$ 156,877
LIABILITIES				
Accounts Payable	$ 4,022	$ 7,038	$ —	$ 11,060
Total Liabilities	4,022	7,038	—	11,060
DEFERRED INFLOWS OF RESOURCES	81	62	30	173
FUND BALANCES				
Restricted	78,165	43,075	24,404	145,644
Total Fund Balances	78,165	43,075	24,404	145,644
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 82,268	$ 50,175	$ 24,434	$ 156,877

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR CAPITAL PROJECTS FUNDS
For the Fiscal Year Ended June 30, 2018
(In Thousands of Dollars)

	Board of Public Buildings	Fulton State Hospital	State Historical Society	Totals June 30, 2018
Revenues:				
Investment Earnings:				
Net Increase (Decrease) in the Fair Value of Investments	$ (408)	$ 6	$ (70)	$ (472)
Interest	1,021	1,051	407	2,479
Total Revenues	613	1,057	337	2,007
Expenditures:				
Current:				
General Government	7,848	—	9,493	17,341
Education	55,349	—	—	55,349
Natural and Economic Resources	1,231	—	—	1,231
Transportation and Law Enforcement	9,135	—	—	9,135
Human Services	16,225	20	—	16,245
Capital Outlay:				
General Government	1,320	—	—	1,320
Education	106	—	—	106
Natural and Economic Resources	3,549	—	—	3,549
Transportation and Law Enforcement	276	—	—	276
Human Services	860	63,607	—	64,467
Debt Service:				
Underwriter's Discount	985	—	—	985
Total Expenditures	96,884	63,627	9,493	170,004
Excess Revenues (Expenditures)	(96,271)	(62,570)	(9,156)	(167,997)
Other Financing Sources (Uses):				
Issuance of Bonds	124,905	—	—	124,905
Bond Premium	9,751	—	—	9,751
Transfers In	231	—	—	231
Total Other Financing Sources (Uses)	134,887	—	—	134,887
Net Change in Fund Balances	38,616	(62,570)	(9,156)	(33,110)
Fund Balances - Beginning	39,549	105,645	33,560	178,754
Fund Balances - Ending	$ 78,165	$ 43,075	$ 24,404	$ 145,644

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
NON-MAJOR CAPITAL PROJECT FUNDS
For the Fiscal Year Ended June 30, 2018
(In Thousands of Dollars)

	Board of Public Buildings			Fulton State Hospital		
	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:						
Interest	$ 964	$ 964	$ —	$ 1,041	$ 1,042	$ 1
Total Revenues	964	964	—	1,041	1,042	1
Expenditures:						
Current:						
General Government	13,514	5,878	7,636	—	—	—
Education	78,992	78,992	—	—	—	—
Natural and Economic Resources	1,053	1,053	—	—	—	—
Transportation and Law Enforcement	8,750	8,750	—	—	—	—
Human Services	17,406	17,406	—	20	20	—
Capital Outlays:						
General Government	2,943	1,280	1,663	—	—	—
Education	100	100	—	—	—	—
Natural and Economic Resources	3,547	3,547	—	—	—	—
Transportation and Law Enforcement	267	267	—	—	—	—
Human Services	814	814	—	61,720	61,720	—
Total Expenditures	127,386	118,087	9,299	61,740	61,740	—
Excess Revenues (Expenditures)	(126,422)	(117,123)	9,299	(60,699)	(60,698)	1
Other Financing Sources (Uses):						
Issuance of Bonds	133,671	133,671	—	—	—	—
Transfers In	231	231	—	—	—	—
Total Other Financing Sources (Uses)	133,902	133,902	—	—	—	—
Net Changes in Fund Balances	7,480	16,779	9,299	(60,699)	(60,698)	1
Fund Balances - Beginning	65,914	65,914	—	111,098	111,098	—
Fund Balances - Ending	$ 73,394	$ 82,693	$ 9,299	$ 50,399	$ 50,400	$ 1
Reconciling Items:						
Reclassifying Cash Equivalents as Investments		(56,868)			(34,660)	
Investments at Fair Value		56,222			34,266	
Receivables, Net		221			169	
Account Payable		(4,022)			(7,038)	
Deferred Inflows of Resources		(81)			(62)	
Fund Balance - GAAP Basis		$ 78,165			$ 43,075	

State Historical Society			Total		
Budget	Actual	Variance	Budget	Actual	Variance
$ 385	$ 384	$ (1)	$ 2,390	$ 2,390	$ —
385	384	(1)	2,390	2,390	—
9,502	9,502	—	23,016	15,380	7,636
—	—	—	78,992	78,992	—
—	—	—	1,053	1,053	—
—	—	—	8,750	8,750	—
—	—	—	17,426	17,426	—
—	—	—	2,943	1,280	1,663
—	—	—	100	100	—
—	—	—	3,547	3,547	—
—	—	—	267	267	—
—	—	—	62,534	62,534	—
9,502	9,502	—	198,628	189,329	9,299
(9,117)	(9,118)	(1)	(196,238)	(186,939)	9,299
—	—	—	133,671	133,671	—
—	—	—	231	231	—
—	—	—	133,902	133,902	—
(9,117)	(9,118)	(1)	(62,336)	(53,037)	9,299
33,662	33,662	—	210,674	210,674	—
$ 24,545	$ 24,544	$ (1)	$ 148,338	$ 157,637	$ 9,299
	(16,879)			(108,407)	
	16,687			107,175	
	82			472	
	—			(11,060)	
	(30)			(173)	
	$ 24,404			$ 145,644	

*The **Permanent Funds** account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.*

<u>Permanent Funds</u>:

Arrow Rock State Historic Site Endowment - Accounts for moneys transferred from the State Parks Earnings Fund, as well as other moneys or property received by grant, gift, donation, or bequest specified for the enhancement of the Arrow Rock State Historic Site.

Confederate Memorial Park - Accounts for the income from investments acquired by gifts, donations, and bequests to be used for the maintenance of the Confederate Memorial Park.

State Public School - Accounts for all moneys, bonds, lands, and other properties belonging to or donated to the State for public school use in establishing and maintaining free public schools.

Smith Memorial Endowment Trust - Accounts for moneys bequeathed for the use and benefit of the Crippled Children's Service.

STATE OF MISSOURI
COMBINING BALANCE SHEET
PERMANENT FUNDS
June 30, 2018
(In Thousands of Dollars)

	Arrow Rock State Historic Site Endowment	Confederate Memorial Park	State Public School	Smith Memorial Endowment Trust	Totals June 30, 2018
ASSETS					
Cash and Cash Equivalents	$ 11	$ 66	$ 786	$ 135	$ 998
Investments	18	115	56,269	236	56,638
Interest Receivable	—	—	—	1	1
Total Assets	$ 29	$ 181	$ 57,055	$ 372	$ 57,637
DEFERRED INFLOWS OF RESOURCES	—	—	—	1	1
FUND BALANCES					
Nonspendable	$ 29	$ 75	$ 57,055	$ 365	$ 57,524
Assigned	—	106	—	6	112
Total Fund Balances	29	181	57,055	371	57,636
Total Liabilities, Deferred Inflows, and Fund Balances	$ 29	$ 181	$ 57,055	$ 372	$ 57,637

Note: There were no liabilities for the fiscal year ended June 30, 2018.

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
PERMANENT FUNDS
For the Fiscal Year Ended June 30, 2018
(In Thousands of Dollars)

	Arrow Rock State Historic Site Endowment	Confederate Memorial Park	State Public School	Smith Memorial Endowment Trust	Totals June 30, 2018
Revenues:					
Investment Earnings:					
Net Increase (Decrease) in the Fair Value of Investments	$ —	$ —	$ (165)	$ (1)	$ (166)
Interest	—	2	—	4	6
Penalties and Unclaimed Properties	—	—	2,162	—	2,162
Contributions and Intergovernmental	—	—	5	—	5
Total Revenues	—	2	2,002	3	2,007
Expenditures:					
Human Services	—	—	—	2	2
Total Expenditures	—	—	—	2	2
Excess Revenues (Expenditures)	—	2	2,002	1	2,005
Net Change in Fund Balances	—	2	2,002	1	2,005
Fund Balances - Beginning	29	179	55,053	370	55,631
Fund Balances - Ending	$ 29	$ 181	$ 57,055	$ 371	$ 57,636

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ALL APPROPRIATED PERMANENT FUNDS
For the Fiscal Year Ended June 30, 2018
(In Thousands of Dollars)

	Arrow Rock State Historic Site Endowment			Confederate Memorial Park		
	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:						
Interest	$ —	$ —	$ —	$ 2	$ 2	$ —
Contributions and Intergovernmental	—	—	—	—	—	—
Penalties and Unclaimed Property	—	—	—	—	—	—
Reimbursement/Miscellaneous	—	—	—	—	—	—
Total Revenues	—	—	—	2	2	—
Expenditures:						
Current:						
Human Services	—	—	—	—	—	—
Total Expenditures	—	—	—	—	—	—
Excess Revenues (Expenditures)	—	—	—	2	2	—
Other Financing Sources (Uses):						
Transfers In	—	—	—	—	—	—
Total Other Financing Sources (Uses)	—	—	—	—	—	—
Net Changes in Fund Balances	—	—	—	2	2	—
Fund Balances - Beginning	29	29	—	179	179	—
Fund Balances - Ending	$ 29	$ 29	$ —	$ 181	$ 181	$ —
Reconciling Items:						
Reclassifying Cash Equivalents as Investments		(18)			(115)	
Investments at Fair Value		18			115	
Receivable, Net		—			—	
Deferred Inflows of Resources		—			—	
Fund Balance - GAAP Basis		$ 29			$ 181	

State Public School			Smith Memorial Endowment Trust		
Budget	Actual	Variance	Budget	Actual	Variance
$ —	$ —	$ —	$ 2	$ 4	$ 2
—	5	5	—	—	—
—	46	46	—	—	—
—	556	556	—	—	—
—	607	607	2	4	2
—	—	—	10	2	8
—	—	—	10	2	8
—	607	607	(8)	2	10
3,000	2,117	(883)	—	—	—
3,000	2,117	(883)	—	—	—
3,000	2,724	(276)	(8)	2	10
43,132	43,132	—	370	370	—
$ 46,132	$ 45,856	$ (276)	$ 362	$ 372	$ 10
	(45,070)			(237)	
	56,269			236	
	—			1	
	$ —			(1)	
	$ 57,055			$ 371	

This schedule is continued on page 182.

	Totals		
	Budget	Actual	Variance
Revenues:			
Interest	$ 4	$ 6	$ 2
Contributions and Intergovernmental	—	5	5
Penalties and Unclaimed Property	—	46	46
Reimbursement/Miscellaneous	—	556	556
Total Revenues	4	613	609
Expenditures:			
Current:			
Human Services	10	2	8
Total Expenditures	10	2	8
Excess Revenues (Expenditures)	(6)	611	617
Other Financing Sources (Uses):			
Transfers In	3,000	2,117	(883)
Total Other Financing Sources (Uses)	3,000	2,117	(883)
Net Changes in Fund Balances	2,994	2,728	(266)
Fund Balances - Beginning	43,710	43,710	—
Fund Balances - Ending	$ 46,704	$ 46,438	$ (266)
Reconciling Items:			
Reclassifying Cash Equivalents as Investments		(45,440)	
Investments at Fair Value		56,638	
Receivable, Net		1	
Deferred Inflows of Resources		(1)	
Fund Balance - GAAP Basis		$ 57,636	

This schedule is continued from page 181.

*The **Enterprise Funds** account for operations that are financed and operated in a manner similar to private business enterprises.*

Non-Major Enterprise Funds:

State Fair Fees - Accounts for the fairground admission fees used to improve the grounds and to pay the operating costs of the State Fair.

State Parks - Accounts for park concessions and contributions which are used to acquire and operate state parks.

Natural Resources Revolving Services - Accounts for moneys received from the delivery of services and the sale or resale of maps, plats, reports, studies, records, and other publications and documents.

Historic Preservation Revolving - Accounts for gifts, grants, and contributions used to acquire, preserve, restore, maintain, or operate any historical properties.

Missouri Veterans' Homes - Accounts for fees to provide services for persons confined to one of the veterans' homes.

State Agency for Surplus Property - Accounts for the surplus property operation.

Department of Revenue Information - Accounts for fees received by the Department of Revenue for publications and used to pay the costs of providing this information.

STATE OF MISSOURI
COMBINING STATEMENT OF NET POSITION
NON-MAJOR ENTERPRISE FUNDS
June 30, 2018
(In Thousands of Dollars)

	State Fair Fees	State Parks	Natural Resources Revolving Services
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 762	$ 5,548	$ 577
Investments	1,326	9,663	1,005
Accounts Receivable, Net	44	—	—
Interest Receivable	5	36	—
Due from Other Funds	1	—	379
Inventories	4	724	351
Loans Receivable	—	—	—
Total Current Assets	2,142	15,971	2,312
Non-Current Assets:			
Capital Assets:			
Construction in Progress	—	14,599	—
Software in Progress	—	—	—
Land	—	32,249	—
Land Improvements	173	37,667	—
Temporary Easements	—	50	—
Buildings	757	47,009	—
Equipment	581	14,063	17,128
Software	—	—	—
Less Accumulated Depreciation/Amortization	(895)	(36,450)	(10,761)
Total Non-Current Assets	616	109,187	6,367
Total Assets	2,758	125,158	8,679
DEFERRED OUTFLOWS OF RESOURCES	366	1,016	35
LIABILITIES			
Current Liabilities:			
Accounts Payable	20	143	40
Accrued Payroll	51	41	1
Due to Other Funds	4	5	3
Unearned Revenue	—	518	—
Compensated Absences	43	80	—
Total Current Liabilities	118	787	44
Non-Current Liabilities:			
Compensated Absences	—	48	—
Net OPEB Liability	307	1,646	52
Net Pension Liability	801	3,522	123
Total Non-Current Liabilities	1,108	5,216	175
Total Liabilities	1,226	6,003	219
DEFERRED INFLOWS OF RESOURCES	20	60	2
NET POSITION			
Net Investment in Capital Assets	616	109,187	6,367
Unrestricted	1,262	10,924	2,126
Total Net Position	$ 1,878	$ 120,111	$ 8,493

Historic Preservation Revolving	Missouri Veterans' Homes	State Agency For Surplus Property	Department of Revenue Information	Totals June 30, 2018
$ 616	$ 795	$ 1,170	$ 296	$ 9,764
1,073	1,310	1,524	520	16,421
—	6,637	71	16	6,768
12	10	6	—	69
—	—	—	—	380
—	526	—	—	1,605
222	—	—	—	222
1,923	9,278	2,771	832	35,229
—	—	—	—	14,599
—	189	—	—	189
—	—	—	—	32,249
—	451	250	—	38,541
—	—	—	—	50
480	1,354	1,909	—	51,509
13	12,409	1,187	96	45,477
—	15	155	—	170
(228)	(7,483)	(2,264)	(96)	(58,177)
265	6,935	1,237	—	124,607
2,188	16,213	4,008	832	159,836
155	45,966	549	—	48,087
2	1,731	126	—	2,062
7	2,230	26	—	2,356
—	73	2	—	87
—	86	—	—	604
10	3,483	47	—	3,663
19	7,603	201	—	8,772
—	—	8	—	56
162	44,651	637	—	47,455
375	110,098	1,595	—	116,514
537	154,749	2,240	—	164,025
556	162,352	2,441	—	172,797
9	2,589	31	—	2,711
265	6,935	1,237	—	124,607
1,513	(109,697)	848	832	(92,192)
$ 1,778	$ (102,762)	$ 2,085	$ 832	$ 32,415

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NON-MAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2018
(In Thousands of Dollars)

	State Fair Fees	State Parks	Natural Resources Revolving Services
Operating Revenues:			
Licenses, Fees, and Permits	$ 3,482	$ 6,960	$ 57
Sales	—	1,467	138
Leases and Rentals	1,264	2,854	—
Charges for Services	—	—	—
Cost Reimbursement/Miscellaneous	1	129	5
Total Operating Revenues	4,747	11,410	200
Operating Expenses:			
Cost of Goods Sold	—	—	597
Personal Service	1,596	1,527	64
Operations	2,958	3,284	204
Specific Programs	9	23	—
Depreciation/Amortization	70	2,244	1,195
Other Charges	219	172	3
Total Operating Expenses	4,852	7,250	2,063
Operating Income (Loss)	(105)	4,160	(1,863)
Non-Operating Revenues (Expenses):			
Contributions and Intergovernmental	319	2,676	2,220
Interest Expense	—	—	(1)
Investment Earnings:			
Net Increase (Decrease) in the Fair Value of Investments	(4)	(41)	(4)
Interest	23	160	—
Penalties and Unclaimed Properties	—	57	—
Disposal of Capital Assets	(11)	70	350
Total Non-Operating Revenues (Expenses)	327	2,922	2,565
Income (Loss) Before Transfers	222	7,082	702
Capital Contributions	—	11,463	—
Transfers In	—	—	—
Transfers Out	—	—	—
Change in Net Position	222	18,545	702
Total Net Position - Beginning	1,656	101,566	7,791
Total Net Position - Ending	$ 1,878	$ 120,111	$ 8,493

	Historic Preservation Revolving	Missouri Veterans' Homes	State Agency For Surplus Property	Department of Revenue Information	Totals June 30, 2018
	$ —	$ —	$ —	$ —	$ 10,499
	—	288	1,734	760	4,387
	—	—	—	—	4,118
	—	24,205	—	—	24,205
	1	—	132	—	268
	1	24,493	1,866	760	43,477
	—	—	1,099	—	1,696
	295	97,866	1,165	—	102,513
	53	22,381	259	12	29,151
	364	1,273	—	—	1,669
	10	1,162	184	—	4,865
	3	249	4	—	650
	725	122,931	2,711	12	140,544
	(724)	(98,438)	(845)	748	(97,067)
	—	75,107	—	—	80,322
	—	—	—	—	(1)
	(4)	(6)	(4)	(1)	(64)
	17	46	32	—	278
	—	47	295	—	399
	—	(50)	303	—	662
	13	75,144	626	(1)	81,596
	(711)	(23,294)	(219)	747	(15,471)
	—	—	—	—	11,463
	698	8,400	—	—	9,098
	—	—	(30)	(1,018)	(1,048)
	(13)	(14,894)	(249)	(271)	4,042
	1,791	(87,868)	2,334	1,103	28,373
	$ 1,778	$ (102,762)	$ 2,085	$ 832	$ 32,415

STATE OF MISSOURI
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2018
(In Thousands of Dollars)

	State Fair Fees	State Parks	Natural Resources Revolving Services
Cash Flows from Operating Activities:			
Receipts from Internal Customers and Users	$ 74	$ —	$ —
Receipts from External Customers and Users	4,662	11,225	195
Payments to Suppliers	(2,410)	(2,680)	(714)
Payments to Employees	(1,445)	(1,453)	(58)
Payments to Other Funds for Services Provided	(603)	(672)	(106)
Payments Made for Program Expense	(9)	(23)	—
Other Receipts	1	129	5
Other Payments	(219)	(172)	(3)
Net Cash Provided (Used) by Operating Activities	51	6,354	(681)
Cash Flows from Non-Capital Financing Activities:			
Loans Made to Outside Entities	—	—	—
Due to Other Funds	2	4	(1)
Due from Other Funds	—	—	(363)
Contributions and Intergovernmental	186	2,676	2,220
Transfers to Other Funds	—	—	—
Transfers from Other Funds	—	—	—
Net Cash Provided (Used) by Non-Capital Financing Activities	188	2,680	1,856
Cash Flows from Capital and Related Financing Activities:			
Interest Expense	—	—	(1)
Purchases and Construction of Capital Assets	(32)	(2,352)	(688)
Capital Lease Downpayment/Obligations	—	—	(128)
Disposal of Capital Assets	—	—	—
Net Cash Provided (Used) by Capital and Related Financing Activities	(32)	(2,352)	(817)
Cash Flows from Investing Activities:			
Proceeds from Investment Maturities	86	—	—
Purchase of Investments	—	(3,342)	(76)
Interest and Dividends Received	21	138	—
Penalties and Other Receipts	—	57	—
Net Cash Provided (Used) by Investing Activities	107	(3,147)	(76)
Net Increase (Decrease) in Cash	314	3,535	282
Cash and Cash Equivalents, Beginning of Year	448	2,013	295
Cash and Cash Equivalents, End of Year	$ 762	$ 5,548	$ 577
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	$ (105)	$ 4,160	$ (1,863)
Depreciation/Amortization Expense	70	2,244	1,195
Changes in Assets and Liabilities:			
Accounts Receivable	(10)	—	—
Inventories	(1)	35	(4)
Deferred Outflows of Resources	(63)	(172)	—
Accounts Payable	(54)	(103)	(15)
Accrued Payroll	27	(84)	(1)
Unearned Revenue	—	(56)	—
Compensated Absences	35	(225)	(5)
Net OPEB Liability	12	36	1
Net Pension Liability	128	481	10
Deferred Inflows of Resources	12	38	1
Net Cash Provided (Used) by Operating Activities	$ 51	$ 6,354	$ (681)
Non-Cash Financing and Investing Activities:			
Capital Asset Donations	$ 133	$ —	$ —
Increase (Decrease) in Fair Value of Investments	(4)	(41)	(4)
Net Non-Cash Financing and Investing Activities	$ 129	$ (41)	$ (4)

Historic Preservation Revolving	Missouri Veterans' Homes	State Agency for Surplus Property	Department of Revenue Information	Totals June 30, 2018
$ —	$ —	$ 572	$ —	$ 646
—	26,751	1,157	768	44,758
(11)	(21,528)	(1,200)	(12)	(28,555)
(245)	(83,379)	(991)	—	(87,571)
(44)	(827)	(53)	—	(2,305)
(364)	(1,273)	—	—	(1,669)
1	—	132	—	268
(3)	(249)	(4)	—	(650)
(666)	(80,505)	(387)	756	(75,078)
266	—	—	—	266
—	26	(3)	—	28
—	—	—	—	(363)
—	74,851	—	—	79,933
—	—	(30)	(1,018)	(1,048)
698	8,400	—	—	9,098
964	83,277	(33)	(1,018)	87,914
—	—	—	—	(1)
(2)	(1,696)	—	—	(4,770)
—	—	—	—	(128)
—	—	286	—	286
(2)	(1,696)	286	—	(4,613)
—	—	376	299	761
(29)	(597)	—	—	(4,044)
18	42	31	—	250
—	47	295	—	399
(11)	(508)	702	299	(2,634)
285	568	568	37	5,589
331	227	602	259	4,175
$ 616	$ 795	$ 1,170	$ 296	$ 9,764
$ (724)	$ (98,438)	$ (845)	$ 748	$ (97,067)
10	1,162	184	—	4,865
—	2,287	(5)	8	2,280
—	(81)	—	—	(51)
(14)	(2,842)	(40)	—	(3,131)
(2)	107	105	—	38
(1)	(65)	1	—	(123)
—	(29)	—	—	(85)
(4)	18	3	—	(178)
5	1,637	18	—	1,709
59	14,316	175	—	15,169
5	1,423	17	—	1,496
$ (666)	$ (80,505)	$ (387)	$ 756	$ (75,078)
$ —	$ 256	$ —	$ —	$ 389
(4)	(6)	(4)	(1)	(64)
$ (4)	$ 250	$ (4)	$ (1)	$ 325

*The **Internal Service Funds** account for the financing of goods or services provided by one department or agency to other departments or agencies of the State on a cost-reimbursement basis.*

Internal Service Funds:

Natural Resources Cost Allocation - Accounts for the administrative costs of the Department of Natural Resources.

Mental Health Interagency Payments - Accounts for moneys received through interagency agreements for services provided by other agencies.

State Facility Maintenance and Operation - Accounts for moneys collected from tenants for rent to cover the costs of operations in state-owned office buildings and institutions, charges to tenants in leased space to cover costs of real estate administrative services, and charges to capital improvement projects to cover the costs of project management services.

Office of Administration Revolving - Accounts for the following operations: printing services, flight operations, vehicle management, garage services, data processing and telecommunication services, building and grounds, insurance services, postage, and personnel administration.

Working Capital Revolving - Accounts for the operation of correctional industry programs and correctional farm programs.

General Government Revolving - Accounts for various service operations of the House of Representatives, Supreme Court, Adjutant General, Senate, Treasurer, and Department of Corrections.

Social Services Administrative Trust - Accounts for moneys transferred or paid to the Department of Social Services from any governmental entity or the public for goods and services provided.

Economic Development Administrative - Accounts for moneys collected for goods and services provided to other divisions and used to pay the cost of providing such services.

Professional Registration Fees - Accounts for moneys received from the professional boards for administrative services.

Conservation Employees' Insurance Plan - Accounts for health insurance coverage on a self-insured basis and life insurance coverage by a third party provider for Department of Conservation employees.

Transportation Self-Insurance Plan - Accounts for highway and highway patrol moneys used to pay workers' compensation claims. Moneys are also used to pay auto claims against the Department of Transportation.

Missouri State Employees' Insurance Plan - Accounts for long-term disability and death benefits provided on a self-insured basis for state employees.

Missouri Consolidated Health Care Plan - Accounts for medical care benefits provided on a self-insured basis for active state employees.

MoDOT and MSHP Medical and Life Insurance Plan - Accounts for the medical coverage provided on a self-insured basis and death benefits provided on an insured basis to Department of Transportation employees and members of the Missouri State Highway Patrol.

STATE OF MISSOURI
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2018
(In Thousands of Dollars)

	Natural Resources Cost Allocation	Mental Health Interagency Payments	State Facility Maintenance and Operation	Office of Administration Revolving	Working Capital Revolving	General Government Revolving
ASSETS						
Current Assets:						
Cash and Cash Equivalents	$ 300	$ 337	$ 1,953	$ 3,311	$ 4,846	$ 1,183
Investments	522	586	3,399	7,899	8,439	2,060
Restricted:						
Investments	—	—	—	—	—	—
Accounts Receivable, Net	—	—	—	4,399	574	40,512
Interest Receivable	—	—	—	14	—	—
Due from Other Funds	—	121	25	6,715	99	4
Due from Component Units	—	—	—	2	—	—
Inventories	—	—	893	1,298	6,901	—
Prepaid Items	—	—	—	—	—	—
Total Current Assets	822	1,044	6,270	23,638	20,859	43,759
Non-Current Assets:						
Investments	—	—	—	—	—	—
Restricted Assets:						
Cash and Cash Equivalents	—	—	—	1,228	—	—
Capital Assets:						
Construction in Progress	—	—	87	218	19	—
Software in Progress	519	—	—	393	—	—
Land	—	—	8,293	—	41	—
Land Improvements	—	—	3,592	—	—	—
Buildings	217	—	480,530	2,915	6,378	—
Equipment	3,893	1,068	14,593	89,172	18,405	371
Software	3,708	603	98	12,876	238	9,467
Less Accumulated Depreciation/Amortization	(6,103)	(1,663)	(224,085)	(89,109)	(22,076)	(9,767)
Total Non-Current Assets	2,234	8	283,108	17,693	3,005	71
Total Assets	3,056	1,052	289,378	41,331	23,864	43,830
DEFERRED OUTFLOWS OF RESOURCES	5,264	—	16,831	9,665	5,201	96
LIABILITIES						
Current Liabilities:						
Bank Overdraft	—	—	—	—	—	—
Accounts Payable	119	265	1,975	1,247	65	644
Accrued Payroll	259	—	814	449	240	3
Due to Other Funds	64	—	88	—	—	104
Unearned Revenue	—	—	—	251	—	—
Claims Liability	—	—	—	—	—	—
Obligations under Lease Purchase	1	—	1,757	2,850	19	—
Compensated Absences	465	—	1,551	864	518	6
Total Current Liabilities	908	265	6,185	5,661	842	757
Non-Current Liabilities:						
Claims Liability	—	—	—	—	—	—
Obligations under Lease Purchase	2	—	25,669	3,351	103	—
Compensated Absences	116	—	297	261	—	—
Net OPEB Liability	6,764	—	22,022	9,484	6,687	837
Net Pension Liability	15,480	—	46,072	25,401	16,324	1,536
Total Non-Current Liabilities	22,362	—	94,060	38,497	23,114	2,373
Total Liabilities	23,270	265	100,245	44,158	23,956	3,130
DEFERRED INFLOWS OF RESOURCES	285	—	943	544	291	5
NET POSITION						
Net Investment in Capital Assets	2,231	8	255,682	10,264	2,883	71
Restricted for:						
Other Purposes	—	—	—	1,228	—	—
Unrestricted	(17,466)	779	(50,661)	(5,198)	1,935	40,720
Total Net Position	$ (15,235)	$ 787	$ 205,021	$ 6,294	$ 4,818	$ 40,791

Social Services Administrative Trust	Economic Development Administrative	Professional Registration Fees	Conservation Employees' Insurance Plan	Transportation Self-Insurance Plan	Missouri State Employees' Insurance Plan	Missouri Consolidated Health Care Plan	MoDOT & MSHP Medical and Life Insurance Plan	Totals June 30, 2018
$ 34	$ 97	$ 234	$ 1,285	$ 6,675	$ —	$ 28,087	$ 12,261	$ 60,603
61	168	407	9,136	8,574	3,973	29,332	3,943	78,499
—	—	—	—	200	—	—	100	300
—	—	—	794	200	945	13,926	2,375	63,725
—	—	—	29	291	—	—	87	421
53	—	—	—	—	—	—	—	7,017
—	—	—	—	—	—	—	—	2
63	2	12	—	—	—	—	—	9,169
—	—	—	—	—	—	196	—	196
211	267	653	11,244	15,940	4,918	71,541	18,766	219,932
—	—	—	—	90,421	—	—	24,222	114,643
—	—	—	—	—	—	—	—	1,228
—	15	—	—	—	—	—	—	339
—	—	167	—	—	—	—	—	1,079
—	—	—	—	—	—	—	—	8,334
—	—	—	—	—	—	—	—	3,592
—	—	2,376	—	—	—	—	—	492,416
86	196	924	—	—	—	2,229	—	130,937
—	9	291	—	—	—	—	—	27,290
(51)	(191)	(2,455)	—	—	—	(1,942)	—	(357,442)
35	29	1,303	—	90,421	—	287	24,222	422,416
246	296	1,956	11,244	106,361	4,918	71,828	42,988	642,348
—	906	3,251	—	—	—	2,663	—	43,877
—	—	—	—	—	2	—	—	2
75	15	212	275	33	2,879	20,270	1,479	29,553
—	35	156	—	—	—	—	—	1,956
—	4	18	—	—	—	—	—	278
—	—	—	48	—	2,083	20,011	9,737	32,130
—	—	—	3,132	24,245	—	46,137	12,500	86,014
—	—	5	—	—	—	—	—	4,632
—	64	265	—	—	—	2	—	3,735
75	118	656	3,455	24,278	4,964	86,420	23,716	158,300
—	—	—	—	57,199	—	—	—	57,199
—	—	28	—	—	—	—	—	29,153
—	14	45	—	—	—	204	—	937
—	989	3,412	—	—	—	—	—	50,195
—	2,628	8,448	—	—	—	7,979	—	123,868
—	3,631	11,933	—	57,199	—	8,183	—	261,352
75	3,749	12,589	3,455	81,477	4,964	94,603	23,716	419,652
—	52	183	—	—	—	274	—	2,577
35	29	1,270	—	—	—	287	—	272,760
—	—	—	—	200	—	—	100	1,528
136	(2,628)	(8,835)	7,789	24,684	(46)	(20,673)	19,172	(10,292)
$ 171	$ (2,599)	$ (7,565)	$ 7,789	$ 24,884	$ (46)	$ (20,386)	$ 19,272	$ 263,996

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2018
(In Thousands of Dollars)

	Natural Resources Cost Allocation	Mental Health Interagency Payments	State Facility Maintenance and Operation	Office of Administration Revolving	Working Capital Revolving	General Government Revolving
Operating Revenues:						
Employer Contributions	$ —	$ —	$ —	$ —	$ —	$ —
Employee Contributions	—	—	—	—	—	—
Medicare Part D Subsidy	—	—	—	—	—	—
Licenses, Fees, and Permits	—	—	—	—	—	3,834
Sales	—	—	—	—	26,705	6
Leases and Rentals	—	—	63,052	—	215	9
Charges for Services	12,302	7,697	5,214	92,977	117	—
Cost Reimbursement/Miscellaneous	67	—	37	1,861	13	12
Total Operating Revenues	12,369	7,697	68,303	94,838	27,050	3,861
Operating Expenses:						
Cost of Goods Sold	—	—	—	10,425	10,503	—
Personal Service	10,599	—	34,722	18,647	10,595	187
Operations	2,101	—	35,128	56,004	5,399	6,047
Specific Programs	3	10,340	11	—	6	2,947
Insurance Benefits	—	—	—	—	—	—
Depreciation/Amortization	965	2	12,499	9,117	832	475
Other Charges	85	—	88	85	1,374	22
Total Operating Expenses	13,753	10,342	82,448	94,278	28,709	9,678
Operating Income (Loss)	(1,384)	(2,645)	(14,145)	560	(1,659)	(5,817)
Non-Operating Revenues (Expenses):						
Contributions and Intergovernmental	—	—	47	—	—	—
Interest Expense	—	—	(921)	(135)	(2)	—
Investment Earnings:						
Net Increase (Decrease) in the Fair Value of Investments	(1)	3	(10)	(23)	(26)	(10)
Interest	—	—	—	72	—	—
Penalties and Unclaimed Properties	1	—	—	—	—	—
Disposal of Capital Assets	(7)	—	(224)	186	(2)	4
Total Non-Operating Revenues (Expenses)	(7)	3	(1,108)	100	(30)	(6)
Income (Loss) Before Transfers	(1,391)	(2,642)	(15,253)	660	(1,689)	(5,823)
Transfers In	—	33	15	46	10	—
Transfers Out	—	—	—	(2,208)	—	(67)
Change in Net Position	(1,391)	(2,609)	(15,238)	(1,502)	(1,679)	(5,890)
Total Net Position - Beginning	(13,844)	3,396	220,259	7,796	6,497	46,681
Total Net Position - Ending	$ (15,235)	$ 787	$ 205,021	$ 6,294	$ 4,818	$ 40,791

Social Services Administrative Trust Fund	Economic Development Administrative	Professional Registration Fees	Conservation Employees' Insurance Plan	Transportation Self-Insurance Plan	Missouri State Employees' Insurance Plan	Missouri Consolidated Health Care Plan	MoDOT & MSHP Medical and Life Insurance Plan	Totals June 30, 2018
$ —	$ —	$ —	$ 10,126	$ 20,300	$ —	$ 334,208	$ 91,006	$ 455,640
—	—	—	8,397	—	31,119	80,156	47,072	166,744
—	—	—	83	—	—	—	8,024	8,107
—	—	—	—	—	—	—	—	3,834
—	—	—	—	—	—	—	—	26,711
—	—	—	—	—	—	—	—	63,276
869	1,652	6,983	—	—	—	—	—	127,811
14	1	3	2,836	366	480	32,391	2,597	40,678
883	1,653	6,986	21,442	20,666	31,599	446,755	148,699	892,801
—	—	—	—	—	—	—	—	20,928
—	1,664	6,404	—	—	409	3,621	—	86,848
831	183	1,539	1,964	1,135	117	1,483	5,902	117,833
—	5	9	—	—	—	—	—	13,321
—	—	—	18,697	20,180	31,114	514,368	137,735	722,094
17	9	207	—	—	—	90	—	24,213
—	6	191	9	—	—	11,247	—	13,107
848	1,867	8,350	20,670	21,315	31,640	530,809	143,637	998,344
35	(214)	(1,364)	772	(649)	(41)	(84,054)	5,062	(105,543)
—	—	—	—	—	—	—	—	47
—	—	(1)	—	—	—	—	—	(1,059)
—	(1)	(1)	(126)	(2,080)	—	—	(498)	(2,773)
—	—	—	142	2,096	79	1,222	617	4,228
—	—	—	—	—	—	—	—	1
—	—	—	—	—	—	—	—	(43)
—	(1)	(2)	16	16	79	1,222	119	401
35	(215)	(1,366)	788	(633)	38	(82,832)	5,181	(105,142)
—	—	10	—	—	—	—	—	114
—	—	(10)	—	—	—	—	—	(2,285)
35	(215)	(1,366)	788	(633)	38	(82,832)	5,181	(107,313)
136	(2,384)	(6,199)	7,001	25,517	(84)	62,446	14,091	371,309
$ 171	$ (2,599)	$ (7,565)	$ 7,789	$ 24,884	$ (46)	$ (20,386)	$ 19,272	$ 263,996

STATE OF MISSOURI
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2018
(In Thousands of Dollars)

	Natural Resources Cost Allocation	Mental Health Interagency Payments	State Facility Maintenance and Operation	Office of Administration Revolving	Working Capital Revolving	General Government Revolving
Cash Flows from Operating Activities:						
Receipts from Internal Customers and Users	$ 12,302	$ 7,697	$ 68,217	$ 89,167	$ 17,646	$ 86
Receipts from External Customers and Users	16	—	49	2,206	9,531	11,337
Payments to Suppliers	(2,098)	173	(34,725)	(66,511)	(15,036)	(6,076)
Payments to Employees	(9,209)	—	(29,521)	(15,674)	(9,028)	(166)
Payments Made for Program Expense	(3)	(10,340)	(11)	—	(6)	(2,947)
Other Receipts	67	—	37	1,861	13	12
Other Payments	(85)	—	(88)	(85)	(1,374)	(22)
Net Cash Provided (Used) by Operating Activities	990	(2,470)	3,958	10,964	1,746	2,224
Cash Flows from Non-Capital Financing Activities:						
Due to Other Funds	14	—	43	—	—	103
Due from Other Funds	—	(121)	(10)	228	(1)	3
Contributions and Intergovernmental	—	—	47	(11)	—	—
Transfers to Other Funds	—	—	—	(2,208)	—	(67)
Transfers from Other Funds	—	33	—	46	—	—
Net Cash Provided (Used) by Non-Capital Financing Activities	14	(88)	80	(1,945)	(1)	39
Cash Flows from Capital and Related Financing Activities:						
Interest Expense	—	—	(921)	(135)	(2)	—
Purchases and Construction of Capital Assets	(1,072)	—	(360)	(3,643)	(209)	(4)
Capital Lease Downpayment/Obligations	(1)	—	(2,384)	(4,680)	(20)	—
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,073)	—	(3,665)	(8,458)	(231)	(4)
Cash Flows from Investing Activities:						
Proceeds from Sales and Investment Maturities	154	2,059	381	1,063	497	—
Purchase of Investments	—	—	—	—	—	(1,315)
Interest and Dividends Received	—	—	—	69	—	—
Investment Fees	—	—	—	—	—	—
Penalties and Other Receipts	1	—	—	—	—	—
Net Cash Provided (Used) by Investing Activities	155	2,059	381	1,132	497	(1,315)
Net Increase (Decrease) in Cash	86	(499)	754	1,693	2,011	944
Cash and Cash Equivalents, Beginning of Year	214	836	1,199	2,846	2,835	239
Cash and Cash Equivalents, End of Year	$ 300	$ 337	$ 1,953	$ 4,539	$ 4,846	$ 1,183
Reconciliation of Operating Income (Loss) of Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	$ (1,384)	$ (2,645)	$ (14,145)	$ 560	$ (1,659)	$ (5,817)
Depreciation/Amortization Expense	965	2	12,499	9,117	832	475
Changes in Assets and Liabilities:						
Accounts Receivable	16	—	—	(1,554)	140	7,574
Inventories	—	—	137	(37)	891	—
Deferred Outflows of Resources	(380)	—	(1,091)	(1,289)	(383)	343
Prepaid Items	—	—	—	—	—	—
Accounts Payable	3	173	266	(45)	(25)	(29)
Accrued Payroll	(10)	—	(1)	(3)	(3)	(2)
Unearned Revenue	—	—	—	(50)	—	—
Claims Liability	—	—	—	—	—	—
Compensated Absences	18	—	—	(61)	(36)	(7)
Net OPEB Liability	179	—	586	340	183	3
Net Pension Liability	1,431	—	5,191	3,663	1,645	(306)
Deferred Inflows of Resources	152	—	516	323	161	(10)
Net Cash Provided (Used) by Operating Activities	$ 990	$ (2,470)	$ 3,958	$ 10,964	$ 1,746	$ 2,224
Non-Cash Financing and Investing Activities:						
Capital Lease Issuance	$ 4	$ —	$ 418	$ 1,624	$ 133	$ —
Capital Asset Donations	—	—	—	11	—	—
Increase (Decrease) in Fair Value of Investments	$ (1)	$ 3	$ (10)	$ (23)	$ (26)	$ (10)
Net Non-Cash Financing and Investing Activities	$ 3	$ 3	$ 408	$ 1,612	$ 107	$ (10)

Social Services Administrative Trust	Economic Development Administrative	Professional Registration Fees	Conservation Employees' Insurance Plan	Transportation Self-Insurance Plan	Missouri State Employees' Insurance Plan	Missouri Consolidated Health Care Plan	MoDOT & MSHP Medical and Life Insurance Plan	Totals June 30, 2018
$ 862	$ 1,013	$ —	$ 10,124	$ 20,300	$ —	$ 330,680	$ 91,006	$ 649,100
7	639	6,983	8,526	—	31,120	80,156	55,843	206,413
(795)	(182)	(1,454)	(1,851)	(1,135)	96	840	(6,463)	(135,217)
—	(1,357)	(5,383)	—	—	(409)	(2,874)	—	(73,621)
—	(5)	(9)	(18,157)	(21,312)	(31,114)	(510,452)	(137,535)	(731,891)
14	1	3	2,836	366	480	32,391	2,597	40,678
—	(6)	(191)	(9)	—	—	(11,247)	—	(13,107)
88	103	(51)	1,469	(1,781)	173	(80,506)	5,448	(57,645)
(4)	(8)	(18)	—	—	—	—	—	130
(42)	—	—	—	—	—	—	—	57
—	—	—	—	—	—	—	—	36
—	—	(10)	—	—	—	—	—	(2,285)
—	—	—	—	—	—	—	—	79
(46)	(8)	(28)	—	—	—	—	—	(1,983)
—	—	(1)	—	—	—	—	—	(1,059)
(1)	(7)	(203)	—	—	—	(94)	—	(5,593)
—	—	(6)	—	—	—	—	—	(7,091)
(1)	(7)	(210)	—	—	—	(94)	—	(13,743)
—	—	299	—	25,263	1,179,648	8,573	6,337	1,224,274
(20)	(33)	—	(2,133)	(28,587)	(1,179,900)	—	(13,057)	(1,225,045)
—	—	—	133	2,044	79	1,222	615	4,162
—	—	—	—	—	—	—	(31)	(31)
—	—	—	—	—	—	—	—	1
(20)	(33)	299	(2,000)	(1,280)	(173)	9,795	(6,136)	3,361
21	55	10	(531)	(3,061)	—	(70,805)	(688)	(70,010)
13	42	224	1,816	9,736	(2)	98,892	12,949	131,839
$ 34	$ 97	$ 234	$ 1,285	$ 6,675	$ (2)	$ 28,087	$ 12,261	$ 61,829
$ 35	$ (214)	$ (1,364)	$ 772	$ (649)	$ (41)	$ (84,054)	$ 5,062	$ (105,543)
17	9	207	—	—	—	90	—	24,213
—	—	—	46	—	22	(3,901)	11	2,354
2	—	—	—	—	—	—	—	993
—	(92)	(235)	—	—	—	(101)	—	(3,228)
—	—	—	—	—	—	(6)	—	(6)
34	1	85	113	—	213	2,329	(561)	2,557
—	(3)	(5)	—	—	—	—	—	(27)
—	—	—	(2)	—	(21)	373	736	1,036
—	—	—	540	(1,132)	—	3,916	200	3,524
—	3	—	—	—	—	1	—	(82)
—	31	115	—	—	—	—	—	1,437
—	338	1,044	—	—	—	713	—	13,719
—	30	102	—	—	—	134	—	1,408
$ 88	$ 103	$ (51)	$ 1,469	$ (1,781)	$ 173	$ (80,506)	$ 5,448	$ (57,645)
$ —	$ —	$ 36	$ —	$ —	$ —	$ —	$ —	$ 2,215
—	—	—	—	—	—	—	—	11
$ —	$ (1)	$ (1)	$ (126)	$ (2,080)	$ —	$ —	$ (498)	$ (2,773)
$ —	$ (1)	$ 35	$ (126)	$ (2,080)	$ —	$ —	$ (498)	$ (547)

*The **Fiduciary Funds** account for assets held by the State in a trustee or agent capacity.*

Pension (and Other Employee Benefit) Trust Funds:

Missouri State Employees' Retirement System:

Missouri State Employees' Plan - Accounts for retirement, survivor, and disability benefits paid to employees of the State who are not covered under another state-sponsored retirement plan.

Judicial Plan - Accounts for retirement, survivor, and disability benefits to judges in the State of Missouri.

Missouri Department of Transportation and Highway Patrol Employees' Retirement System - Accounts for retirement, survivor, and disability benefits paid to Department of Transportation employees and members of the Missouri State Highway Patrol.

Missouri Consolidated Health Care Plan State Retiree Welfare Benefit Trust - Accounts for health and welfare benefits paid for the exclusive benefit of current and future retired employees of the State who are not covered under another state-sponsored other post-employment benefit plan.

Missouri State Public Employees' Deferred Compensation Incentive (IRC 401a) Plan - Accounts for retirement benefits paid to employees of the State.

Missouri State Public Employees' Deferred Compensation (IRC 457) Plan - Accounts for deposits from State employees, which are invested for the benefit of the employees until properly authorized to distribute.

Private-Purpose Trust Funds:

Alternative Care Trust - Accounts for all moneys received and spent by the Division of Family Services on behalf of children in their custody.

Johnson-Travis Memorial Trust - Accounts for all moneys, stocks, and securities given to the State by Miss Pansy Johnson or for the benefit of the Pansy Johnson-Travis Memorial State Gardens. Moneys will be used solely to establish, develop, and maintain the gardens.

Unclaimed Property - Accounts for moneys unpaid or unclaimed within one year after final settlement of any executor or administrator, assignee, sheriff or receiver and all unclaimed deposits, dividends, and interest of banks unable to locate the owners.

Agency Funds:

Social Security Contributions - Accounts for the receipt of contributions from various state funds for the State's share of social security contributions, which are due to the Federal Social Security Administration.

Missouri State Employees' Voluntary Life Insurance - Accounts for moneys withheld from employees' compensation for the contracts entered into with life insurance companies.

Program - Accounts for the receipt of various taxes, refundable deposits, and other moneys to be held until the State has the right or obligation to distribute them to various entities or individuals.

Institution - Accounts for deposits to various institutional accounts and other receipts held by the State until there is proper authorization to disburse them directly to others.

STATE OF MISSOURI
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS
June 30, 2018
(In Thousands of Dollars)

	Missouri State Employees' Retirement System		Missouri Department of Transportation and Highway Patrol Employees' Retirement System	Missouri Consolidated Health Care Plan State Retiree Trust	Missouri State Public Employees' Deferred Compensation		Totals
	Missouri State Employees' Plan	Judicial Plan			401 (a) Plan	457 Plan	June 30, 2018
ASSETS							
Cash and Cash Equivalents	$ 3,467,893	$ 64,265	$ 539	$ 6,627	$ 495	$ 444	$ 3,540,263
Investments at Fair Value	8,380,576	155,305	2,306,943	109,095	626,248	1,546,339	13,124,506
Invested Securities Lending Collateral	—	—	133,616	—	—	—	133,616
Receivables:							
Accounts Receivable	99,352	3,149	15,530	30,569	152	455	149,207
Investment Income	48,791	904	6,383	—	—	—	56,078
Prepaid Expenses	44	1	—	—	—	—	45
Capital Assets:							
Land	262	5	84	—	—	—	351
Buildings	4,166	77	582	—	1	3	4,829
Equipment	1,376	26	216	—	5	13	1,636
Software	723	13	3,288	—	1	3	4,028
Accumulated Depreciation/ Amortization	(3,348)	(62)	(3,311)	—	(4)	(10)	(6,735)
Total Capital Assets, Net	3,179	59	859	—	3	9	4,109
Total Assets	11,999,835	223,683	2,463,870	146,291	626,898	1,547,247	17,007,824
DEFERRED OUTFLOWS OF RESOURCES	296	5	34	—	—	—	335
LIABILITIES							
Accounts Payable	173,890	3,222	8,789	266	18	45	186,230
Obligations under Repurchase Agreements	3,783,848	70,121	—	—	—	—	3,853,969
Securities Lending Obligation	—	—	138,841	—	—	—	138,841
Unearned Revenue	—	—	—	4,183	—	—	4,183
Claims Liability	—	—	—	11,908	—	—	11,908
Compensated Absences	674	12	—	—	—	—	686
Net OPEB Liability	7,140	132	1,545	—	—	—	8,817
Total Liabilities	3,965,552	73,487	149,175	16,357	18	45	4,204,634
DEFERRED INFLOWS OF RESOURCES	71	1	199	—	—	—	271
Net Position Restricted for Pension Benefits, OPEB, and Deferred Compensation	$ 8,034,508	$ 150,200	$ 2,314,530	$ 129,934	$ 626,880	$ 1,547,202	$ 12,803,254

STATE OF MISSOURI
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS
For the Fiscal Year Ended June 30, 2018
(In Thousands of Dollars)

	Missouri State Employees' Retirement System		Missouri Department of Transportation and Highway Patrol Employees' Retirement System	Missouri Consolidated Health Care Plan State Retiree Welfare Benefit Trust	Missouri State Public Employees' Deferred Compensation		Totals
	Missouri State Employees' Plan	Judicial Plan			401 (a) Plan	457 Plan	June 30, 2018
Additions:							
Contributions:							
Employer	$ 379,558	$ 36,892	$ 204,955	$ 68,902	$ 35	$ —	$ 690,342
Plan Member	30,325	902	3,722	53,157	—	57,667	145,773
Other	3,297	—	3,147	35,501	62,191	1,463	105,599
Total Contributions	413,180	37,794	211,824	157,560	62,226	59,130	941,714
Investment Earnings:							
Increase (Decrease) in Appreciation of Assets	620,043	11,490	157,187	—	18,555	74,804	882,079
Interest and Dividends	60,757	1,126	70,727	4,679	12,771	37,152	187,212
Securities Lending Income	—	—	986	—	—	—	986
Other Income	157	3	—	—	—	—	160
Total Investment Earnings	680,957	12,619	228,900	4,679	31,326	111,956	1,070,437
Less Investment Expenses:							
Investment Activity Expense	(102,074)	(1,891)	(30,487)	—	—	—	(134,452)
Securities Lending Expense	—	—	(793)	—	—	—	(793)
Total Investment Expense	(102,074)	(1,891)	(31,280)	—	—	—	(135,245)
Net Investment Earnings (Loss)	578,883	10,728	197,620	4,679	31,326	111,956	935,192
Cost Reimbursement/ Miscellaneous	539	10	—	—	755	1,900	3,204
Total Additions	992,602	48,532	409,444	162,239	94,307	172,986	1,880,110
Deductions:							
Benefits	818,108	35,651	259,059	150,606	48,824	—	1,312,248
Administrative Expenses	10,024	186	4,348	7,142	788	2,828	25,316
Program Distributions	5,503	5	—	—	—	81,358	86,866
Inactive-vested Buyout Payments	61,041	—	—	—	—	—	61,041
Service Transfer Payments	2,060	—	—	—	—	—	2,060
Depreciation/Amortization	—	—	346	—	—	1	347
Total Deductions	896,736	35,842	263,753	157,748	49,612	84,187	1,487,878
Change in Net Position	95,866	12,690	145,691	4,491	44,695	88,799	392,232
Net Position - Beginning of Year	7,938,642	137,510	2,168,839	125,443	582,185	1,458,403	12,411,022
Net Position - End of Year	$ 8,034,508	$ 150,200	$ 2,314,530	$ 129,934	$ 626,880	$ 1,547,202	$ 12,803,254

STATE OF MISSOURI
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
June 30, 2018
(In Thousands of Dollars)

	Alternative Care Trust	Johnson-Travis Memorial Trust	Unclaimed Property	Totals June 30, 2018
ASSETS				
Cash and Cash Equivalents	$ 187	$ 305	$ 12,392	$ 12,884
Investments at Fair Value	2,859	606	21,575	25,040
Assets Held in Escheat	—	—	12,653	12,653
Account Receivables	26	—	—	26
Interest Receivable	11	2	—	13
Inventories	—	—	1	1
Capital Assets:				
Equipment	—	—	65	65
Software	—	—	99	99
Less: Accumulated Depreciation/Amortization	—	—	(128)	(128)
Total Capital Assets, Net	—	—	36	36
Total Assets	3,083	913	46,657	50,653
DEFERRED OUTFLOWS OF RESOURCES	—	—	524	524
LIABILITIES				
Accounts Payable	926	—	20	946
Accrued Payroll	—	—	24	24
Compensated Absences	—	—	44	44
Net OPEB Liability	—	—	550	550
Net Pension Liability	—	—	1,276	1,276
Total Liabilities	926	—	1,914	2,840
DEFERRED INFLOWS OF RESOURCES	—	—	29	29
NET POSITION				
Net Position Restricted for Other Purposes	$ 2,157	$ 913	$ 45,238	$ 48,308

STATE OF MISSOURI
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
For the Fiscal Year Ended June 30, 2018
(In Thousands of Dollars)

	Alternative Care Trust	Johnson-Travis Memorial Trust	Unclaimed Property	Totals June 30, 2018
Additions:				
Increase (Decrease) in Appreciation of Assets	$ (9)	$ (10)	$ (690)	$ (709)
Interest	58	13	717	788
Total Investment Earnings	49	3	27	79
Unclaimed Property	—	—	42,692	42,692
Cost Reimbursement/Miscellaneous	11,433	—	244	11,677
Total Additions	11,482	3	42,963	54,448
Deductions:				
Administrative Expenses	—	—	2,389	2,389
Program Distributions	11,865	—	43,734	55,599
Depreciation/Amortization	—	—	39	39
Total Deductions	11,865	—	46,162	58,027
Change in Net Position	(383)	3	(3,199)	(3,579)
Net Position - Beginning	2,540	910	48,437	51,887
Net Position - Ending	$ 2,157	$ 913	$ 45,238	$ 48,308

STATE OF MISSOURI
COMBINING BALANCE SHEET
AGENCY FUNDS
June 30, 2018
(In Thousands of Dollars)

	Social Security Contributions	Missouri State Employees' Voluntary Life Insurance	Program	Institution	Totals June 30, 2018
ASSETS					
Cash and Cash Equivalents	$ 36	$ 52	$ 69,892	$ 20,563	$ 90,543
Investments at Fair Value	63	91	599,583	15	599,752
Receivables:					
Accounts Receivable	6,164	—	510,007	—	516,171
Interest Receivable	—	—	1,076	—	1,076
Total Assets	$ 6,263	$ 143	$ 1,180,558	$ 20,578	$ 1,207,542
LIABILITIES					
Accounts Payable	$ —	$ —	$ 36	$ —	$ 36
Due to Other Entities	6,263	143	1,173,389	—	1,179,795
Due to Individuals	—	—	7,133	20,578	27,711
Total Liabilities	$ 6,263	$ 143	$ 1,180,558	$ 20,578	$ 1,207,542

STATE OF MISSOURI
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2018
(In Thousands of Dollars)

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
SOCIAL SECURITY CONTRIBUTIONS				
ASSETS				
Cash and Cash Equivalents	$ 25	$ 152,875	$ 152,864	$ 36
Investments at Fair Value	77	63	77	63
Accounts Receivable	6,241	6,164	6,241	6,164
Total Assets	$ 6,343	$ 159,102	$ 159,182	$ 6,263
LIABILITIES				
Due to Other Entities	$ 6,343	$ 463,744	$ 463,824	$ 6,263
MISSOURI STATE EMPLOYEES' VOLUNTARY LIFE INSURANCE				
ASSETS				
Cash and Cash Equivalents	$ 36	$ 3,652	$ 3,636	$ 52
Investments at Fair Value	113	91	113	91
Total Assets	$ 149	$ 3,743	$ 3,749	$ 143
LIABILITIES				
Due to Other Entities	$ 149	$ 3,688	$ 3,694	$ 143
PROGRAM				
ASSETS				
Cash and Cash Equivalents	$ 91,203	$ 8,012,518	$ 8,033,829	$ 69,892
Investments at Fair Value	543,186	525,055	468,658	599,583
Receivables:				
Accounts Receivable	438,574	83,281	11,848	510,007
Interest Receivable	347	4,998	4,269	1,076
Total Assets	$ 1,073,310	$ 8,625,852	$ 8,518,604	$ 1,180,558
LIABILITIES				
Accounts Payable	$ 33	$ 415	$ 412	$ 36
Due to Other Entities	1,063,309	8,615,376	8,505,296	1,173,389
Due to Individuals	9,968	20,845	23,680	7,133
Total Liabilities	$ 1,073,310	$ 8,636,636	$ 8,529,388	$ 1,180,558
INSTITUTION				
ASSETS				
Cash and Cash Equivalents	$ 17,151	$ 164,886	$ 161,474	$ 20,563
Investments at Fair Value	157	$ 1	143	15
Total Assets	$ 17,308	$ 164,887	$ 161,617	$ 20,578
LIABILITIES				
Due to Individuals	$ 17,308	$ 164,887	$ 161,617	$ 20,578
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash and Cash Equivalents	$ 108,415	$ 8,333,931	$ 8,351,803	$ 90,543
Investments at Fair Value	543,533	525,210	468,991	599,752
Receivables:				
Accounts Receivable	444,815	89,445	18,089	516,171
Interest Receivable	347	4,998	4,269	1,076
Total Assets	$ 1,097,110	$ 8,953,584	$ 8,843,152	$ 1,207,542
LIABILITIES				
Accounts Payable	$ 33	$ 415	$ 412	$ 36
Due to Other Entities	1,069,801	9,082,808	8,972,814	1,179,795
Due to Individuals	27,276	185,732	185,297	27,711
Total Liabilities	$ 1,097,110	$ 9,268,955	$ 9,158,523	$ 1,207,542

*The **Component Units** account for all transactions relating to legally separate entities which, for reporting purposes, are a part of the State.*

Non-Major Component Units:

Missouri Development Finance Board - Accounts for moneys from bond proceeds, gifts, and grants to make loans for industrial development.

Missouri Agricultural and Small Business Development Authority - Accounts for moneys from bond proceeds, gifts, and grants to make loans for property acquisitions/renovations and pollution control facilities.

Missouri Transportation Finance Corporation - Accounts for moneys from federal, state or local sources, and from bond proceeds to be used for projects approved by the Missouri Highways and Transportation Commission.

Missouri Wine and Grape Board - Accounts for moneys derived from the privilege of selling wine to be used for marketing development in developing programs for growing, selling, and marketing of grape products grown in Missouri.

STATE OF MISSOURI
COMBINING STATEMENT OF NET POSITION
NON-MAJOR COMPONENT UNITS
June 30, 2018
(In Thousands of Dollars)

	Missouri Development Finance Board	Missouri Agricultural and Small Business Development Authority	Missouri Transportation Finance Corporation	Missouri Wine and Grape Board	Totals June 30, 2018
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 11,102	$ 412	$ 11,984	$ 295	$ 23,793
Investments	14,026	249	26,432	514	41,221
Accounts Receivable, Net	1,663	1	—	—	1,664
Interest Receivable	169	—	412	3	584
Inventories	—	—	—	2	2
Restricted Assets:					
Cash and Cash Equivalents	—	567	—	—	567
Investments	—	15,339	—	—	15,339
Interest Receivable	—	13	—	—	13
Loan Receivable	—	—	2,967	—	2,967
Prepaid Items	369	—	—	—	369
Loans Receivable	236	138	—	—	374
Total Current Assets	27,565	16,719	41,795	814	86,893
Non-Current Assets:					
Investments	—	—	44,634	—	44,634
Loans Receivable	25,386	156	—	—	25,542
Restricted Assets:					
Cash and Cash Equivalents	11,632	—	—	—	11,632
Investments	4,989	—	—	—	4,989
Loans Receivables	—	—	21,857	—	21,857
Capital Assets:					
Construction in Progress	857	—	—	—	857
Land	7,220	—	—	—	7,220
Buildings	78,710	—	—	—	78,710
Equipment	438	—	—	41	479
Software & Misc Intangible Assets	23	—	—	3	26
Less Accumulated Depreciation/Amortization	(21,286)	—	—	(28)	(21,314)
Total Non-Current Assets	107,969	156	66,491	16	174,632
Total Assets	135,534	16,875	108,286	830	261,525
DEFERRED OUTFLOWS OF RESOURCES	859	211	—	280	1,350
LIABILITIES					
Current Liabilities:					
Accounts Payable	162	50	1	4	217
Accrued Payroll	—	—	—	12	12
Interest Payable	29	13	—	—	42
Due to Primary Government	—	250	—	2	252
Compensated Absences	30	4	—	18	52
Bonds and Notes Payable	223	—	—	—	223
Total Current Liabilities	444	317	1	36	798
Non-Current Liabilities:					
Advance from Primary Government	—	267	—	—	267
Unearned Revenue	789	—	—	—	789
Deposits and Reserves	11,773	—	—	—	11,773
Compensated Absences	48	—	—	10	58
Bonds and Notes Payable	16,929	—	—	—	16,929
Net Pension Liability	1,323	473	—	659	2,455
Net OPEB Liability	—	200	—	284	484
Total Non-Current Liabilities	30,862	940	—	953	32,755
Total Liabilities	31,306	1,257	1	989	33,553
DEFERRED INFLOWS OF RESOURCES	42	94	—	40	176
NET POSITION					
Net Investment in Capital Assets	48,810	—	—	16	48,826
Restricted for:					
Other Purposes	6,858	15,919	77,807	—	100,584
Unrestricted	49,377	(184)	30,478	65	79,736
Total Net Position	$ 105,045	$ 15,735	$ 108,285	$ 81	$ 229,146

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NON-MAJOR COMPONENT UNITS
For the Fiscal Year Ended June 30, 2018
(In Thousands of Dollars)

	Missouri Development Finance Board	Missouri Agricultural and Small Business Development Authority	Missouri Transportation Finance Corporation	Missouri Wine and Grape Board	Totals June 30, 2018
Operating Revenues:					
Licenses, Fees, and Permits	$ 1,564	$ 122	$ 1	$ —	$ 1,687
Interest on Receivables	918	—	936	—	1,854
Leases and Rentals	5,988	—	—	—	5,988
Cost Reimbursement/Miscellaneous	271	—	—	15	286
Total Operating Revenues	8,741	122	937	15	9,815
Operating Expenses:					
Personal Service	892	329	20	507	1,748
Operations	2,030	56	9	1,533	3,628
Specific Programs	—	591	—	1	592
Depreciation/Amortization	2,048	—	—	8	2,056
Other Charges	62	—	1	36	99
Total Operating Expenses	5,032	976	30	2,085	8,123
Operating Income (Loss)	3,709	(854)	907	(2,070)	1,692
Non-Operating Revenues (Expenses):					
Contributions and Intergovernmental	—	4,462	—	1,830	6,292
Investment Earnings:					
Increase (Decrease) in Fair Value of Investments	—	—	(601)	(1)	(602)
Interest	256	135	1,246	14	1,651
Interest Expense	(597)	(17)	—	—	(614)
Miscellaneous Revenues (Expenses)	1,492	—	(59)	—	1,433
Total Non-Operating Revenues (Expenses)	1,151	4,580	586	1,843	8,160
Change in Net Position	4,860	3,726	1,493	(227)	9,852
Total Net Position - Beginning	100,185	12,009	106,792	308	219,294
Total Net Position - Ending	$ 105,045	$ 15,735	$ 108,285	$ 81	$ 229,146

STATE OF MISSOURI
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR COMPONENT UNITS
For the Fiscal Year Ended June 30, 2018
(In Thousands of Dollars)

	Missouri Development Finance Board	Missouri Agricultural and Small Business Development Authority	Missouri Transportation Finance Corporation	Missouri Wine and Grape Board	Totals June 30, 2018
Cash Flows from Operating Activities:					
Receipts from Customers and Users	$ 7,977	$ 121	$ 1,252	$ —	$ 9,350
Loans to Outside Entities	—	323	3,269	—	3,592
Payments to Vendors and Suppliers	(2,270)	(49)	(11)	(1,531)	(3,861)
Payments for Employees	(772)	(265)	(20)	(433)	(1,490)
Payments Made for Program Expense	—	(591)	—	(1)	(592)
Net Payments/Receipts for Tax Credit Projects	(3,076)	—	—	—	(3,076)
Other Receipts	—	—	—	15	15
Other Payments	—	—	(1)	(36)	(37)
Net Cash Provided (Used) by Operating Activities	1,859	(461)	4,489	(1,986)	3,901
Cash Flows from Non-Capital Financing Activities:					
Loans Receivable Principal Receipts	565	—	—	—	565
Loans Receivable Issuance	(396)	—	—	—	(396)
Due to/from Primary Government	—	(311)	—	—	(311)
Advance to/from Primary Government	—	(250)	—	—	(250)
Contributions and Intergovernmental	—	4,462	—	1,830	6,292
Net Cash Provided (Used) by Non-Capital Financing Activities	169	3,901	—	1,830	5,900
Cash Flows from Capital and Related Financing Activities:					
Interest Expense	(598)	(11)	—	—	(609)
Purchases and Construction of Capital Assets	(781)	—	—	—	(781)
Principal Payments on Capital Debt	(2,544)	—	—	—	(2,544)
Net Cash Provided (Used) by Capital and Related Financing Activities	(3,923)	(11)	—	—	(3,934)
Cash Flows from Investing Activities:					
Proceeds from Investment Maturities	18,894	—	37,967	209	57,070
Purchase of Investments	(25,977)	(3,678)	(57,272)	—	(86,927)
Interest	193	156	1,246	13	1,608
Investment Fees	—	—	(59)	—	(59)
Net Cash Provided (Used) by Investing Activities	(6,890)	(3,522)	(18,118)	222	(28,308)
Net Increase (Decrease) in Cash	(8,785)	(93)	(13,629)	66	(22,441)
Cash and Cash Equivalents, Beginning of Year	31,519	1,072	25,613	229	58,433
Cash and Cash Equivalents, End of Year	$ 22,734	$ 979	$ 11,984	$ 295	$ 35,992
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	$ 3,709	$ (854)	$ 907	$ (2,070)	$ 1,692
Depreciation/Amortization Expense	2,048	—	—	8	2,056
Changes in Assets and Liabilities:					
Accounts Receivable	(236)	(1)	—	—	(237)
Interest Receivable	60	—	315	—	375
Inventories	—	—	—	(1)	(1)
Deferred Outflows of Resources	(82)	70	—	11	(1)
Prepaid Items	(130)	—	—	—	(130)
Loans Receivable	—	323	3,269	—	3,592
Accounts Payable	(8)	7	(2)	1	(2)
Accrued Payroll	—	—	—	(3)	(3)
Deposit and Reserve	(3,660)	—	—	—	(3,660)
Compensated Absences	—	—	—	(2)	(2)
Unearned Revenue	(44)	—	—	—	(44)
Net Pension Liability	199	(84)	—	42	157
Net OPEB Liability	—	(2)	—	(4)	(6)
Deferred Inflows of Resources	3	80	—	32	115
Net Cash Provided (Used) by Operating Activities	$ 1,859	$ (461)	$ 4,489	$ (1,986)	$ 3,901
Non-Cash Investing Activities:					
Increase (Decrease) in Fair Value of Investments	$ —	$ —	$ (601)	$ (1)	$ (602)
Net Non-Cash Investing Activities	$ —	$ —	$ (601)	$ (1)	$ (602)

*The **Statistical Section** presentations include Financial Trends, Revenue Capacity, Debt Capacity, Demographic and Economic Information, and Operating Information trends. The statistical data presented is intended to provide report users with a broader understanding of the environment in which the State operates.*

STATE OF MISSOURI
STATISTICAL SECTION
June 30, 2018

Index and Overview

This part of the State's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health.

Financial Trends
These schedules contain trend information to help the reader understand how the State's financial performance and fiscal health have changed over time.

Revenue Capacity
These schedules contain information to help the reader understand the State's capacity to raise revenues and the sources of those revenues.

Debt Capacity
These schedules present information to help the reader understand and assess the State's levels of outstanding debt and the State's ability to issue additional debt in the future.

Demographic and Economic Information
These schedules contain demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.

Operating Information
These schedules contain operating data to help the reader understand how the information in the State's financial report relates to the services it provides and the activities it performs.

Sources: *Unless otherwise noted, the information in these schedules is derived from the State of Missouri Comprehensive Annual Financial Report for the years shown.*

STATE OF MISSOURI
NET POSITION BY COMPONENT
FISCAL YEARS 2009-2018
(In Thousands of Dollars)

	2018	2017*	2016	2015	2014
Governmental Activities					
Net Investment in Capital Assets	30,336,702	$ 29,793,477	$ 29,255,865	$ 28,791,258	$ 28,485,327
Restricted	4,062,810	4,103,890	4,348,001	3,269,480	3,790,165
Unrestricted	(7,922,530)	(7,606,967)	(5,465,559)	(4,292,710)	(5,501,188)
Total Governmental Activities Net Position	$ 26,476,982	$ 26,290,400	$ 28,138,307	$ 27,768,028	$ 26,774,304
Business-Type Activities					
Net Investment in Capital Assets	$ 127,209	$ 115,327	$ 98,320	$ 55,669	$ 52,901
Restricted	5,616	7,239	6,104	4,588	4,889
Unrestricted	849,174	762,633	677,470	420,995	183,705
Total Business-Type Activities Net Position	$ 981,999	$ 885,199	$ 781,894	$ 481,252	$ 241,495
Primary Government					
Net Investment in Capital Assets	$ 30,463,911	$ 29,908,804	$ 29,354,185	$ 28,846,927	$ 28,538,228
Restricted	4,068,426	4,111,129	4,354,105	3,274,068	3,795,054
Unrestricted	(7,073,356)	(6,844,334)	(4,788,089)	(3,871,715)	(5,317,483)
Total Primary Government Net Position	$ 27,458,981	$ 27,175,599	$ 28,920,201	$ 28,249,280	$ 27,015,799

Continues Below

	2013	2012	2011	2010	2009
Governmental Activities					
Net Investment in Capital Assets	$ 28,166,290	$ 27,873,493	$ 26,595,552	$ 25,850,787	$ 26,247,223
Restricted	3,788,299	3,898,340	4,339,603	3,907,120	3,537,444
Unrestricted	(1,216,048)	(1,865,908)	(1,159,743)	(940,675)	(1,260,231)
Total Governmental Activities Net Position	$ 30,738,541	$ 29,905,925	$ 29,775,412	$ 28,817,232	$ 28,524,436
Business-Type Activities					
Net Investment in Capital Assets	$ 52,217	$ 50,081	$ 50,291	$ 45,990	$ 48,442
Restricted	5,630	9,675	6,303	7,949	6,771
Unrestricted	(117,891)	(344,734)	(485,576)	(437,995)	(1,050)
Total Business-Type Activities Net Position	$ (60,044)	$ (284,978)	$ (428,982)	$ (384,056)	$ 54,163
Primary Government					
Net Investment in Capital Assets	$ 28,218,507	$ 27,923,574	$ 26,645,843	$ 25,896,777	$ 26,295,665
Restricted	3,793,929	3,908,015	4,345,906	3,915,069	3,544,215
Unrestricted	(1,333,939)	(2,210,642)	(1,645,319)	(1,378,670)	(1,261,281)
Total Primary Government Net Position	$ 30,678,497	$ 29,620,947	$ 29,346,430	$ 28,433,176	$ 28,578,599

*Fiscal year 2017 amounts have been restated.

STATE OF MISSOURI
CHANGES IN NET POSITION
FISCAL YEARS 2009-2018
(In Thousands of Dollars)

Governmental Activities:	2018	2017*	2016	2015
Expenses				
General Government	$ 1,265,879	$ 1,176,204	$ 1,081,421	$ 1,064,771
Education	7,053,441	7,086,927	6,902,930	6,680,646
Natural and Economic Resources	1,079,319	1,074,411	1,039,408	910,502
Transportation and Law Enforcement	1,974,299	2,157,349	1,913,379	1,861,116
Human Services	14,339,906	13,682,277	13,086,606	12,800,735
Interest on Debt (Excluding Direct Expense)	120,206	128,108	138,426	139,112
Total Expenses	25,833,050	25,305,276	24,162,170	23,456,882
Program Revenues				
Charges for Services:				
General Government	589,009	671,875	579,457	581,008
Transportation and Law Enforcement	227,737	228,039	230,685	228,093
Human Services	559,855	498,348	475,055	503,290
Other Activities	325,483	343,363	327,275	327,169
Operating Grants and Contributions	10,812,026	10,403,733	10,178,230	9,960,965
Capital Grants and Contributions	1,020,695	923,748	917,255	838,354
Total Program Revenues	13,534,805	13,069,106	12,707,957	12,438,879
Total Governmental Activities Net Program (Expense)	(12,298,245)	(12,236,170)	(11,454,213)	(11,018,003)
General Revenues and Other Changes in Net Position				
Taxes:				
Sales and Use	3,235,110	3,267,442	3,112,912	3,142,387
Individual Income	6,796,359	6,648,918	6,324,548	6,418,379
Corporate Income	403,771	392,438	411,139	490,131
County Foreign Insurance	272,497	254,685	218,083	222,828
Alcoholic Beverage	32,602	32,764	30,913	32,101
Corporate Franchise	1,968	2,490	17,197	29,982
Fuel	640,767	667,639	640,934	656,893
Miscellaneous Taxes	684,577	680,885	663,797	668,955
Grants and Contributions not Restricted to Specific Programs	59,236	62,173	58,971	76,276
Unrestricted Investment Earnings	26,309	12,626	26,468	24,721
Special Items	—	—	—	—
Extraordinary Items	—	—	—	—
Transfers	331,631	289,683	304,320	275,997
Total General Revenues and Other Changes in Net Position	12,484,827	12,311,743	11,809,282	12,038,650
Total Governmental Activities Change in Net Position	$ 186,582	$ 75,573	$ 355,069	$ 1,020,647
Business-Type Activities:				
Expenses				
State Lottery	$ 1,086,926	$ 1,070,595	$ 1,025,086	$ 873,502
Unemployment Compensation	294,271	318,782	312,295	391,508
Petroleum Storage Tank Insurance	21,298	19,392	16,205	14,705
State Fair Fees	4,878	4,726	4,369	4,390
State Parks and DNR	8,919	14,025	8,395	8,264
Historic Preservation	725	1,248	577	741
Missouri Veterans' Homes	123,094	115,078	100,771	92,501
Surplus Property	2,416	2,523	2,590	3,169
Revenue Information	12	12	14	13
Total Expenses	1,542,539	1,546,381	1,470,302	1,388,793
Program Revenues				
Charges for Services:				
State Lottery	1,418,409	1,361,996	1,327,852	1,144,604
Other Activities	56,010	61,228	56,005	59,199
Operating Grants and Contributions	466,750	553,591	677,118	693,657
Total Program Revenues	1,941,169	1,976,815	2,060,975	1,897,460
Total Business-Type Activities Net Program (Expense)	398,630	430,434	590,673	508,667
General Revenues and Other Changes in Net Position				
Unrestricted Investment Earnings	18,338	13,156	11,420	3,591
Adjustments to Claims Reserve	—	—	2,500	—
Special Items	—	—	—	—
Extraordinary Items	—	(153)	—	—
Capital Contributions	11,463	920	—	—
Transfers	(331,631)	(289,683)	(304,320)	(275,997)
Total General Revenues and Other Changes in Net Position	(301,830)	(275,760)	(290,400)	(272,406)
Total Business-Type Activities Change in Net Position	$ 96,800	$ 154,674	$ 300,273	$ 236,261
Total Primary Government Change in Net Position	$ 283,382	$ 230,247	$ 655,342	$ 1,256,908

*Fiscal year 2017 amounts have been restated

2014	2013	2012	2011	2010	2009
$ 1,030,327	$ 1,063,418	$ 1,029,012	$ 1,089,731	$ 1,129,030	$ 1,182,233
6,430,861	6,368,472	6,373,757	6,536,907	6,815,521	6,589,358
874,033	933,019	1,053,949	935,078	1,082,526	1,043,449
1,823,578	1,924,306	2,021,423	2,529,791	2,699,070	2,375,104
12,623,617	12,335,625	12,299,493	11,713,021	11,740,145	10,898,796
157,707	161,386	207,906	199,948	196,413	210,342
22,940,123	22,786,226	22,985,540	23,004,476	23,662,705	22,299,282
540,427	698,300	883,228	705,914	875,161	756,969
232,176	250,898	239,684	267,875	319,941	400,842
504,443	554,365	459,517	550,690	653,463	531,250
333,898	351,193	285,725	314,375	380,133	369,976
9,649,655	9,702,624	9,889,453	9,802,842	9,489,240	8,317,356
933,814	1,039,043	1,096,052	1,814,207	1,454,811	966,394
12,194,413	12,596,423	12,853,659	13,455,903	13,172,749	11,342,787
(10,745,710)	(10,189,803)	(10,131,881)	(9,548,573)	(10,489,956)	(10,956,495)
2,925,867	2,883,852	2,705,002	2,570,243	2,572,491	2,635,068
5,718,801	5,833,306	5,116,876	4,878,166	4,840,809	5,169,741
427,320	429,797	378,444	394,389	360,764	377,801
180,779	175,212	167,969	182,679	171,497	177,393
30,370	30,294	28,652	27,247	27,657	26,689
54,670	51,444	61,389	70,743	82,182	82,114
629,105	648,989	620,074	1,833	233	2,671
605,247	630,228	623,414	1,210,758	1,207,501	1,160,700
73,637	120,380	244,859	889,742	1,301,531	499,542
35,040	(15,858)	21,525	23,281	28,870	69,339
—	—	(120)	—	—	—
(132)	—	—	—	—	—
291,421	290,900	300,608	255,908	258,947	257,441
10,972,125	11,078,544	10,268,692	10,504,989	10,852,482	10,458,499
$ 226,415	$ 888,741	$ 136,811	$ 956,416	$ 362,526	$ (497,996)
$ 894,137	$ 876,290	$ 835,526	$ 755,410	$ 724,915	$ 726,106
568,787	858,697	1,280,157	1,714,276	2,216,078	1,292,531
13,244	18,101	22,171	13,940	13,925	17,186
4,419	3,968	3,963	3,700	3,843	4,303
9,417	9,179	10,659	12,278	9,042	14,211
334	388	340	509	1,145	714
97,674	97,012	76,598	76,033	70,884	62,378
2,528	3,017	3,065	2,293	2,542	1,759
—	32	72	1,199	1,513	5,345
1,590,540	1,866,684	2,232,551	2,579,638	3,043,887	2,124,533
1,171,580	1,156,235	1,109,108	1,011,055	984,187	981,431
57,836	57,009	56,538	55,153	56,659	60,015
999,516	1,172,524	1,507,428	1,725,481	1,823,732	967,324
2,228,932	2,385,768	2,673,074	2,791,689	2,864,578	2,008,770
638,392	519,084	440,523	212,051	(179,309)	(115,763)
2,029	(3,138)	4,312	(1,050)	2,533	10,152
17,223	—	—	—	—	—
—	—	(224)	—	—	—
—	—	—	—	—	—
—	35	—	—	—	—
(291,421)	(290,900)	(300,608)	(255,908)	(258,947)	(257,441)
(272,169)	(294,003)	(296,520)	(256,958)	(256,414)	(247,289)
$ 366,223	$ 225,081	$ 144,003	$ (44,907)	$ (435,723)	$ (363,052)
$ 592,638	$ 1,113,822	$ 280,814	$ 911,509	$ (73,197)	$ (861,048)

STATE OF MISSOURI
FUND BALANCES - GOVERNMENTAL FUNDS
FISCAL YEARS 2009-2018
(In Thousands of Dollars)

	2018	2017*	2016	2015	2014
General Fund					
Nonspendable	$ 48,944	$ 52,969	$ 58,712	$ 53,809	$ 50,504
Restricted	307,913	341,052	488,180	292,758	289,266
Committed	617,661	590,697	589,956	545,765	560,141
Assigned	86,705	154,634	78,096	158,390	73,625
Unassigned	457,634	294,901	238,735	349,901	244,821
Total General Fund	1,518,857	1,434,253	1,453,679	1,400,623	1,218,357
All Other Governmental Funds					
Nonspendable	95,439	97,723	97,027	1,243,039	1,170,054
Restricted	1,490,422	1,517,114	1,699,763	1,512,228	1,544,139
Committed	1,663,097	1,614,390	1,543,913	377,527	345,465
Assigned	410,186	422,122	430,901	425,256	400,668
Unassigned	—	(17,628)	—	—	—
Total All Other Governmental Funds	3,659,144	3,633,721	3,771,604	3,558,050	3,460,326
Total Fund Balances, Governmental Funds	$ 5,178,001	$ 5,067,974	$ 5,225,283	$ 4,958,673	$ 4,678,683

Continues Below

	2013	2012	2011	2010	2009
General Fund					
Nonspendable	$ 56,048	$ 61,207	$ 42,906	$ 44,158	$ —
Restricted	285,878	340,205	475,205	186,737	—
Committed	506,778	504,569	512,623	534,620	—
Assigned	67,277	63,484	59,783	51,734	—
Unassigned	530,431	195,193	325,123	423,227	—
Reserved	—	—	—	—	589,532
Unreserved	—	—	—	—	716,371
Total General Fund	1,446,412	1,164,658	1,415,640	1,240,476	1,305,903
All Other Governmental Funds					
Nonspendable	1,126,253	1,077,138	1,016,981	986,201	—
Restricted	1,636,550	1,745,287	2,137,789	2,021,223	—
Committed	337,874	291,723	284,455	219,557	—
Assigned	370,090	367,261	339,192	355,202	—
Reserved	—	—	—	—	1,218,019
Unreserved, Reported in:					
Special Revenue Funds	—	—	—	—	1,182,724
Capital Projects Funds	—	—	—	—	540,554
Permanent Funds	—	—	—	—	124
Total All Other Governmental Funds	3,470,767	3,481,409	3,778,417	3,582,183	2,941,421
Total Fund Balances, Governmental Funds	$ 4,917,179	$ 4,646,067	$ 5,194,057	$ 4,822,659	$ 4,247,324

*Fiscal year 2017 amounts have been restated.

STATE OF MISSOURI
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEARS 2009-2018
(In Thousands of Dollars)

	2018	2017*	2016	2015
Revenues:				
Taxes	$ 12,151,078	$ 11,877,303	$ 11,550,222	$ 11,302,267
Licenses, Fees, and Permits	675,447	678,037	685,115	653,218
Sales	9,527	9,035	9,002	11,905
Leases and Rentals	157	158	71	497
Services	148,653	122,531	116,133	105,066
Contributions and Intergovernmental	11,712,774	11,395,032	11,157,654	10,871,669
Investment Earnings:				
Net Increase (Decrease) in the Fair Value of Investments	(15,384)	(10,530)	5,975	2,006
Interest	60,189	34,080	25,534	29,911
Penalties and Unclaimed Properties	70,657	96,568	72,435	131,384
Cost Reimbursement/Miscellaneous	513,789	564,390	492,593	525,729
Total Revenues	25,326,887	24,766,604	24,114,734	23,633,652
Expenditures:				
Current:				
General Government	909,941	884,641	886,172	869,266
Education	7,031,232	7,071,710	6,893,120	6,673,331
Natural and Economic Resources	869,568	896,485	913,667	833,441
Transportation and Law Enforcement	1,483,225	1,473,797	1,475,500	1,558,694
Human Services	14,012,219	13,629,856	13,037,667	12,761,134
Capital Outlay:				
General Government	1,320	14,057	2,474	—
Education	106	348	29	—
Natural and Economic Resources	3,549	2,027	246	—
Transportation and Law Enforcement	854,707	712,716	690,269	714,550
Human Services	64,467	54,915	37,384	1,354
Debt Service:				
Principal	333,480	436,938	292,521	285,627
Interest	144,976	159,977	166,000	166,672
Bond Issuance Costs	356	336	755	831
Underwriter's Discount	985	972	1,231	2,260
Arbitrage	—	—	—	—
Total Expenditures	25,710,131	25,338,775	24,397,035	23,867,160
Excess Revenues (Expenditures)	(383,244)	(572,171)	(282,301)	(233,508)
Other Financing Sources (Uses):				
Proceeds from Notes/Capital Leases	6,934	1,542	14,782	1,819
Debt Issuance	—	—	—	—
Proceeds from General Obligation/Other Bonds	124,905	97,225	193,800	129,465
Issuance of Refunding Bonds	—	—	—	108,930
Payments to Escrow Agent	—	—	—	(121,020)
Bond Premium	9,751	5,877	17,810	18,622
Proceeds from Capital Asset Sale	18,034	20,305	18,394	11,137
Transfers In	342,979	297,229	310,842	285,468
Transfers Out	(9,177)	(5,598)	(6,010)	(9,547)
Total Other Financing Sources (Uses)	493,426	416,580	549,618	424,874
Net Change in Fund Balances	110,182	(155,591)	267,317	191,366
Increase (Decrease) in Reserve for Inventory	(155)	(1,716)	(707)	4,928
Net Change in Fund Balances	$ 110,027	$ (157,307)	$ 266,610	$ 196,294
Debt Service as a Percentage of Non-Capital Expenditures	1.94%	2.45%	1.96%	1.99%

*Fiscal year 2017 amounts have been restated.

2014	2013	2012	2011	2010	2009
$ 10,549,046	$ 10,557,831	$ 9,956,574	$ 9,398,840	$ 8,987,066	$ 9,503,743
654,416	647,233	647,130	630,944	637,078	657,725
12,308	10,261	8,827	10,131	8,917	10,301
480	1,212	313	665	934	448
111,280	115,219	119,076	155,498	243,998	244,557
10,652,830	10,860,366	11,230,111	12,500,062	12,265,891	9,763,754
6,737	(25,606)	6,392	(53)	1,734	(9,565)
50,251	27,839	33,068	34,496	44,954	103,068
74,642	112,951	51,591	54,812	60,284	48,730
507,763	687,609	745,602	662,070	963,030	739,288
22,619,753	22,994,915	22,798,684	23,447,465	23,213,886	21,062,049
844,854	884,342	886,309	883,953	889,467	952,780
6,419,231	6,351,934	6,363,447	6,525,986	6,809,217	6,582,393
831,495	856,133	934,767	832,855	974,260	894,815
1,350,588	1,406,509	1,627,620	1,758,410	1,814,485	1,515,903
12,447,706	12,162,029	12,320,259	11,627,776	11,632,371	10,829,000
34	8	—	1	5	—
—	—	—	—	—	—
—	—	—	—	—	—
852,832	963,001	1,115,457	1,253,100	1,409,557	1,308,229
—	—	—	—	4	306
256,221	216,017	212,483	242,497	227,307	219,496
187,123	189,920	208,518	225,858	209,428	191,684
1,545	920	606	1,552	8,101	1,278
4,075	2,423	2,074	437	—	—
—	—	—	42	374	583
23,195,704	23,033,236	23,671,540	23,352,467	23,974,576	22,496,467
(575,951)	(38,321)	(872,856)	94,998	(760,690)	(1,434,418)
1,400	712	1,776	6,300	6,675	26,317
—	—	—	—	1,085,000	142,735
—	—	—	—	—	—
995,555	441,690	163,145	312,960	—	—
(1,177,908)	(486,904)	(168,589)	(351,599)	—	—
195,638	48,276	7,944	40,468	30,631	2,835
13,867	19,310	16,864	14,703	12,938	11,087
304,688	312,595	300,699	255,959	259,810	258,568
(12,763)	(21,846)	(144)	—	(738)	(902)
320,477	313,833	321,695	278,791	1,394,316	440,640
(255,474)	275,512	(551,161)	373,789	633,626	(993,778)
153	(4,402)	4,135	(2,389)	(279)	(105)
$ (255,321)	$ 271,110	$ (547,026)	$ 371,400	$ 633,347	$ (993,883)
2.02%	1.85%	1.89%	2.14%	1.99%	1.96%

STATE OF MISSOURI
REVENUE BASE - TAXABLE SALES BY INDUSTRY
FISCAL YEARS 2009-2018

Taxable Sales by Industry

	2018*	2017	2016	2015	2014
Agricultural/Forestry, Fishing, and Other	$ 243,431,996	$ 259,105,220	$ 245,772,867	$ 240,000,494	$ 236,474,690
Mining	453,466,663	110,484,032	106,659,795	87,523,595	76,102,321
Construction	801,058,193	1,788,629,305	1,677,123,560	950,357,972	903,053,231
Manufacturing	4,543,245,262	4,758,144,850	4,686,174,181	4,512,551,497	4,452,723,181
Transportation and Public Utilities	7,431,439,993	7,991,327,737	7,941,221,199	8,150,393,880	8,296,512,631
Wholesale Trade	37,375,445,863	9,478,033,276	9,258,220,896	8,772,153,165	8,355,874,187
Retail Trade	26,306,855,209	52,013,596,266	50,710,170,965	48,945,156,057	46,883,720,342
Finance, Insurance, and Real Estate	2,244,925,706	675,498,078	639,535,606	459,394,721	428,174,408
Services	8,557,460,947	10,958,489,216	10,508,298,419	10,167,703,650	9,615,517,898
State and Local Government	248,500,694	137,361,580	130,923,934	149,553,253	196,281,904
Non-Classifiable	—	13,251,530	12,784,255	12,193,479	13,389,207
Total Taxable Sales	$ 88,205,830,526	$ 88,183,921,090	$ 85,916,885,677	$ 82,446,981,763	$ 79,457,824,000
Direct Sales Tax Rate	4.225%	4.225%	4.225%	4.225%	4.225%

Continues Below

Taxable Sales by Industry

	2013	2012	2011	2010	2009
Agricultural/Forestry, Fishing, and Other	$ 215,327,746	$ 221,013,601	$ 201,234,995	$ 202,810,606	$ 209,980,903
Mining	72,364,854	74,803,209	73,001,501	85,194,876	88,867,589
Construction	837,805,800	861,403,612	794,578,753	786,022,254	889,561,095
Manufacturing	4,122,180,876	3,761,027,682	2,916,005,779	2,994,039,718	3,203,288,128
Transportation and Public Utilities	7,865,266,716	7,836,415,362	8,377,819,035	8,347,862,197	8,247,781,684
Wholesale Trade	8,201,088,643	8,205,030,046	7,636,707,697	5,708,391,048	7,019,606,804
Retail Trade	45,955,834,897	45,578,697,317	43,451,150,211	42,667,031,160	44,820,794,586
Finance, Insurance, and Real Estate	555,096,635	577,095,000	573,590,035	562,957,084	592,136,070
Services	9,242,131,446	9,239,885,195	8,712,983,898	8,676,719,865	8,648,622,385
State and Local Government	164,729,390	167,737,492	150,984,890	135,174,330	158,765,152
Non-Classifiable	19,041,853	15,869,773	13,130,346	14,230,874	21,079,516
Total Taxable Sales	$ 77,250,868,856	$ 76,538,978,289	$ 72,901,187,140	$ 70,180,434,012	$ 73,900,483,912
Direct Sales Tax Rate	4.225%	4.225%	4.225%	4.225%	4.225%

Source: Missouri Department of Revenue

* During fiscal year 2018 the State replaced the Standard Industrial Classification System with the more consistent North American Industry Classification System to classify revenues.

STATE OF MISSOURI
REVENUE BASE - PERSONAL INCOME BY INDUSTRY
CALENDAR YEARS 2008-2017

Personal Income by Industry (In Thousands of Dollars)	2017	2016	2015	2014	2013
Farm Earnings	$ 1,062,184	$ 829,415	$ 722,021	$ 3,786,857	$ 1,626,591
Agricultural/Forestry, Fishing, and Other	424,552	457,108	451,862	394,686	397,546
Mining	241,988	320,915	345,512	450,247	531,506
Construction/Utilities	13,819,650	12,748,129	11,973,872	12,039,804	11,722,352
Manufacturing	21,229,515	20,542,795	20,483,723	19,405,898	18,638,481
Transportation and Public Utilities	7,189,504	6,957,284	6,937,566	6,632,242	6,641,733
Wholesale Trade	10,826,692	10,831,422	11,063,357	10,168,424	9,614,681
Retail Trade	11,749,093	11,785,062	11,618,585	11,353,713	11,045,743
Finance, Insurance, and Real Estate	17,761,199	15,456,673	15,873,119	14,637,085	13,981,286
Services	82,115,017	78,239,644	77,566,750	75,021,866	73,357,863
Federal, Civilian	5,843,242	5,677,270	5,566,826	5,370,947	5,170,204
Military	1,912,463	1,879,387	1,889,251	1,906,989	2,165,907
State and Local Government	22,264,323	22,256,414	21,860,748	21,611,208	21,013,029
Total Personal Income	$ 196,439,422	$ 187,981,518	$ 186,353,192	$ 182,779,966	$ 175,906,922
Total Direct Personal Income Tax Rate	6.0%	6.0%	6.0%	6.0%	6.0%

Continues Below

Personal Income by Industry (In Thousands of Dollars)	2012	2011	2010	2009	2008
Farm Earnings	$ 1,257,121	$ 2,321,629	$ 1,523,983	$ 1,591,091	$ 2,376,908
Agricultural/Forestry, Fishing, and Other	319,736	297,657	333,875	276,120	303,227
Mining	533,997	504,777	395,522	388,211	502,316
Construction/Utilities	11,021,154	10,551,329	10,588,278	11,331,673	12,516,453
Manufacturing	18,223,989	17,303,819	16,746,171	17,442,057	20,134,090
Transportation and Public Utilities	6,329,830	5,957,783	5,732,126	5,809,413	6,293,608
Wholesale Trade	9,401,253	8,969,791	8,721,745	8,658,427	9,231,605
Retail Trade	10,981,844	10,654,925	10,506,522	10,416,435	10,570,173
Finance, Insurance, and Real Estate	13,577,510	12,587,314	12,244,442	11,816,812	11,670,581
Services	70,695,009	67,723,434	65,813,475	64,334,920	67,549,088
Federal, Civilian	5,326,901	5,399,812	5,440,528	5,151,679	5,351,539
Military	2,087,494	2,151,087	2,185,296	2,318,306	2,595,583
State and Local Government	20,951,836	20,783,859	21,026,890	20,830,621	18,813,044
Total Personal Income	$ 170,707,674	$ 165,207,216	$ 161,258,853	$ 160,365,765	$ 167,908,215
Total Direct Personal Income Tax Rate	6.0%	6.0%	6.0%	6.0%	6.0%

Source: Bureau of Economic Analysis

STATE OF MISSOURI
PERSONAL INCOME TAX REVENUE
FISCAL YEARS 2009-2018

Personal Income Tax Revenue	2018	2017	2016	2015	2014
Personal Income Tax Revenue	$ 7,737,588,498	$ 7,331,004,490	$ 7,182,257,124	$ 6,904,280,506	$ 6,421,723,597
Personal Income (Federal AGI)	$ 304,938,141,965	$ 308,516,717,209	$ 295,120,344,327	$ 272,999,790,569	$ 286,579,465,435
Taxable Income	$ 228,943,859,159	$ 233,037,149,447	$ 223,319,685,253	$ 204,984,460,785	$ 215,915,208,076
Average Effective Rate:					
Federal Adjusted Gross	2.54%	2.38%	2.43%	2.53%	2.24%
Taxable Income	3.38%	3.15%	3.22%	3.37%	2.97%

Continues Below

Personal Income Tax Revenue	2013	2012	2011	2010	2009
Personal Income Tax Revenue	$ 6,374,093,816	$ 5,851,270,707	$ 5,641,812,271	$ 5,495,341,696	$ 5,949,266,333
Personal Income (Federal AGI)	$ 238,522,413,855	$ 232,336,289,876	$ 206,107,657,668	$ 214,909,582,160	$ 254,573,370,206
Taxable Income	$ 176,397,991,056	$ 170,827,410,945	$ 147,407,200,244	$ 124,489,765,954	$ 188,091,389,476
Average Effective Rate:					
Federal Adjusted Gross	2.67%	2.52%	2.74%	2.56%	2.34%
Taxable Income	3.61%	3.43%	3.83%	4.41%	3.16%

Note: Article X, Sections 16 through 24 of the Missouri Constitution establishes a revenue limit for Missouri State Government. When total revenues exceed the limit, tax refunds are generated.

Source: Missouri Department of Revenue

STATE OF MISSOURI
PERSONAL INCOME TAX RATES
FISCAL YEARS 2009-2018

Ranges of Tax Rates on the Portion of Taxable Income (In Thousands of Dollars)	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Tax Rate	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Income Levels	1.1-2	1.1-2	1.1-2	1.1-2	1.1-2	1.1-2	1.1-2	1.1-2	1.1-2	1.1-2
Tax Rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Income Levels	2.1-3	2.1-3	2.1-3	2.1-3	2.1-3	2.1-3	2.1-3	2.1-3	2.1-3	2.1-3
Tax Rate	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Income Levels	3.1-4	3.1-4	3.1-4	3.1-4	3.1-4	3.1-4	3.1-4	3.1-4	3.1-4	3.1-4
Tax Rate	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Income Levels	4.1-5	4.1-5	4.1-5	4.1-5	4.1-5	4.1-5	4.1-5	4.1-5	4.1-5	4.1-5
Tax Rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Income Levels	5.1-6	5.1-6	5.1-6	5.1-6	5.1-6	5.1-6	5.1-6	5.1-6	5.1-6	5.1-6
Tax Rate	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Income Levels	6.1-7	6.1-7	6.1-7	6.1-7	6.1-7	6.1-7	6.1-7	6.1-7	6.1-7	6.1-7
Tax Rate	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Income Levels	7.1-8	7.1-8	7.1-8	7.1-8	7.1-8	7.1-8	7.1-8	7.1-8	7.1-8	7.1-8
Tax Rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Income Levels	8.1-9	8.1-9	8.1-9	8.1-9	8.1-9	8.1-9	8.1-9	8.1-9	8.1-9	8.1-9
Tax Rate	5.9%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Income Levels	9.1+	9.1+	9.1+	9.1+	9.1+	9.1+	9.1+	9.1+	9.1+	9.1+

Note: Article X, Sections 16 through 24 of the Missouri Constitution establishes a revenue limit for Missouri State Government. When total revenues exceed the limit, tax refunds are generated

Source: Missouri Department of Revenue

STATE OF MISSOURI
REVENUE PAYERS BY INDUSTRY
FISCAL YEARS 2009-2018

Sales Tax	2018*	%	2017	%	2016	%
Agricultural	$ 10,285,002	0.28%	$ 10,947,196	0.29%	$ 10,383,904	0.36%
Mining	19,158,966	0.51%	4,667,950	0.13%	4,506,376	0.16%
Construction	33,955,810	0.91%	75,569,588	2.03%	37,780,540	1.31%
Manufacturing	191,952,112	5.15%	201,031,620	5.40%	192,230,237	6.67%
Transportation & Utilities	313,978,340	8.43%	337,633,597	9.06%	330,960,635	11.49%
Wholesale Trade	1,579,112,588	42.37%	400,446,906	10.75%	261,477,270	9.07%
Retail Trade	1,111,464,633	29.82%	2,197,574,442	58.98%	1,568,702,724	54.44%
Finance, Insurance, & Real Estate	94,848,111	2.55%	28,539,794	0.77%	25,446,129	0.88%
Services	361,552,725	9.70%	462,996,169	12.43%	443,975,608	15.41%
Government	10,499,154	0.28%	5,803,527	0.16%	5,531,536	0.19%
Non-Classifiable	—	—%	559,877	0.01%	540,135	0.02%
Total	$ 3,726,807,441	100.00%	$ 3,725,770,666	100.00%	$ 2,881,535,094	100.00%

	2015	%	2014	%	2013	%
Agricultural	$ 10,140,021	0.29%	$ 9,991,056	0.30%	$ 9,097,597	0.28%
Mining	3,697,872	0.11%	3,215,323	0.09%	3,057,415	0.09%
Construction	40,152,624	1.15%	38,153,999	1.14%	35,397,295	1.08%
Manufacturing	190,655,301	5.47%	188,127,554	5.60%	174,162,142	5.34%
Transportation & Utilities	344,354,141	9.89%	350,527,659	10.44%	332,307,519	10.18%
Wholesale Trade	370,623,471	10.64%	353,035,684	10.52%	346,495,995	10.62%
Retail Trade	2,067,932,843	59.37%	1,980,837,184	59.00%	1,941,634,024	59.49%
Finance, Insurance, & Real Estate	19,409,427	0.56%	18,090,369	0.54%	23,452,833	0.72%
Services	429,585,479	12.33%	406,255,631	12.10%	390,480,054	11.96%
Government	6,318,625	0.18%	8,292,910	0.25%	6,959,817	0.21%
Non-Classifiable	515,174	0.01%	565,694	0.02%	804,518	0.03%
Total	$ 3,483,384,978	100.00%	$ 3,357,093,063	100.00%	$ 3,263,849,209	100.00%

	2012	%	2011	%	2010	%
Agricultural	$ 9,337,825	0.29%	$ 8,502,179	0.27%	$ 8,568,748	0.29%
Mining	3,160,435	0.10%	3,084,313	0.10%	3,599,484	0.12%
Construction	36,394,303	1.13%	33,570,952	1.09%	33,209,440	1.12%
Manufacturing	158,903,420	4.91%	123,201,244	4.00%	126,498,178	4.27%
Transportation & Utilities	331,088,549	10.24%	353,962,854	11.49%	352,697,178	11.90%
Wholesale Trade	346,662,519	10.72%	322,650,900	10.48%	241,179,522	8.13%
Retail Trade	1,925,699,962	59.55%	1,835,811,096	59.60%	1,802,682,066	60.80%
Finance, Insurance, & Real Estate	24,382,264	0.75%	24,234,179	0.79%	23,784,937	0.80%
Services	390,385,149	12.07%	368,123,570	11.95%	366,591,414	12.36%
Government	7,086,909	0.22%	6,379,112	0.21%	5,711,115	0.19%
Non-Classifiable	670,498	0.02%	554,757	0.02%	601,254	0.02%
Total	$ 3,233,771,833	100.00%	$ 3,080,075,156	100.00%	$ 2,965,123,336	100.00%

	2009	%
Agricultural	$ 8,871,693	0.28%
Mining	3,754,656	0.12%
Construction	37,583,956	1.20%
Manufacturing	135,338,923	4.34%
Transportation & Utilities	348,468,776	11.16%
Wholesale Trade	296,578,387	9.50%
Retail Trade	1,893,678,571	60.65%
Finance, Insurance, & Real Estate	25,017,749	0.80%
Services	365,404,296	11.70%
Government	6,707,828	0.22%
Non-Classifiable	890,610	0.03%
Total	$ 3,122,295,445	100.00%

Source: Missouri Department of Revenue

* During fiscal year 2018 the State replaced the Standard Industrial Classification System with the more consistent North American Industry Classification System to classify revenues.

STATE OF MISSOURI
PERSONAL INCOME TAX FILERS/LIABILITY
FISCAL YEARS 2009 AND 2018

Personal Income*

	2018			
	Number of Filers	% of Total	Personal Income Tax Liability	% of Total
$50,000 and under	3,177,244	70.55%	$ 1,276,461,262	19.25%
$50,000 - $100,000	925,166	20.54%	1,839,049,644	27.73%
$100,000 - $250,000	311,748	6.92%	1,507,949,420	22.74%
$250,000 - $1,000,000	72,328	1.61%	1,010,062,837	15.23%
$1,000,000 and over	17,027	0.38%	998,411,943	15.05%
Total	4,503,513	100.00%	$ 6,631,935,106	100.00%

	2009			
	Number of Filers	% of Total	Personal Income Tax Liability	% of Total
$50,000 and under	3,371,618	77.48%	$ 1,367,022,942	25.28%
$50,000 - $100,000	721,042	16.57%	1,455,417,015	26.92%
$100,000 - $250,000	193,932	4.46%	934,743,008	17.29%
$250,000 - $1,000,000	50,585	1.16%	743,407,593	13.75%
$1,000,000 and over	14,355	0.33%	906,184,388	16.76%
Total	4,351,532	100.00%	$ 5,406,774,946	100.00%

*Federal Adjusted Gross Income

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's revenue.

Source: Missouri Department of Revenue

STATE OF MISSOURI
RATIOS OF OUTSTANDING DEBT
FISCAL YEARS 2009-2018
(In Thousands of Dollars Except Per Capita)

	2018	2017	2016	2015
Governmental Activities				
General Obligation Bonds	$ 104,695	$ 154,830	$ 208,880	$ 266,275
Other Bonds	2,807,240	2,943,825	3,207,400	3,226,430
Leasehold Revenue Bonds	25,775	27,310	28,770	30,170
Certificates of Participation	13,525	26,770	39,770	52,560
Capital Leases	40,660	45,736	61,846	51,729
Total Governmental Activities	$ 2,991,895	$ 3,198,471	$ 3,546,666	$ 3,627,164
Business-Type Activities				
Capital Leases	$ —	$ 128	$ 304	$ 477
Total Business-Type Activities	$ —	$ 128	$ 304	$ 477
Total Primary Government	$ 2,991,895	$ 3,198,599	$ 3,546,970	$ 3,627,641
Personal Income	$ 266,920,797	$ 261,547,770	$ 257,338,334	$ 252,482,438
Debt as a Percentage of Personal Income[1]	1.1%	1.2%	1.4%	1.4%
Debt Per Capita[1]	$ 489	$ 526	$ 583	$ 598
Legal Debt Margin Calculation for Fiscal Year 2016:				
General Obligation Bonds Authorized (Legislative Debt Limit)	$ 1,726,395			
Unforeseen Emergency or Casual Deficiency	1,000			
Less: General Obligation Issued	(1,489,494)			
Legal Debt Margin	$ 237,901			
Legal Debt Margin Summary by Fiscal Year:				
Legislative Debt Limit	$ 1,726,395	$ 1,726,395	$ 1,726,395	$ 1,726,395
Total Net Debt Applicable to Limit	(1,488,494)	(1,488,494)	(1,488,494)	(1,488,494)
Legal Debt Margin	$ 237,901	$ 237,901	$ 237,901	$ 237,901
Legal Debt Margin to Debt Limit Ratio	13.78%	13.78%	13.78%	13.78%

[1] These ratios are calculated using personal income and population for the calendar year. See *Demographic Indicators* for personal income and population data.

2014	2013	2012	2011	2010	2009
$ 323,395	$ 378,150	$ 432,765	$ 487,090	$ 528,910	$ 600,075
3,303,700	3,562,775	3,735,920	3,880,975	4,060,855	3,102,685
31,515	32,995	32,780	33,880	34,935	35,955
65,160	76,910	76,910	76,910	87,550	96,235
66,270	75,535	78,455	103,543	97,423	113,147
$ 3,790,040	$ 4,126,365	$ 4,356,830	$ 4,582,398	$ 4,809,673	$ 3,948,097
$ 215	$ 284	$ 356	$ 66	$ 116	$ 210
$ 215	$ 284	$ 356	$ 66	$ 116	$ 210
$ 3,790,255	$ 4,126,649	$ 4,357,186	$ 4,582,464	$ 4,809,789	$ 3,948,307
$ 245,771,389	$ 235,153,679	$ 228,218,407	$ 218,778,293	$ 216,049,019	$ 223,548,498
1.5%	1.8%	1.9%	2.1%	2.2%	1.8%
$ 627	$ 685	$ 725	$ 764	$ 807	$ 666

$ 1,726,395	$ 1,726,395	$ 1,726,395	$ 1,726,395	$ 1,726,395	$ 1,726,395
(1,488,494)	(1,488,494)	(1,488,494)	(1,488,494)	(1,488,494)	(1,488,494)
$ 237,901	$ 237,901	$ 237,901	$ 237,901	$ 237,901	$ 237,901
13.78%	13.78%	13.78%	13.78%	13.78%	13.78%

STATE OF MISSOURI
PLEDGED REVENUE COVERAGE
FISCAL YEARS 2009-2018
(In Thousands of Dollars)

Fiscal Year	Gross Revenues[1]	Less: Operating Expenses[2]	Net Available Revenues	Debt Service: Principal	Debt Service: Interest	Coverage[3]
	Missouri Road Fund					
2018	$ 2,000,651	$ 383,969	$ 1,616,682	$ 200,185	$ 89,422	5.6
2017	1,852,570	388,116	1,464,454	190,770	103,917	5.0
2016	1,831,126	372,800	1,458,326	168,470	111,751	5.2
2015	1,721,615	373,739	1,347,876	169,550	114,878	4.7
2014	1,773,033	348,537	1,424,496	162,050	130,641	4.9
2013	1,822,318	333,327	1,488,991	153,525	135,511	5.2
2012	1,761,382	342,240	1,419,142	133,190	140,202	5.2
2011	2,237,700	305,649	1,932,051	137,015	146,326	6.8
2010	1,760,497	281,320	1,479,177	88,285	128,851	6.8
2009	997,990	279,971	718,019	84,896	113,591	3.6

N/A = not available

[1] Revenues for Missouri Road Fund consist of a portion of the taxes and fees received by the State from the motor fuel tax, sales tax on motor vehicles, use tax on motor vehicles, revenue derived from motorists for their usage of the highways of the State, federal grants, and bond proceeds.

[2] Operating Expenses do not include depreciation/amortization.

[3] Coverage equals net available revenue divided by debt service.

Source: Missouri Department of Transportation

STATE OF MISSOURI
DEMOGRAPHIC INDICATORS
CALENDAR YEARS 2008-2017

	2017	2016	2015	2014	2013
Population					
Missouri (In Thousands)	6,114	6,093	6,084	6,064	6,044
Change	0.4%	0.1%	0.3%	0.3%	0.4%
National (In Thousands)	325,719	323,128	321,419	318,857	316,129
Change	0.7%	0.5%	0.8%	0.9%	0.7%
Total Personal Income					
Missouri					
(In Thousands of Dollars)	$ 266,920,797	$ 261,547,770	$ 257,338,334	$ 252,482,438	$ 245,771,389
Change	2.1%	1.6%	1.9%	2.7%	4.5%
National					
(In Thousands of Dollars)	$ 16,413,550,863	$ 15,912,777,000	$ 15,463,981,000	$ 14,683,147,000	$ 14,151,427,000
Change	3.1%	2.9%	5.3%	3.8%	5.6%
Per Capita Personal Income					
Missouri	$ 43,661	$ 42,926	$ 42,300	$ 41,639	$ 40,663
Change	1.7%	1.5%	1.6%	2.4%	4.1%
National	$ 50,392	$ 49,246	$ 48,112	$ 46,049	$ 44,765
Change	2.3%	2.4%	4.5%	2.9%	4.9%
Resident Civilian Labor Force and Employment					
Civilian Labor Force					
(In Thousands)	3,051	3,112	3,114	3,058	3,018
Employed (In Thousands)	2,936	2,971	2,958	2,871	2,821
Unemployed (In Thousands)	115	141	156	187	197
Unemployment Rate	3.8%	4.5%	5.0%	6.1%	6.5%
National Unemployment Rate	4.4%	4.9%	5.3%	6.2%	7.4%

Continues Below

	2012	2011	2010	2009	2008
Population					
Missouri (In Thousands)	6,022	6,011	5,996	5,961	5,924
Change	0.2%	0.3%	0.6%	0.6 %	0.6%
National (In Thousands)	313,914	311,592	309,330	306,772	304,094
Change	0.7%	0.7%	0.8%	0.9 %	1.0%
Total Personal Income					
Missouri					
(In Thousands of Dollars)	$ 235,153,679	$ 228,218,407	$ 218,778,293	$ 216,049,019	$ 223,548,498
Change	3.0%	4.3%	1.3%	(3.4)%	6.9%
National					
(In Thousands of Dollars)	$ 13,401,868,693	$ 12,949,905,000	$ 12,308,496,000	$11,916,808,000	$ 12,451,599,000
Change	3.5%	5.2%	3.3%	(4.3)%	4.6%
Per Capita Personal Income					
Missouri	$ 39,049	$ 37,969	$ 36,406	$ 36,243	$ 37,737
Change	2.8%	4.3%	0.4%	(4.0)%	6.2%
National	$ 42,693	$ 41,560	$ 39,791	$ 38,846	$ 40,947
Change	2.7%	4.4%	2.4%	(5.1)%	3.6%
Resident Civilian Labor Force and Employment					
Civilian Labor Force					
(In Thousands)	2,993	3,022	3,053	3,051	3,046
Employed (In Thousands)	2,785	2,767	2,767	2,768	2,861
Unemployed (In Thousands)	207	255	286	283	186
Unemployment Rate	6.9%	8.4%	9.4%	9.3 %	6.1%
National Unemployment Rate	8.1%	8.9%	9.6%	9.3 %	5.8%

Sources: Bureau of Economic Analysis, Missouri Economic Research and Information Center, Bureau of Labor Statistics

STATE OF MISSOURI
ECONOMIC INDICATORS
CALENDAR YEARS 2008-2017

	2017-18	2016-17	2015-16	2014-15	2013-14
School Enrollment (In Thousands)					
Elementary and Secondary Education	884	884	885	886	888
Higher Education - Private Institutions	87	92	93	95	90
Total Enrollment (In thousands)	971	976	978	981	978
% Change from Prior Year	(0.5)%	(0.2)%	(0.3)%	0.3%	(0.1)%
Higher Education					
Public Community Colleges					
Number of Campuses	19	19	19	19	19
Number of Students (FTE*)	55,418	57,568	57,247	61,671	65,773
State Technical College					
Number of Campuses	1	1	1	1	1
Number of Students (FTE)	1,242	1,226	1,273	1,276	1,325
State Colleges/Universities					
Number of Campuses	14	14	14	14	14
Number of Students (FTE)	115,374	119,127	121,827	121,358	118,669

Continues Below

	2012-13	2011-12	2010-11	2009-10	2008-09
School Enrollment (In Thousands)					
Elementary and Secondary Education	888	886	890	892	893
Higher Education - Private Institutions	91	98	95	93	89
Total Enrollment	979	984	985	985	982
% Change from Prior Year	(0.5)%	(0.1)%	0.0%	0.3%	0.0%
Higher Education					
Public Community Colleges					
Number of Campuses	19	19	19	20	19
Number of Students (FTE*)	67,721	70,964	70,320	65,034	56,365
State Technical College					
Number of Campuses	1	1	1	1	1
Number of Students (FTE)	1,236	1,161	1,133	1,116	976
State Colleges/Universities					
Number of Campuses	14	14	14	14	14
Number of Students (FTE)	118,055	117,609	114,655	112,539	108,159

*FTE is Full-Time Equivalent.

Sources: Missouri Department of Elementary and Secondary Education and Missouri Department of Higher Education

STATE OF MISSOURI
PRINCIPAL EMPLOYERS
CALENDAR YEARS 2008 AND 2017

2017

Employer	Number of Employees	Percent of Total State Employment
State of Missouri[1]	55,000 +	1.87%
Wal-Mart Associates, Inc.	25,000 +	0.85%
Mercy Health Systems	20,000-25,000	0.68%-0.85%
University of Missouri	20,000-25,000	0.68%-0.85%
Washington University	15,000-20,000	0.51%-0.68%
US Post Office	15,000-20,000	0.51%-0.68%
Boeing Corporation	10,000-15,000	0.34%-0.51%
Cerner Corporation	10,000-15,000	0.34%-0.51%
U.S. Department of Veterans Affairs	7,500-10,000	0.26%-0.34%
SSM Health Care	7,500-10,000	0.26%-0.34%
Barnes-Jewish Hospitals	7,500-10,000	0.26%-0.34%
Total	192,500-230,000	6.56%-7.83%
Total Missouri Employment		**2,936,126**

2008

Employer	Number of Employees	Percent of Total State Employment
State of Missouri[1]	63,000	2.23%
Wal-Mart Associates, Inc.	40,000-42,500	1.41% - 1.50%
University of Missouri	20,000 - 22,500	0.71% - 0.80%
US Post Office	17,500 - 20,000	0.62% - 0.71%
Washington University	12,500 - 15,000	0.44% - 0.53%
Boeing Corporation	10,000 - 12,500	0.35% - 0.44%
Schnuck Markets, Inc.	7,500 - 10,000	0.27% - 0.35%
Barnes-Jewish Hospitals	7,500 - 10,000	0.27% - 0.35%
U.S. Department of Defense	7,500 - 10,000	0.27% - 0.35%
City of St. Louis	7,500 - 10,000	0.27% - 0.35%
Total	193,000-215,500	6.84% - 7.61%
Total Missouri Employment		**2,829,289**

All figures are based on a calendar-year average.

[1]Number of state employees includes only full-time personnel and does not include college or university employees.

Sources: Missouri Economic Research and Information Center, State of Missouri CAFR-Fiscal Year 2009, State Employee Headcount report

STATE OF MISSOURI
STATE EMPLOYEES BY FUNCTION
FISCAL YEARS 2009-2018
FULL-TIME EQUIVALENTS*

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Government										
Legislature	665	663	670	667	671	670	683	703	725	716
Judiciary	3,551	3,558	3,543	3,519	3,530	3,470	3,369	3,393	3,626	3,755
Public Defender	578	579	577	573	575	565	595	578	570	558
Governor	30	18	21	22	23	26	28	32	33	24
Lt. Governor	7	6	7	6	5	5	6	6	6	6
Secretary of State	220	217	235	233	228	244	244	253	261	272
State Auditor	111	109	108	113	113	111	116	116	119	124
State Treasurer	46	46	45	46	49	48	49	50	49	51
Attorney General	351	351	359	373	376	363	350	371	408	420
Office of Administration	1,859	1,907	1,881	1,871	1,933	2,132	2,161	2,139	2,040	2,091
Revenue	1,283	1,289	1,283	1,288	1,347	1,344	1,364	1,383	1,421	1,487
Total General Government	8,701	8,743	8,729	8,711	8,850	8,978	8,965	9,024	9,258	9,504
Education										
Elementary and Secondary Education	2,620	2,555	2,663	2,639	2,678	2,631	2,714	2,635	2,662	2,760
Higher Education	56	55	57	57	57	64	61	65	75	73
Total Education	2,676	2,610	2,720	2,696	2,735	2,695	2,775	2,700	2,737	2,833
Natural and Economic Resources										
Agriculture	483	476	495	495	464	456	467	535	617	494
Insurance, Financial Institutions and Professional Registration	733	762	770	765	762	759	755	744	734	741
Conservation	1,871	1,898	1,871	1,895	1,896	1,901	1,872	1,894	1,982	2,085
Economic Development	800	812	800	810	786	822	891	947	1,019	994
Labor and Industrial Relations	701	742	796	827	881	967	998	987	924	777
Natural Resources	1,842	1,981	2,023	1,974	2,075	2,047	2,042	1,934	1,903	2,121
Total Natural and Economic Resources	6,430	6,671	6,755	6,766	6,864	6,952	7,025	7,041	7,179	7,212
Transportation and Law Enforcement										
Transportation	5,471	5,545	5,444	5,591	5,502	5,410	5,804	6,399	6,970	6,969
Public Safety	5,449	5,316	5,240	5,193	5,220	5,320	5,309	5,281	5,336	5,412
Total Transportation and Law Enforcement	10,920	10,861	10,684	10,784	10,722	10,730	11,113	11,680	12,306	12,381
Human Services										
Health and Senior Services	1,825	1,831	1,825	1,830	1,793	1,798	1,753	1,706	1,826	1,927
Mental Health	7,836	7,728	7,605	7,742	8,076	8,101	8,089	8,256	8,961	9,613
Social Services	6,670	6,735	6,952	7,147	7,145	7,244	7,371	7,562	8,138	8,584
Corrections	10,568	10,866	10,929	11,051	11,069	10,880	10,864	10,990	11,175	11,364
Total Human Services	26,899	27,160	27,311	27,770	28,083	28,023	28,077	28,514	30,100	31,488
State Total	55,626	56,045	56,199	56,727	57,254	57,378	57,955	58,959	61,580	63,418

*Based on a four quarter average.

Source: Office of Administration, Division of Accounting, Statewide Indirect Cost Allocation Plan

STATE OF MISSOURI
OPERATING INDICATORS BY FUNCTION
FISCAL YEARS 2009-2018

	2018	2017	2016	2015
General Government				
Individual Income Tax Returns Processed (In Thousands)	3,103	3,060	3,098	3,058
Sales and Use Tax Returns Processed (In Thousands)	694	707	707	705
Driver Licenses Processed (In Thousands)	1,183	1,487	1,123	1,600
Motor Vehicle Registrations Processed (In Thousands)	4,221	3,770	3,993	4,479
Audit Reports Issued	155	147	135	143
Statewide Court Filings (In Thousands)	1,923	2,098	2,370	2,624
Archives Website Hit Secretary of State Web Page (In Thousands)	29,498	28,714	18,232	72,045
Checks Issued (In Thousands)	1,537	1,592	1,697	1,550
Unclaimed Property Returned (In Thousands)	$ 44,697	$ 44,369	$ 42,038	$ 41,720
Education				
High School Drop Out Rate	2.4%	2.4%	2.5%	2.5%
Accredited Elementary and Secondary School Districts*	512	512	518	507
Clients Achieving Employment after Receiving Vocational Rehabilitation Services	56.2%	60.1%	60.9%	61.7%
Student Loan Recovery Rate	25.5%	26.0%	23.3%	26.4%
Scholarships/Grants Awarded to Eligible Missouri Residents (In Thousands)	$ 121,753	$ 129,623	$ 119,948	$ 111,342
Natural and Economic Resources				
Job Placement Rate of Unemployed Individuals that Registered on MissouriCareerSource Web Page	71.6%	64.9%	65.7%	60.7%
Insurance Policies Filed Electronically	100.0%	100.0%	99.7%	99.5%
Initial Unemployment Claims (In Thousands)	217	239	259	295
International Export Certificates Issued	7,619	8,110	6,773	7,926
Hunting License Holders (In Thousands)	596	603	607	610
Visitors to Missouri State Parks and Historic Sites (In Thousands)	21,559	21,273	19,205	18,568
Transportation and Law Enforcement				
Methamphetamine Labs Seized	8	11	7	70
State - Licensed Fire Safety Inspections	17,903	18,459	19,459	13,434
Buildings Served by Missouri Capitol Police	71	71	74	72
Alcohol Licenses Issued	32,972	32,319	31,404	31,400
Missouri Major Roads Rated in Good Condition	91.6%	90.0%	90.4%	89.2%
Difference Between Awarded and Actual Transportation Construction Costs	0.02%	0.1%	1.1%	0.6%
Human Services				
Medicaid Enrollees	971,143	983,835	982,776	944,257
Food Stamp Recipients	727,131	754,062	782,374	844,851
Doses of Vaccine Issued by Vaccines for Children Providers (In Thousands)	1,208	1,243	1,226	1,174
Incarcerated Offenders	31,726	32,537	32,837	32,284
Individuals Served in State Comprehensive Psychiatric Service Facilities	1,611	1,652	1,683	1,628

*Department of Elementary and Secondary Education presented no accreditation classifications to the Board of Education during fiscal year 2013. Charter schools are not included in the statistics.

Sources: State agencies

2014	2013	2012	2011	2010	2009
2,848	2,945	2,969	2,917	2,877	2,946
703	730	760	773	785	772
1,415	1,308	1,208	1,160	1,090	1,179
4,215	4,050	3,905	3,828	3,844	3,502
150	146	123	168	151	101
2,652	2,685	2,565	2,525	2,359	2,322
87,436	98,233	91,257	70,384	53,835	79,599
1,363	1,722	1,971	2,216	2,465	2,667
$ 40,042	$ 39,509	$ 38,239	$ 36,373	$ 35,014	$ 26,672
2.8%	3.0%	3.5%	4.0 %	4.1 %	3.9%
507		506	510	510	511
60.0%	62.7%	61.0%	56.0 %	61.0 %	67.1%
31.2%	34.2%	36.5%	30.0 %	28.2 %	30.5%
$ 107,413	$ 104,265	$ 97,077	$ 91,146	$ 98,593	$ 108,981
56.0%	55.4%	55.2%	58.2 %	57.9 %	64.0%
99.4%	99.4%	99.5%	96.0 %	96.0 %	94.7%
355	364	427	502	582	565
6,453	7,819	7,821	6,301	4,924	3,865
612	606	593	588	592	591
17,468	18,093	17,846	16,363	15,891	15,307
129	244	274	340	245	165
15,348	15,680	15,177	11,487	10,603	11,008
72	72	72	73	75	83
30,743	30,723	30,498	29,960	29,051	28,437
89.7%	88.5%	88.1%	85.8 %	86.5 %	83.4%
0.8%	0.5%	0.2%	(0.4)%	(1.9)%	1.1%
825,974	868,226	889,159	897,306	892,691	850,722
839,734	927,927	943,835	949,136	909,139	827,639
1,192	1,385	1,354	1,420	1,384	1,317
31,905	31,408	31,057	30,771	30,418	30,476
1,649	1,694	1,716	2,170	4,120	6,759

STATE OF MISSOURI
CAPITAL ASSET STATISTICS
BY FUNCTION
FISCAL YEARS 2009-2018

	2018	2017	2016	2015
General Government				
Parcels of Land	23	21	21	20
Land Improvements	70	61	61	59
Square Footage of Buildings	1,062,507	1,066,968	1,068,854	1,032,098
Equipment	41,961	39,396	36,159	34,548
Software	2,940	2,717	2,260	1,961
Education				
Parcels of Land	31	31	31	31
Land Improvements	55	55	56	54
Square Footage of Buildings	158,235	157,190	156,710	136,074
Equipment	4,212	4,249	4,357	5,039
Trademarks	1	1	1	1
Natural and Economic Resources				
Parcels of Land	888	880	847	835
Land Improvements	478	456	427	426
Temporary Easements	1	1	1	1
Square Footage of Buildings	583,682	582,846	582,847	574,076
Equipment	14,671	14,535	15,168	26,859
Software	96	91	80	68
State Parks and Historic Sites	91	91	88	87
State Conservation Areas	1,197	1,198	1,190	1,186
Transportation and Law Enforcement				
Parcels of Land	617	620	623	628
Land Improvements	495	486	476	474
Permanent Easements	719	674	638	593
Temporary Easements	593	542	654	797
Square Footage of Buildings	185,777	183,676	181,743	179,183
Equipment	72,869	72,030	67,114	67,103
Software	870	798	710	616
Miles of State Highway	33,859	33,856	33,873	33,892
State-Owned Bridges and Culverts	10,385	10,394	10,394	10,376
Highway Patrol Stations	9	9	9	9
Human Services				
Parcels of Land	80	81	81	81
Land Improvements	171	178	174	175
Square Footage of Buildings	920,530	916,936	917,901	926,098
Equipment	35,446	36,481	41,777	43,545
Software	89	86	82	70
Correctional Facilities	29	29	29	30

Source: State of Missouri capital asset records by agency.

2014	2013	2012	2011	2010	2009
20	20	20	20	20	21
58	50	40	38	38	37
1,035,704	1,014,621	1,006,449	1,013,314	1,011,732	1,015,214
35,055	36,050	35,651	35,316	35,333	36,813
1,625	826	293	213	168	88
31	31	31	31	31	31
54	54	46	43	43	32
136,203	140,159	136,465	136,465	133,494	135,230
6,286	6,175	6,102	5,984	5,911	6,031
1	1	1	1	—	—
826	826	826	825	824	823
408	386	328	324	323	325
1	1	1	1	1	—
575,485	602,174	611,550	616,729	622,181	622,285
34,028	35,159	35,064	36,097	36,881	38,807
57	51	36	20	12	3
87	87	85	85	85	85
1,189	1,197	1,193	1,196	1,179	1,169
650	682	790	805	819	831
439	420	349	307	264	245
548	467	382	254	221	—
867	875	833	961	1,086	—
181,880	180,140	175,664	175,138	164,119	164,119
66,095	65,813	66,994	67,649	67,959	67,100
529	429	358	202	146	—
33,890	33,885	33,845	33,702	33,639	33,676
10,371	10,364	10,405	10,405	10,335	10,249
9	9	9	9	9	9
81	81	83	83	83	84
173	168	161	157	154	130
924,164	919,900	900,749	924,380	932,827	952,117
44,712	46,221	50,229	63,442	70,684	78,543
59	32	28	13	10	7
30	30	30	30	30	30

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APPENDIX C

DEFINITIONS; SUMMARIES OF THE MASTER BOND INDENTURE AND THE FINANCING AGREEMENT; AND FORMS OF THE CONTINUING DISCLOSURE UNDERTAKINGS

DEFINITIONS OF WORDS AND TERMS

In addition to words and terms defined elsewhere in this Official Statement, the following are definitions of certain words and terms used in the Master Bond Indenture, the Financing Agreement and this Official Statement unless the context clearly otherwise requires. Reference is hereby made to the Master Bond Indenture and the Financing Agreement for complete definitions of all terms.

"Additional Transportation Revenues" means all moneys, revenues or receipts designated by the Commission to be pledged to the payment of the Bonds as Pledged Revenues.

"Balloon Indebtedness" means Bonds, **25%** or more of the original principal of which becomes due and payable (either by maturity or mandatory redemption), during the same Fiscal Year, if such principal becoming due is not required to be amortized below such percentage by mandatory redemption or prepayment prior to such Fiscal Year, or Bonds the principal of which due and payable (either by maturity or mandatory redemption), during any Fiscal Year, exceeds by more than **50%** the greatest amount of principal of such series of Bonds due in any preceding or succeeding Fiscal Year.

"Bond" or **"Bonds"** means any bond or bonds or other evidence of indebtedness authorized by the State Highway Act, including without limitation any First Lien Bonds, Second Lien Bonds and Third Lien Bonds, authenticated and delivered under and pursuant to the Master Bond Indenture and any Supplemental Bond Indenture.

"Business Day" means a day other than (a) a Saturday, Sunday or legal holiday, (b) a day on which banks located in any city in which the principal corporate trust office or designated payment office of the Bond Trustee is located are required or authorized by law to remain closed, or (c) a day on which the New York Stock Exchange is closed.

"Commission Representative" means (a) the chairman or vice chairman of the Commission, or the director or chief financial officer of MoDOT, (b) such other person or persons at the time designated to act on behalf of the Commission in matters relating to the Master Bond Indenture.

"Commitment Indebtedness" means the obligation of the Commission to repay amounts disbursed pursuant to a binding commitment from a financial institution (including a line of credit, letter of credit, standby bond purchase agreement, reimbursement agreement, or similar credit or liquidity facility or arrangement established in connection with any Bonds) to refinance, pay, purchase or redeem when due, tendered or required to be paid, purchased or redeemed, other indebtedness, which other indebtedness constitutes Bonds under the Master Bond Indenture, and the obligation of the Commission to pay interest payable on amounts disbursed for such purposes, plus any fees payable to such financial institution for such commitment.

"Costs of Issuance Fund" means the fund of the Commission held by the Trustee to provide for the payment of costs of issuing the Series B 2019 Bonds.

"Debt Service Requirements" means, for the period of time for which calculated, the aggregate principal payments (whether at maturity, or upon mandatory sinking fund redemption, mandatory prepayment or otherwise) and net interest or interest-like payments required to be made during such period on all Outstanding Bonds and the Senior Bonds; provided that the amount of such payments for any future period shall be calculated in accordance with the following assumptions:

(a) *Capital Appreciation Bonds.* The principal and interest portions of the **"accreted value"** (defined below) of any series of Bonds that constitute **"capital appreciation bonds"** (defined below) shall be calculated and determined as of the relevant date in the manner specified in the Supplemental Bond Indenture authorizing such series of Bonds. **"Capital appreciation bonds"** means any Bonds for which interest is payable only at the maturity of such Bonds, upon the redemption of such Bonds before maturity, or upon the conversion of such Bonds to Bonds with interest payable periodically in installments prior to maturity or prior to redemption before maturity. **"Accreted value"** means with respect to any capital appreciation bonds: (1) as of any **"valuation date"** (defined below), the amount set forth in the Supplemental Bond Indenture authorizing such Bonds as the value of such Bonds on such valuation date, and (2) as of any date other than a valuation date the sum of (A) the accreted value on the next preceding valuation date, and (B) the product of (i) a fraction, the numerator of which is the number of days having elapsed from the preceding valuation date and the denominator of which is the number of days from such preceding valuation date to the next succeeding valuation date, and (ii) the difference between the accreted values for such valuation dates. **"Valuation date"** means with respect to any capital appreciation bonds the date or dates set forth in the Supplemental Bond Indenture relating to such Bonds on which specific accreted values are assigned to the capital appreciation bonds.

(b) *Variable Rate Bonds.* In determining the Debt Service Requirements on any Bonds which provide for interest to be payable thereon at a rate per annum that may vary from time to time over the term thereof in accordance with procedures provided in the Supplemental Bond Indenture authorizing such Bonds and which for any future period of time is not susceptible of precise determination, the interest rate on such Bonds for any period prior to the date of calculation or for any future period for which the interest rate has been or is to be determined shall be, at the election of the Commission, (i) if the Bonds bears interest at tax-exempt rates, an interest rate equal to 110% of Bond Market Association Index (as most recently published in The Bond Buyer prior to the issuance of the Bonds), (ii) if the Bonds bears interest at tax-exempt rates, an interest rate equal to the 24-month average of the Bond Market Association Index (as most recently published in The Bond Buyer prior to the issuance of the Bonds), unless such index is no longer published in The Bond Buyer, in which case the index to be used in its place shall be that index which the Commission determines most clearly replicates such index set forth in an Officer's Certificate, (iii) if the Bonds bears interest at taxable rates, an interest rate equal to the rate of the thirty (30) day London Interbank Offered Rate (LIBOR) (as most recently published prior to the issuance of the Bonds), or (iv) that interest rate which, in the judgment of the chief financial officer of MoDOT, based, to the extent possible, upon an accepted market index which corresponds with the provisions of the Bonds, is the 24-month average rate of such index (as most recently published prior to the issuance of the Bonds). In the event there is no Bond Market Association Index or equivalent index designated by the Commission, an interest rate for a series of Bonds shall be the maximum rate permitted by the Supplemental Bond Indenture authorizing the issuance of such series of Bonds.

(c) *Qualified Swap Agreements.* If the Commission has entered into a Qualified Swap Agreement with respect to a series of Bonds, such Bonds shall be deemed to bear interest for the period of time the Qualified Swap Agreement is in effect at a net interest rate which takes into account the interest payments made by the Commission with respect to such Bonds and the payments received by the Commission under such Qualified Swap Agreement; if such net amount is less than zero, such net amount may be credited against other interest coming due in calculating Debt Service Requirements so long as the long-term credit rating of the swap counterparty (or any guarantor thereof) is in one of the two highest rating categories of a nationally recognized rating service (without regard to any refinements of gradation of any rating category by numerical modifier or otherwise) then rating such Bonds, unless such

Bonds are secured by a Qualified Credit Facility, in which case such Qualified Swap Agreement shall be approved in writing by the provider of such Qualified Credit Facility.

(d) *Escrowed Deposits*. Such payments shall be excluded from Debt Service Requirements to the extent that such payments were paid or are payable from Escrowed Deposits (e.g., accrued and capitalized interest) or from the proceeds of refunding Bonds.

(e) *Commitment Indebtedness.* The Debt Service Requirements on Bonds with respect to which the Commission has incurred Commitment Indebtedness that would refinance such Bonds for a period extending beyond its original maturity date, may at the discretion of the Commission be deemed to be payable in accordance with the terms of such Commitment Indebtedness or otherwise as provided herein. No debt service shall be deemed payable with respect to Commitment Indebtedness until such time as the obligation to make payments under the commitment actually rises (and only to the extent of advances actually made under such Commitment Indebtedness) except as provided above. From and after such funding, the amount of such debt service shall be calculated in accordance with the actual amount required to be repaid on such Commitment Indebtedness and the actual interest rate and amortization schedule applicable thereto. No Bonds shall be deemed to be Outstanding when any funding occurs under any such commitment if such funding is immediately repaid and such commitment is reinstated in accordance with its terms, or when any such commitment is renewed upon terms which provide for substantially the same terms of repayment of amounts disbursed pursuant to such commitment as existed prior to such renewal.

(f) *Balloon Indebtedn*ess. The Debt Service Requirements on Balloon Indebtedness may be deemed to be payable as follows:

(1) If the Commission has incurred or obtained and there is in effect at the time any such Bonds are incurred Commitment Indebtedness or a Qualified Credit Facility sufficient to refinance or pay the principal amount of any such Balloon Indebtedness becoming due in each Fiscal Year in which **25%** or more of the original principal amount of such Balloon Indebtedness comes due, or during each Fiscal Year in which the principal due and payable exceeds by more than **50%** of the greatest amount of principal of the Bonds due in any preceding or succeeding Fiscal Year, such Bonds may be deemed to be payable in accordance with the terms of such Commitment Indebtedness or Qualified Credit Facility;

(2) If the Commission delivers an Officer's Certificate to the Bond Trustee that establishes an expected amortization or redemption schedule for any such Bonds, and the Commission agrees in such certificate that the Commission will deposit for each Fiscal Year with a bank or trust company (pursuant to an agreement between the Commission and such bank or trust company, which agreement shall be satisfactory in form and substance to the Bond Trustee) the amount of principal shown on such amortization or redemption schedule net of any amount of principal actually paid on such Bonds during such Fiscal Year (other than from amounts on deposit with such bank or trust company), which deposit shall be made prior to any such required actual payment during such Fiscal Year if the amounts so on deposit are intended to be the source of such actual payments, then such Bonds may be deemed to be payable in accordance with the terms of such expected amortization or redemption schedule and agreement; or

(3) The amount of debt service of such Balloon Indebtedness taken into account during any Fiscal Year shall be equal to the debt service calculated using the original principal amount of such Balloon Indebtedness amortized over a period of time equal to the greater of (i) the period of time commencing on the issuance of such Balloon Indebtedness and ending on the final maturity date of such Balloon Indebtedness or the maximum maturity date in the case of commercial paper, or (ii) twenty-five years, on a level debt service basis at an assumed interest rate equal to the rate borne by such Balloon Indebtedness on the date of calculation.

"Escrowed Deposits" means cash, including proceeds of Bonds or Government Obligations (including, where appropriate, the earnings or other increment to accrue thereon) that are on deposit in an irrevocable escrow or trust account with the Bond Trustee or a third party escrow agent and are required to be applied to pay all or a portion of the principal of and interest on, as the same shall become due, any Bonds which would otherwise be considered Outstanding and such amounts so required to be applied are sufficient to pay such principal and interest.

"Financing Agreement" means the Finance Agreement between the Commission and the Office of Administration related to the appropriation of funds from General Revenue Fund revenues by the State of Missouri to provide funds for payment of the debt service related to the Series B 2019 Bonds.

"Fiscal Year" means each July 1 to June 30.

"First Lien Bonds" means any series of bonds or other evidence of indebtedness authorized by the State Highway Act and issued by the Commission pursuant to the Master Bond Indenture and a Supplemental Bond Indenture that stand on a parity and equality under the Master Bond Indenture, with respect to order of payment of principal and interest out of Pledged Revenues, with any other First Lien Bonds then Outstanding, but that by the terms thereof are specifically junior and subordinate to the Senior Bonds with respect to payments from the State Road Fund Revenues (as defined in the Senior Master Indenture) deposited into the State Road Fund.

"General Revenue Transfer" means the moneys appropriated by the State of Missouri to pay Debt Service Requirements of the Series B 2019 Bonds as provided in the Financing Agreement.

"Government Obligations" means the following:

(a) bonds, notes, certificates of indebtedness, treasury bills or other securities constituting direct obligations of, or obligations the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America; and

(b) evidences of direct ownership of a proportionate or undivided interest in future interest or principal payments on specified direct obligations of, or obligations on which the full and timely payment of the principal and interest is unconditionally guaranteed by, the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian in form and substance satisfactory to the Bond Trustee.

"Interest" or **"interest"** means interest payable on the Bonds and interest-like payments to be made pursuant to a Qualified Swap Agreement or Qualified Credit Facility with respect to Bonds.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended, and, when appropriate, any statutory predecessor or successor thereto, and all applicable regulations (whether proposed, temporary or final) thereunder and any applicable official rulings, announcements, notices, procedures and judicial determinations relating to the foregoing.

"Investment Earnings" means all investment earnings derived from the initial deposit of the sale proceeds of the Series B 2019 Bonds.

"Investment Securities" shall mean and include any of the securities specified in the Master Bond Indenture, if and to the extent the same are at the time legal for investment of the Commission's funds.

"Maximum Annual Debt Service" means the maximum amount of Debt Service Requirements on all Outstanding Bonds and Senior Bonds as computed for the then current or any succeeding Fiscal Year; provided, however, that with respect to any calculation for which historical debt service coverage is being calculated, the current Fiscal Year shall be deemed to be the Fiscal Year with respect to which historical debt service coverage is being calculated.

"MoDOT" means the Missouri Department of Transportation, and its successors and assigns, or any body, agency or instrumentality of the State of Missouri succeeding to or charged with the powers, duties and functions of the Missouri Department of Transportation.

"Office of Administration" means the Office of Administration of the State of Missouri, a department of the State of Missouri, its successors and assigns.

"Officer's Certificate" means a written certificate of the Commission signed by a Commission Representative, which certificate shall be deemed to constitute a representation of, and shall be binding upon, the Commission with respect to matters set forth therein, and which certificate in each instance, including the scope, form, substance and other aspects thereof, is acceptable to the Bond Trustee.

"Opinion of Bond Counsel" means a written opinion of Gilmore & Bell, P.C., or other legal counsel acceptable to the Commission and the Bond Trustee who shall be nationally recognized as expert in matters pertaining to the validity of obligations of governmental issuers and the exemption from federal income taxation of interest on such obligations.

"Opinion of Counsel" means a written opinion of any legal counsel having expertise in the matters covered in such opinion and acceptable to the Commission and the Bond Trustee, and who may be an employee of or counsel to the Commission or the Bond Trustee.

"Original Purchaser" means the original purchasers or representative of the original purchasers of a series of Bonds.

"Outstanding" means when used with respect to Bonds, as of the date of determination, all Bonds theretofore authenticated and delivered under the Master Bond Indenture, except:

(a) Bonds theretofore cancelled by the Bond Trustee or delivered to the Bond Trustee for cancellation as provided in the Master Bond Indenture;

(b) Bonds for whose payment or redemption money or Government Obligations in the necessary amount has been deposited with the Bond Trustee in trust for the owners of such Bonds as provided in the Master Bond Indenture, provided that, if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the Master Bond Indenture or provision therefor satisfactory to the Bond Trustee has been made;

(c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under the Master Bond Indenture; and

(d) Bonds alleged to have been destroyed, lost or stolen which have been paid as provided in the Master Bond Indenture.

"Person" means any natural person, firm, association, corporation, partnership, joint-stock company, a joint venture, trust, unincorporated organization or firm, or a government or any agency or political subdivision thereof or other public body.

"Pledged Revenues" means the State Road Fund Revenues, the State Road Bond Fund Revenues and the Additional Transportation Revenues pledged pursuant to the Master Bond Indenture as security for the payments of all of the Bonds.

"Projects" means the state highway construction and reconstruction projects that are funded by Bonds authorized under the Master Bond Indenture to make improvements to the State Highway System.

"Project Costs" means all costs of construction and reconstruction of Projects of the State Highway System permitted under the State Highway Act to be paid out of proceeds of Bonds, including capitalized interest and all costs and expenses directly or indirectly incurred in the authorization, issuance, offering and sale of Bonds.

"Qualified Credit Facility" means with respect to any Bonds, any insurance policy, surety bond, letter of credit, line of credit, standby bond purchase agreement, reimbursement agreement, liquidity facility or arrangement or other form of credit enhancement or liquidity in favor of the holders of such Bonds, issued by a bank, trust company, national banking association, insurance company or other credit or liquidity provider with a long-term credit rating in one of the two highest rating categories of any rating service (without regard to any refinements of gradation of any rating category by numerical modifier or otherwise) then rating any Bonds, for the purpose of providing a source of funds for the payment of all or a portion of the obligations under Bonds or the purchase price of Bonds.

"Qualified Swap Agreement" means an interest rate exchange, hedge or similar agreement entered into by the Commission and a swap counterparty pursuant to which the Commission is obligated to make interest-like payments to or on behalf of another Person and that Person is obligated to make similar interest-like payments to or on behalf of the Commission (based on a different rate of, or formula for, interest), with neither party obligated to repay any principal, which agreement:

(a) may include, without limitation, an interest rate swap, a forward or futures contract or an option (e.g., a call, put cap, floor or collar); and

(b) does not constitute an obligation to repay money borrowed, credit extended or the equivalent thereof; provided that the long-term credit rating of the swap counterparty (or any guarantor thereof) at the time of the execution and delivery of the Qualified Swap Agreement is in one of the two highest rating categories of any rating service (without regard to any refinements of gradation of any rating category by numerical modifier or otherwise) then rating such Bonds, unless such Bonds are secured by a Qualified Credit Facility, in which case such Qualified Swap Agreement shall be approved in writing by the provider of such Qualified Credit Facility.

"Record Date" means the **15th** day (whether or not a Business Day) of the calendar month next preceding the month in which an interest payment on any series of Bonds is to be made, unless with respect to any particular series of Bonds, another day is designated as the Record Date in the Supplemental Bond Indenture authorizing the issuance of such series of Bonds.

"Revenues Available for Debt Service" means, for any period of calculation, the Pledged Revenues available to pay the Debt Service Requirements for all of the Bonds; provided, however, for purposes of this definition, in no event shall any calculation of Revenues Available for Debt Service include Additional Transportation Revenues in an amount in excess of 5% of the aggregate of all Pledged Revenues.

"Second Lien Bonds" means any series of bonds or other evidence of indebtedness authorized by the State Highway Act and issued by the Commission pursuant to the Master Bond Indenture and a Supplemental Bond Indenture that stand on a parity and equality under the Master Bond Indenture, with respect to order of payment of principal and interest out of Pledged Revenues, with any other Second Lien Bonds then Outstanding, but that by the terms thereof are specifically junior and subordinate to the First Lien Bonds.

"Senior Bonds" means the State Road Bonds issued and outstanding under the Senior Master Indenture, and any additional series of bonds issued pursuant to the Senior Master Indenture to refund the outstanding Senior Bonds of the Commission.

"Senior Master Indenture" means the Master Bond Indenture dated as of December 1, 2000, as executed by the Commission and The Bank of New York Mellon Trust Company, N.A., as successor trustee, as from time to time amended and supplemented by supplemental bond indentures in accordance with the provisions of the Senior Master Indenture.

"Series B 2019 Bonds" means the series of Missouri Highways and Transportation Commission Third Lien State Road Bonds, Series B 2019, issued, authenticated and delivered under and pursuant to the Master Bond Indenture and the Supplemental Indenture No. 7.

"Series B 2019 Fund" means the fund of the Commission held as part of the State Road Fund segregated by the State Treasurer and used to pay Project Costs of the Series B 2019 Project.

"Series B 2019 Project" means the planning, designing, constructing, reconstructing, rehabilitating and significant repair of a portion of the 215 bridges on the State Highway System as selected by the Commission and included in the Commission's latest approved Statewide Transportation Improvement Program for years 2020 to 2024.

"State Highway Act" means the Missouri Constitution and **Chapters 226** and **227** of the **Revised Statutes of Missouri**, as from time to time amended, and such other provisions of state law which provide for revenues, or the issuance of Bonds, to pay for Projects.

"State Highway System" means the system of state roads, bridges and highways under the supervision of the Commission which are constructed, improved and maintained in whole or in part by the aid of state moneys, and of highways constructed in whole or in part by the aid of moneys appropriated by the United States government, so far as such supervision is consistent with the acts of Congress relating thereto, and all additions and improvements thereto.

"State Road Bond Fund" means the State Road Bond Fund created under Article IV, Section 30(b) of the Constitution of Missouri.

"State Road Fund" means the State Road Fund created under Article IV, Section 30(b) of the Constitution of Missouri.

"State Road Bond Fund Revenues" means:

(a) the proceeds of the state sales tax on all motor vehicles, trailers, motorcycles, mopeds and motortricycles which are deposited in the state treasury and credited to the State Road Bond Fund pursuant to Section 30(b) of Article IV of the Missouri Constitution, as amended, which are appropriated to the payment of Bonds, and

(b) any other moneys, revenues or receipts to be deposited to the credit of the State Road Bond Fund pursuant to state law, pledged to the payment of Bonds.

"State Road Fund Revenues" means:

(a) all state revenue derived from highway users as an incident to their use or right to use highways of the state deposited in the state treasury and credited to the State Road Fund pursuant to Section 30(b) of Article IV of the Missouri Constitution, as amended, which stand appropriated to the payment of Bonds and other purposes of the Commission; and

(b) any other moneys, revenues or receipts to be deposited to the credit of the State Road Fund pursuant to state law, pledged to the payment of Bonds.

State Road Fund Revenues shall not include money deposited in the State Road Fund (a) received from the United States government, or (b) received for some particular use or uses other than for the payment of principal and interest on outstanding state road bonds.

"Subordinated Bonds" means any series of bonds or other evidence of indebtedness authorized by the State Highway Act and issued by the Commission that by the terms thereof are specifically junior and subordinate to the Bonds with respect to payment of principal and interest thereon from Pledged Revenues and is evidenced by an instrument containing provisions substantially the same as those set forth in the Master Bond Indenture.

"Supplemental Bond Indenture" means any indenture supplemental or amendatory to the Master Bond Indenture entered into by the Commission and the Bond Trustee pursuant to the Master Bond Indenture.

"Supplemental Bond Indenture No. 7" means the Supplemental Bond Trust Indenture No. 7, which supplements and amends the Master Bond Indenture, entered into by the Commission and the Bond Trustee pursuant to the Master Bond Indenture.

"Tax Compliance Agreement" means the Tax Compliance Agreement relating to the Series B 2019 Bonds, between the Commission and the Bond Trustee, as from time to time amended in accordance with the provisions thereof.

"Third Lien Bonds" means any series of bonds or other evidence of indebtedness authorized by the State Highway Act and issued by the Commission pursuant to the Master Bond Indenture and a Supplemental Bond Indenture that stand on a parity and equality under the Master Bond Indenture, with respect to order of payment of principal and interest out of Pledged Revenues, with any other Third Lien Bonds then Outstanding, but that by the terms thereof are specifically junior and subordinate to the First Lien Bonds and the Second Lien Bonds.

"Trust Estate" means the Trust Estate described in the Granting Clauses of the Master Bond Indenture.

"Unspent Proceeds" means any sale proceeds of the Series B 2019 Bonds remaining after completion of the Series B 2019 Project and/or paying costs of issuing the Series B 2019 Bonds.

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SUMMARY OF THE MASTER BOND INDENTURE

The following is a summary of certain provisions contained in the Master Bond Indenture. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Master Bond Indenture for a complete recital of the terms thereof.

Trust Estate

To secure the payment of all of the Bonds issued and Outstanding under the Master Bond Indenture, to secure the performance and observance by the Commission of all the covenants, agreements and conditions contained in the Master Bond Indenture and in the Bonds, and in consideration of the acceptance by the Bond Trustee of the trusts created by the Master Bond Indenture, and the purchase and acceptance of the Bonds by the owners thereof, the Commission transfers in trust, pledges and assigns to the Bond Trustee, and grants a security interest to the Bond Trustee in, the following described property (said property referred to herein as the **"Trust Estate"**):

(a) all right, title and interest of the Commission in all State Road Fund Revenues deposited into the State Road Fund under Article IV, Section 30(b) of the Missouri Constitution;

(b) all right, title and interest of the Commission in all State Road Bond Fund Revenues deposited into the State Road Bond Fund under Article IV, Section 30(b) of the Missouri Constitution, and which are appropriated to the payment of the Bonds;

(c) all right, title and interest of the Commission in all Additional Transportation Revenues; and

(d) any and all other revenues, moneys and property, by delivery or by writing of any kind, pledged, assigned or transferred as and for additional security under the Master Bond Indenture or a Supplemental Bond Indenture by the Commission or by anyone in its behalf or with its written consent, to the Bond Trustee, and all moneys and securities from time to time held by the Bonds Trustee in the other funds and accounts under the terms of the Master Bond Indenture.

Authorization of Series of Bonds, Subordinated Bonds and other actions

Bonds may be issued under the Master Bond Indenture in one or more series at any time and from time to time, so long as no default has occurred and is continuing under the Master Bond Indenture (unless such Bonds are being issued to provide funds to cure such default), and upon compliance with the conditions set forth in the Master Bond Indenture, for any purpose authorized under the State Highway Act and the Master Bond Indenture, including: (a) financing Project Costs; (b) refunding any outstanding series of Bonds or portion thereof; and (c) in connection with the issuance of a series of Bonds for any purpose stated in this paragraph, providing funds for deposit in the funds and accounts under the Master Bond Indenture, funding any required debt service reserves, and paying the costs incident to the issuance of such Bonds.

First Lien Bonds. The Commission from time to time may, in its sole discretion, authorize the issuance of First Lien Bonds, that are equally and ratably secured by the Master Bond Indenture on a parity with any other First Lien Bonds, for the purposes and upon the terms and conditions provided in the Master Bond Indenture, upon compliance with any one of the following conditions:

(1) The Commission may issue First Lien Bonds for any lawful purpose if prior to the issuance thereof there is delivered to the Bond Trustee an Officer's Certificate demonstrating that Revenues Available for Debt Service (provided, that, in the event that any law has been enacted that has changed the amount of Revenues Available for Debt Service at any time subsequent to the beginning of such **12-**month period, then the amount of Revenues Available for Debt Service for such **12-**month period shall be adjusted by an amount provided in an Officer's Certificate to the level, as estimated as provided in such Officer's Certificate, that would have been Revenues Available for Debt Service in such **12-**month period if such changes had been in effect for the entire **12-**month period) for **12** consecutive months out of the last **18** months prior to the issuance of such First Lien Bonds were not less than **400%** of Maximum Annual Debt Service on all Outstanding Senior Bonds and First Lien Bonds and the First Lien Bonds proposed to be issued.

(2) The Commission may, without complying with subsection (1) of this Section, issue First Lien Bonds for the purpose of refunding, either at maturity or in advance of maturity, any First Lien Bonds issued and Outstanding under the Master Bond Indenture, if the Commission determines that such refunding is in the best interest of the Commission and that, taking into account the issuance of the proposed First Lien Bonds and the application of the proceeds thereof and any other funds to be applied to such refunding, the Debt Service Requirements of the First Lien Bonds proposed to be issued will not be greater than the Debt Service Requirements on the First Lien Bonds to be refunded in any year that the First Lien Bonds to be refunded would have been Outstanding (permitting the final maturity of the proposed First Lien Bonds to extend beyond the final maturity of the First Lien Bonds to be refunded).

First Lien Bonds of the Commission shall stand on a parity with any other First Lien Bonds Outstanding and shall enjoy complete equality of lien and pledge and claim against the Pledged Revenues with all other First Lien Bonds Outstanding under the Master Bond Indenture, and the Commission may make equal provision for paying said First Lien Bonds and the interest thereon out of the Pledged Revenues and may likewise provide for the creation of reasonable debt service accounts for the payment of such additional bonds and the interest thereon out of the Pledged Revenues.

Second Lien Bonds. The Commission from time to time may, in its sole discretion, authorize the issuance of Second Lien Bonds, that are equally and ratably secured by the Master Bond Indenture on a parity with any other Second Lien Bonds, for the purposes and upon the terms and conditions provided in the Master Bond Indenture, upon compliance with any one of the following conditions:

(1) The Commission may issue Second Lien Bonds for any lawful purpose if prior to the issuance thereof there is delivered to the Bond Trustee an Officer's Certificate demonstrating that Revenues Available for Debt Service (provided, that, in the event that any law has been enacted that has changed the amount of Revenues Available for Debt Service at any time subsequent to the beginning of such **12-**month period, then the amount of Revenues Available for Debt Service for such **12-**month period shall be adjusted by an amount provided in an Officer's Certificate to the level, as estimated as provided in such Officer's Certificate, that would have been Revenues Available for Debt Service in such **12-**month period if such changes had been in effect for the entire **12-**month period) for **12** consecutive months out of the last **18** months prior to the issuance of such Second Lien Bonds were not

less than **300%** of Maximum Annual Debt Service on all Outstanding Senior Bonds, First Lien Bonds and Second Lien Bonds, and the Second Lien Bonds proposed to be issued.

(2) The Commission may, without complying with subsection (1) of this Section, issue Second Lien Bonds for the purpose of refunding, either at maturity or in advance of maturity, any Second Lien Bonds issued and Outstanding under the Master Bond Indenture, if the Commission determines that such refunding is in the best interest of the Commission and that, taking into account the issuance of the proposed Second Lien Bonds and the application of the proceeds thereof and any other funds to be applied to such refunding, the Debt Service Requirements of the Second Lien Bonds proposed to be issued will not be greater than the Debt Service Requirements on the Second Lien Bonds to be refunded in any year that the Second Lien Bonds to be refunded would have been Outstanding (permitting the final maturity of the proposed Second Lien Bonds to extend beyond the final maturity of the Second Lien Bonds to be refunded).

Second Lien Bonds of the Commission shall stand on a parity with any other Second Lien Bonds Outstanding and shall enjoy complete equality of lien and pledge and claim against the Pledged Revenues with all other Second Lien Bonds Outstanding under the Master Bond Indenture, and the Commission may make equal provision for paying said Second Lien Bonds and the interest thereon out of the Pledged Revenues and may likewise provide for the creation of reasonable debt service accounts for the payment of such additional bonds and the interest thereon out of the Pledged Revenues. Any such Second Lien Bonds shall be junior and subordinate to any First Lien Bonds, so that if at any time the Commission shall fail to pay either interest on or principal of any First Lien Bonds, or if the Commission shall fail to make any payments required to be made by it under the provisions of the Master Bond Indenture, the Commission shall make no payments out of Pledged Revenues of either principal of or interest on said Second Lien Bonds until said default or failure be cured.

Third Lien Bonds. The Commission from time to time may, in its sole discretion, authorize the issuance of Third Lien Bonds, that are equally and ratably secured by the Master Bond Indenture on a parity with any other Third Lien Bonds, for the purposes and upon the terms and conditions provided in the Master Bond Indenture, upon compliance with any one of the following conditions:

(1) The Commission may issue Third Lien Bonds for any lawful purpose if prior to the issuance thereof there is delivered to the Bond Trustee an Officer's Certificate demonstrating that Revenues Available for Debt Service (provided, that, in the event that any law has been enacted that has changed the amount of Revenues Available for Debt Service at any time subsequent to the beginning of such **12-**month period, then the amount of Revenues Available for Debt Service for such **12-**month period shall be adjusted by an amount provided in an Officer's Certificate to the level, as estimated as provided in such Officer's Certificate, that would have been Revenues Available for Debt Service in such **12-**month period if such changes had been in effect for the entire **12-**month period) for **12** consecutive months out of the last **18** months prior to the issuance of such Third Lien Bonds were not less than **200%** of Maximum Annual Debt Service on all Outstanding Senior Bonds, First Lien Bonds, Second Lien Bonds and Third Lien Bonds, and the Third Lien Bonds proposed to be issued.

(2) The Commission may, without complying with subsection (1) of this Section, issue Third Lien Bonds for the purpose of refunding, either at maturity or in advance of maturity, any Third Lien Bonds issued and Outstanding under the Master Bond Indenture, if the Commission determines that such refunding is in the best interest of the Commission and

that, taking into account the issuance of the proposed Third Lien Bonds and the application of the proceeds thereof and any other funds to be applied to such refunding, the Debt Service Requirements of the Third Lien Bonds proposed to be issued will not be greater than the Debt Service Requirements on the Third Lien Bonds to be refunded in any year that the Third Lien Bonds to be refunded would have been Outstanding (permitting the final maturity of the proposed Third Lien Bonds to extend beyond the final maturity of the Third Lien Bonds to be refunded).

Third Lien Bonds of the Commission shall stand on a parity with any other Third Lien Bonds Outstanding and shall enjoy complete equality of lien and pledge and claim against the Pledged Revenues with all other Third Lien Bonds Outstanding under the Master Bond Indenture, and the Commission may make equal provision for paying said Third Lien Bonds and the interest thereon out of the Pledged Revenues and may likewise provide for the creation of reasonable debt service accounts for the payment of such additional bonds and the interest thereon out of the Pledged Revenues.

Additional Security. To the extent permitted by law, a Supplemental Bond Indenture providing for the issuance of a series of Bonds may pledge a source of revenues to the payment of such series of Bonds, may provide for funding a debt service reserve for such series of Bonds, or may provide that the Commission obtain or cause to be obtained additional security for such series of Bonds, including a Qualified Credit Facility or any combination of the foregoing, with the provider of such obligation or instrument, providing for payment of all or a portion of the purchase price or principal, premium, if any, or interest due or to become due on specified Bonds of such series, or providing for the purchase of such Bonds or a portion thereof by the issuer of the additional security. In connection therewith, the Commission may enter into agreements with the issuer of any additional security to provide the terms and conditions thereof, including the security, if any, to be provided to the issuer. The Commission may secure the additional security by an agreement providing for the purchase of the Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity or redemption provisions as specified in the Supplemental Bond Indenture. The Commission may also agree to reimburse directly the issuer of the additional security for any amounts paid thereunder together with interest thereon. Any such additional security with respect to a particular series of Bonds need not extend to any other series of Bonds unless required under the Master Bond Indenture. The Supplemental Bond Indenture pursuant to which any series of Bonds is issued may provide for such additional security and permit realization upon such security solely for the benefit of the Bonds entitled thereto, and as are not inconsistent with the intent of the Master Bond Indenture.

Qualified Swap Agreements. In connection with the issuance of a series of Bonds or at any time thereafter so long as a series of Bonds remains Outstanding, the Commission may enter into a Qualified Swap Agreement providing for certain payments by the Commission and a swap counterparty, which payments are calculated by reference to fixed or variable rates and constituting a financial accommodation between the Commission and such swap counterparty if (1) the Commission determines that any such agreement (A) will assist the Commission in more effectively managing its interest costs or cash flow, and (B) will not result in a downward revision or withdrawal of any rating on any series of Bonds by a nationally recognized rating service, and (2) the Commission would be in compliance with the conditions for the issuance of such series of Bonds to which the Qualified Swap Agreement relates assuming such Bonds were being issued at the time the Commission enters into the Qualified Swap Agreement.

Pledge of Additional Transportation Revenues. The Commission shall give written notice of its intention to pledge Additional Transportation Revenues to the Bond Trustee and each rating agency maintaining a rating on the Bonds not less than **30** days prior to the date the pledge of the Additional Transportation Revenues is expected to become effective. The notice shall include appropriate information concerning the nature and extent of the Additional Transportation Revenues. The pledge of Additional

Transportation Revenues shall become effective upon receipt by the Commission and the Bond Trustee of (1) an Opinion of Counsel stating that pledge of Additional Transportation Revenues is authorized under the Master Bond Indenture and complies with the terms of the Master Bond Indenture, and (2) an Opinion of Bond Counsel stating that the pledge of Additional Transportation Revenues does not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

The Commission will not issue any bonds or other evidences of indebtedness which are senior and superior to the First Lien Bonds, other than bond issued under the Senior Master Indenture to refund any of the Senior Bonds. The Commission will not issue any bonds or other evidences of indebtedness payable from Pledged Revenues unless such bonds or other evidences of indebtedness comply with and are issued pursuant to the Missouri Constitution, the State Highway Act, the Master Bond Indenture and an appropriate Supplemental Bond Indenture.

The Commission may from time to time issue Subordinated Bonds for any lawful purpose (including the refunding of any Bonds) and may provide that the principal of and interest on said Subordinated Bonds shall be payable out of Pledged Revenues, provided at the time of the issuance of such Subordinated Bonds the Commission is not in default in the performance of any covenant or agreement contained in the Master Bond Indenture (unless such Subordinated Bonds are being issued to provide funds to cure such default), and provided further that such Subordinated Bonds shall be junior and subordinate to any Bonds, so that if at any time the Commission shall fail to pay either interest on or principal of any Bonds, the Commission shall make no payments out of Pledged Revenues of either principal of or interest on said Subordinated Bonds until said default or failure be cured. In the event of the issuance of any such Subordinated Bonds, the Commission, subject to the provisions aforesaid and the terms contained in the Master Bond Indenture, may make provision in the agreement providing for the issuance of such Subordinated Bonds for paying the principal of and interest on said Subordinated Bonds out of Pledged Revenues.

Creation of Funds and Accounts

There are created and ordered to be established in the custody of the State Treasurer and the Bond Trustee the following special trust funds with respect to the Bonds, as follows:

(a) *State Road Fund*. The State Road Fund is established by law in the state treasury in the custody of the State Treasurer and shall be administered by the State Treasurer under the supervision and direction of the Commission pursuant to the provisions of Article IV, Section 30(b) of the Constitution of Missouri, the State Highway Act and the Master Bond Indenture.

(b) *State Road Bond Fund*. The State Road Bond Fund is established by law in the state treasury in the custody of the State Treasurer and shall be administered by the State Treasurer under the supervision and direction of the Commission pursuant to the provisions of Article IV, Section 30(b) of the Constitution of Missouri, the State Highway Act and the Master Bond Indenture.

(c) *First Lien Bond Fund*. There is ordered to be established in the custody of the Bond Trustee a special trust fund with respect to the Bonds, to be designated **"Missouri Highways and Transportation Commission--State Road First Lien Bond Fund"** (the **"First Lien Bond Fund"**). The Bond Trustee is authorized to establish with respect to each series of First Lien Bonds separate funds or accounts within such Fund or otherwise segregate moneys within such Fund, on a book-entry basis or in such other manner as the Bond Trustee may deem necessary or convenient, or as the Bond Trustee shall be instructed by the Commission, as shall be required by the Supplemental Bond Indenture authorizing a series of First Lien Bonds.

(d) *Second Lien Bond Fund*. There is ordered to be established in the custody of the Bond Trustee a special trust fund with respect to the Bonds, to be designated **"Missouri Highways and Transportation Commission--State Road Second Lien Bond Fund"** (the **"Second Lien Bond Fund"**). The Bond Trustee is authorized to establish with respect to each series of Second Lien Bonds separate funds or accounts within such Fund or otherwise segregate moneys within such Fund, on a book-entry basis or in such other manner as the Bond Trustee may deem necessary or convenient, or as the Bond Trustee shall be instructed by the Commission as shall be required by the Supplemental Bond Indenture authorizing a series of Second Lien Bonds.

(e) *Third Lien Bond Fund*. There is ordered to be established in the custody of the Bond Trustee a special trust fund with respect to the Bonds, to be designated **"Missouri Highways and Transportation Commission--State Road Third Lien Bond Fund"** (the **"Third Lien Bond Fund"**). The Bond Trustee is authorized to establish with respect to each series of Third Lien Bonds separate funds or accounts within such Fund or otherwise segregate moneys within such Fund, on a book-entry basis or in such other manner as the Bond Trustee may deem necessary or convenient, or as the Bond Trustee shall be instructed by the Commission, as shall be required by the Supplemental Bond Indenture authorizing a series of Third Lien Bonds.

(f) *Other Funds.* There shall be ordered to be established such other funds as may be designated by the Commission in a Supplemental Bond Indenture.

Deposit and Application of Bond Proceeds

The proceeds received from the sale of each series of Bonds shall be paid into the funds and accounts and shall be administered and expended in the manner and for purposes specified in the State Highway Act, the Master Bond Indenture and the Supplemental Bond Indenture authorizing each series of Bonds. The State Treasurer with the approval of the Commission is authorized to deposit proceeds of the Bonds received for credit in the State Road Fund in any of the qualified depositories of the State of Missouri or as otherwise provided by law. All such deposits shall be secured in such manner and shall be made on such terms and conditions as are now or may be provided by law relative to state deposits. Any interest received on such deposits shall be credited to the State Road Fund.

The proceeds of the Bonds deposited in the State Road Fund, together with earnings on such proceeds, shall be held in the state treasury, and shall be invested, used and expended solely, strictly and expressly as authorized and required by the Missouri Constitution, the State Highway Act, the Master Bond Indenture and the Supplemental Bond Indenture authorizing such series of Bonds. Proceeds of the Bonds deposited in the State Road Fund shall be disbursed by the State Treasurer for the payment of Project Costs or other authorized purposes upon the written request of the Commission (accompanied with invoices or other documentation stating the payee, the amounts due and the services or property provided) and drawn by the Commissioner of Administration to the persons entitled thereto for such purposes and to pay all expenses incurred by the Commission in issuing the Bonds.

Deposit and Application of Revenues

All State Road Fund Revenues transferred or deposited in the State Road Fund shall be held in the state treasury by the State Treasurer to be used and expended, first, solely, strictly and expressly for the payment of Bonds and the Senior Bonds in order of priorities provided in the Senior Master Indenture and the Master Bond Indenture, in the manner as required by the State Highway Act and the Master Bond Indenture.

All State Road Bond Fund Revenues transferred or deposited in the State Road Bond Fund shall be held in the state treasury by the State Treasurer to be used and expended, after appropriated pursuant to the Missouri Constitution, for the payment of Bonds, with any balance to be used for other authorized purposes in the manner as required by the State Highway Act and the Master Bond Indenture. The Pledged Revenues shall be disbursed by the State Treasurer as directed in writing by the Commission (accompanied with invoices or other documentation stating the payee, the amounts due and the services or property provided) and drawn by the Commissioner of Administration to the persons entitled thereto, in the manner provided by law, in the amounts and in the order of priority as follows:

(a) **First:** *First Lien Bond Fund*. There shall first be paid to the Bond Trustee, on or before the 1st Business Day before each interest and principal payment date, for deposit and credit to all accounts and subaccounts of the First Lien Bond Fund, an amount which is, together with interest earnings and any other moneys on deposit and available for such purpose in the First Lien Bond Fund, sufficient to pay interest on all First Lien Bonds which are Outstanding, on each payment date when the same become due, and the principal of and the redemption premium, if any, on all First Lien Bonds which are Outstanding, on each payment date when the same become due, whether at stated maturity, upon mandatory redemption or other redemption.

The moneys in the First Lien Bond Fund shall be held in trust and, except as otherwise provided herein, shall be expended solely as follows:

(1) to pay interest on the First Lien Bonds as the same becomes due;

(2) to pay principal of the First Lien Bonds as the same mature or become due and upon mandatory sinking fund redemption thereof; and

(3) to pay principal of and redemption premium, if any, on the First Lien Bonds as the same become due upon redemption (other than mandatory sinking fund redemption) prior to maturity. The Bond Trustee is authorized and directed to withdraw sufficient funds from the First Lien Bond Fund to pay principal of, redemption premium, if any, and interest on the First Lien Bonds as the same become due and payable at maturity or upon redemption and to make said funds so withdrawn available to any paying agent for such purpose.

(b) **Second:** *Second Lien Bond Fund*. There shall next be paid to the Bond Trustee, on or before the 1st Business Day before each interest and principal payment date, for deposit and credit to all accounts and subaccounts of the Second Lien Bond Fund, an amount which is, together with interest earnings and any other moneys on deposit and available for such purpose in the Second Lien Bond Fund, sufficient to pay interest on all Second Lien Bonds which are Outstanding, on each payment date when the same become due, and the principal of and the redemption premium, if any, on all Second Lien Bonds which are Outstanding, on each payment date when the same become due, whether at stated maturity, upon mandatory redemption or other redemption.

The moneys in the Second Lien Bond Fund shall be held in trust and, except as otherwise provided herein, shall be expended solely as follows:

(1) to pay interest on the Second Lien Bonds as the same becomes due;

(2) to pay principal of the Second Lien Bonds as the same mature or become due and upon mandatory sinking fund redemption thereof; and

(3) to pay principal of and redemption premium, if any, on the Second Lien Bonds as the same become due upon redemption (other than mandatory sinking fund redemption) prior to maturity. The Bond Trustee is authorized and directed to withdraw sufficient funds from the Second Lien Bond Fund to pay principal of, redemption premium, if any, and interest on the Second Lien Bonds as the same become due and payable at maturity or upon redemption and to make said funds so withdrawn available to any paying agent for such purpose.

(c) **Third:** *Third Lien Bond Fund*. After all payments and credits required at the time to be made to the First Lien Bond Fund and the Second Lien Bond Fund under the provisions of subsection (a) and (b) have been made, there shall next be paid to the Bond Trustee, on or before the 1st Business Day before each interest and principal payment date, for deposit and credit to the Third Lien Bond Fund, the amount which is, together with investment earnings and any other moneys on deposit and available for such purpose in the Third Lien Bond Fund, sufficient to pay interest on all Third Lien Bonds which are Outstanding, on each payment date when the same become due, and to pay the principal of and the premium, if any, on all Third Lien Bonds which are Outstanding, on each payment date when the same become due, whether at stated maturity, upon mandatory redemption or other redemption.

The moneys in the Third Lien Bond Fund shall be held in trust and, except as otherwise provided herein, shall be expended solely as follows:

(1) to pay interest on the Third Lien Bonds as the same becomes due;

(2) to pay principal of the Third Lien Bonds as the same mature or become due and upon mandatory sinking fund redemption thereof; and

(3) to pay principal of and redemption premium, if any, on the Third Lien Bonds as the same become due upon redemption (other than mandatory sinking fund redemption) prior to maturity.

The Bond Trustee is authorized and directed to withdraw sufficient funds from the Third Lien Bond Fund to pay principal of, redemption premium, if any, and interest on the Third Lien Bonds as the same become due and payable at maturity or upon redemption and to make said funds so withdrawn available to any paying agent for such purpose.

(d) **Fourth**: *Termination Payments*. After the payments and credits required to made under the provision of subsections (a), (b) and (c) have been made, and after payment of the principal of and interest on other state road bonds of the Commission, there shall be paid any termination payments, fees, expenses and indemnity payments pursuant to any Qualified Swap Agreement or Qualified Credit Facility.

(e) **Fifth:** *Other Purposes*. After the payments and credits required to be made under the provisions of subsections (a), (b), (c) and (d) have been made, the remaining Pledged Revenues may be used and expended by the Commission for any other lawful use as provided in the State Highway Act.

Payments Due on Non-Business Days

In any case where the date of maturity of principal of, redemption premium, if any, or interest on the Bonds or the date fixed for redemption of any Bonds shall be a day other than a Business Day, then payment of principal, redemption premium, if any, or interest need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after such date.

Nonpresentment of Bonds

In the event any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise, or at the date fixed for redemption thereof, if funds sufficient to pay such Bond shall have been made available to the Bond Trustee, all liability of the Commission to the owner thereof for the payment of such Bond, shall forthwith terminate and be completely discharged, and thereupon it shall be the duty of the Bond Trustee to hold such funds in trust, without liability for interest thereon, for the benefit of the owner of such Bond, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under the Master Bond Indenture or on or with respect to said Bond. If any Bond shall not be presented for payment within **4** years following the date when such Bond becomes due, whether by maturity or otherwise, the Bond Trustee shall repay to the Commission the funds theretofore held by it for payment of such Bond, and such Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the Commission, and the owner thereof shall be entitled to look only to the Commission for payment, and then only to the extent of the amount so repaid, and the Commission shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

Books, Records and Accounts

Within **30** days after the completion of each such audit, the Commission shall provide a copy of the annual audit to each registered owner which the Bond Trustee has provided written notice to the Commission is the owner of **10%** or more of the principal amount of Bonds Outstanding, without further request, and to any other bondowner upon written request and at the expense of such bondowner. Such audits shall at all times during the usual business hours be open to the examination and inspection by any registered owner of any of the Bonds, or by anyone acting for or on behalf of such registered owner.

Operation and Maintenance of State Highway System, State Road Fund, State Road Bond Fund and Pledged Revenues

The Commission covenants and agrees for the benefit, security and protection of all owners of the Bonds as follows:

(a) The Commission will neither take any action, nor recommend any action, that would impair or reduce the imposition, enforcement, collection, transfer and deposit into the State Road Fund or the State Road Bond Fund of such taxes, fees and charges including without limitation, those on motor fuels, motor vehicles, or such other taxes, fees and charges which are statutorily or constitutionally permitted or required, and in such amounts as shall be required to provide Pledged Revenues sufficient to provide transfers to pay when due the Bonds issued pursuant to the Master Bond Indenture.

(b) The Commission, through MoDOT, will faithfully and punctually perform all duties required of the Commission with respect to the State Highway System required by the Missouri

Constitution, the State Highway Act, the Master Bond Indenture, including, but not limited to, the making and collection of the Pledged Revenues, their proper segregation and their application to the respective funds and accounts and in the order of priorities established by the Missouri Constitution, the State Highway Act, the Master Bond Indenture and any Supplemental Bond Indentures, and will not in any way impair the rights and remedies of the owners of the Bonds under the Missouri Constitution, the State Highway Act and the Master Bond Indenture.

(c) The Commission reasonably believes that legally available funds in an amount sufficient to make payments of its obligations related to Bonds can be obtained. The Commission covenants to do all things lawfully within its power to obtain and maintain funds from which the payments of its obligation related to Bonds may be made, including making provision for such payments to the extent necessary in each annual budget submitted and adopted in accordance with applicable provisions of State law, to have such portion of the budget approved and to exhaust all available reviews and appeals in the event such portion of the budget is not approved.

Events of Default

The term **"event of default,"** wherever used in the Master Bond Indenture, means any one of the following events (whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) default in the payment of any interest on any Bond when such interest becomes due and payable;

(b) default in the payment of the principal of (or premium, if any, on) any Bond when the same becomes due and payable (whether at maturity, upon proceedings for redemption, by acceleration or otherwise); or

(c) default in the performance, or breach, of any covenant or agreement of the Commission in the Master Bond Indenture (other than a covenant or agreement a default in the performance or breach of which is specifically dealt with elsewhere in this Section), and continuance of such default or breach for a period of **60** days after there has been given to the Commission by the Bond Trustee or to the Commission and the Bond Trustee by the owners of at least **10%** in principal amount of the Bonds Outstanding, a written notice specifying such default or breach and requiring it to be remedied; provided, that if such default cannot be fully remedied within such **60-**day period, but can reasonably be expected to be fully remedied, such default shall not constitute an event of default if the Commission shall immediately upon receipt of such notice commence the curing of such default and shall thereafter prosecute and complete the same with due diligence and dispatch.

(d) default in the performance, or breach of any covenant or agreement, of the Commission pursuant to any Qualified Credit Facility, and any applicable grace period shall have expired; provided, however, that such default shall not constitute an event of default if within the time allowed for service of a responsive pleading in any proceeding to enforce payment or performance of the obligations of the Commission pursuant to the Qualified Credit Facility, the Commission in good faith commences proceedings to contest the obligation to pay or the performance of the obligations related to the Qualified Credit Facility.

Exercise of Remedies by the Bond Trustee

Upon the occurrence and continuance of any event of default under the Master Bond Indenture, unless the same is waived as provided in the Master Bond Indenture, the Bond Trustee shall have the following rights and remedies, in addition to any other rights and remedies provided under the Master Bond Indenture or by law:

(a) *Right to Bring Suit, Etc.* The Bond Trustee may pursue any available remedy at law or in equity by suit, action, mandamus or other proceeding to enforce the payment of the principal of, premium, if any, and interest on the Bonds Outstanding, including interest on overdue principal (and premium, if any) and on overdue installments of interest, and any other sums due under the Master Bond Indenture, to realize on or to foreclose any of its interests or liens under the Master Bond Indenture, to enforce and compel the performance of the duties and obligations of the Commission as set forth in the Master Bond Indenture and to enforce or preserve any other rights or interests of the Bond Trustee under the Master Bond Indenture with respect to any of the Trust Estate or otherwise existing at law or in equity.

(b) *Exercise of Remedies at Direction of Bondowners.* If requested in writing to do so by the owners of not less than **25%** in principal amount of First Lien Bonds Outstanding and if indemnified as provided in the Master Bond Indenture, the Bond Trustee shall be obligated to exercise such one or more of the rights and remedies as the Bond Trustee shall deem most expedient in the interests of the bondowners.

(c) *Appointment of Receiver.* Upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Bond Trustee and of the bondowners under the Master Bond Indenture, the Bond Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate, pending such proceedings, with such powers as the court making such appointment shall confer.

(d) *Suits to Protect the Trust Estate.* The Bond Trustee shall have power to institute and to maintain such proceedings as it may deem expedient to prevent any impairment of the Trust Estate by any acts which may be unlawful or in violation of the Master Bond Indenture and to protect its interests and the interests of the bondowners in the Trust Estate, including power to institute and maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with such enactment, rule or order would impair the security under the Master Bond Indenture or be prejudicial to the interests of the bondowners or the Bond Trustee, or to intervene (subject to the approval of a court of competent jurisdiction) on behalf of the bondowners in any judicial proceeding to which the Commission is a party and which in the judgment of the Bond Trustee has a substantial bearing on the interests of the bondowners.

(e) *Enforcement Without Possession of Bonds.* All rights of action under the Master Bond Indenture or any of the Bonds may be enforced and prosecuted by the Bond Trustee without the possession of any of the Bonds or the production thereof in any suit or other proceeding relating thereto, and any such suit or proceeding instituted by the Bond Trustee shall be brought in its own name as trustee of an express trust. Any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Bond Trustee, its agents and counsel, and subject to the provisions of the

Master Bond Indenture, be for the benefit of the owners of the Bonds in respect of which such judgment has been recovered payable in the priority provided in the Master Bond Indenture.

(f) *Restoration of Positions.* If the Bond Trustee or any bondowner has instituted any proceeding to enforce any right or remedy under the Master Bond Indenture by suit, foreclosure, the appointment of a receiver, or otherwise, and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Bond Trustee or to such bondowner, then and in every case the Commission, the Bond Trustee and the bondowners shall, subject to any determination in such proceeding, be restored to their former positions and rights under the Master Bond Indenture, and thereafter all rights and remedies of the Bond Trustee and the bondowners shall continue as though no such proceeding had been instituted.

Limitation on Suits by Bondowners

No owner of any Bond shall have any right to institute any proceeding, judicial or otherwise, under or with respect to the Master Bond Indenture, or for the appointment of a receiver or trustee or for any other remedy under the Master Bond Indenture, unless:

(a) such owner has previously given written notice to the Bond Trustee of a continuing event of default;

(b) the owners of not less than **25%** in principal amount of the First Lien Bonds Outstanding shall have made written request to the Bond Trustee to institute proceedings in respect of such event of default in its own name as Bond Trustee under the Master Bond Indenture;

(c) such owner or owners have offered to the Bond Trustee indemnity as provided in the Master Bond Indenture against the costs, expenses and liabilities to be incurred in compliance with such request;

(d) the Bond Trustee for **60** days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(e) no direction inconsistent with such written request has been given to the Bond Trustee during such **60-**day period by the owners of a majority in principal amount of the Outstanding First Lien Bonds.

Control of Proceedings by Bondowners

The owners of a majority in principal amount of the First Lien Bonds Outstanding shall have the right, during the continuance of an event of default, to:

(a) require the Bond Trustee to proceed to enforce the Master Bond Indenture, either by judicial proceedings for the enforcement of the payment of the Bonds and the foreclosure of the Master Bond Indenture, or otherwise; and

(b) direct the time, method and place of conducting any proceeding for any remedy available to the Bond Trustee, or exercising any trust or power conferred upon the Bond Trustee under the Master Bond Indenture, provided that:

(1) such direction shall not be in conflict with any rule of law or the Master Bond Indenture;

(2) the Bond Trustee may take any other action deemed proper by the Bond Trustee which is not inconsistent with such direction; and

(3) the Bond Trustee shall not determine that the action so directed would be unjustly prejudicial to the owners not taking part in such direction.

Notwithstanding any provision of this Section, if the Commission provides to the Bond Trustee an Opinion of Bond Counsel to the effect that any action required under this Section is no longer required, or to the effect that some further action is required, to maintain the exclusion of interest on the Bonds from federal gross income, the Bond Trustee may conclusively rely on such opinion in complying with the provisions of the Master Bond Indenture, and the covenants under the Master Bond Indenture shall be deemed to be modified to that extent.

Application of Moneys Collected

Any moneys collected by the Bond Trustee upon an event of default (after the deductions for payment of costs and expenses of proceedings resulting in the collection of such moneys) together with any other sums then held by the Bond Trustee as part of the Trust Estate, shall be applied in the following order, at the date or dates fixed by the Bond Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest, upon presentation of the Bonds and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

(a) **First:** To the payment of all amounts due the Bond Trustee under the Master Bond Indenture;

(b) **Second:** To the payment of the whole amount then due and unpaid upon the Outstanding First Lien Bonds for principal (and premium, if any) and interest, in respect of which or for the benefit of which such money has been collected, with interest (to the extent that such interest has been collected by the Bond Trustee or a sum sufficient therefor has been so collected and payment thereof is legally enforceable at the respective rate or rates prescribed therefor in the First Lien Bonds) on overdue principal (and premium, if any) and on overdue installments of interest; and in case such proceeds shall be insufficient to pay in full the whole amount so due and unpaid upon such First Lien Bonds, then to the payment of such principal and interest, without any preference or priority, ratably according to the aggregate amount so due;

(c) **Third:** To the payment of the whole amount then due and unpaid upon the Outstanding Second Lien Bonds for principal (and premium, if any) and interest, in respect of which or for the benefit of which such money has been collected, with interest (to the extent that such interest has been collected by the Bond Trustee or a sum sufficient therefor has been so collected and payment thereof is legally enforceable at the respective rate or rates prescribed therefor in the Second Lien Bonds) on overdue principal (and premium, if any) and on overdue installments of interest; and in case such proceeds shall be insufficient to pay in full the whole amount so due and unpaid upon such Second Lien Bonds, then to the payment of such principal and interest, without any preference or priority, ratably according to the aggregate amount so due;

(d) **Fourth:** To the payment of the whole amount then due and unpaid upon the Third Lien Bonds for principal (and premium, if any) and interest, in respect of which or for the benefit of which such money has been collected, with interest (to the extent that such interest has been collected by the Bond Trustee or a sum sufficient therefor has been so collected and payment thereof is legally enforceable at the respective rate or rates prescribed therefor in the Third Lien Bonds) on overdue principal (and premium, if any) and on overdue installments of interest; and in case such proceeds shall be insufficient to pay in full the whole amount so due and unpaid upon such Third Lien Bonds, then to the payment of such principal and interest, without any preference or priority, ratably according to the aggregate amount so due; and

(e) **Fifth:** To the payment of the remainder, if any, to the Commission or to whosoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

Waiver of Past Defaults

Before any judgment or decree for payment of money due has been obtained by the Bond Trustee as provided in this Article, the owners of a majority in principal amount of the First Lien Bonds Outstanding may, by written notice delivered to the Bond Trustee and the Commission, on behalf of the owners of all the Bonds waive any past default under the Master Bond Indenture and its consequences, except a default

(a) in the payment of the principal of (or premium, if any) or interest on any Bond, or

(b) in respect of a covenant or provision of the Master Bond Indenture which under the Master Bond Indenture cannot be modified or amended without the consent of the owner of each Outstanding Bond affected.

Certain Rights of Owners of Second Lien Bonds and Third Lien Bonds

Notwithstanding any provision of the Master Bond Indenture to the contrary, in any case in which the Bond Trustee may or shall take action under the Master Bond Indenture upon a default only with the consent or upon the direction of the owners of a specified percentage of the outstanding First Lien Bonds, if a default exists solely and exclusively with respect to Outstanding Second Lien Bonds or Third Lien Bonds, then such action may be taken by the Bond Trustee with the consent or upon the direction of such percentage of the owners of the Outstanding Second Lien Bonds or Third Lien Bonds, in lieu of the Outstanding First Lien Bonds; provided that no action may be taken which would in any way impair the rights of or security for the First Lien Bonds or which would cause the Commission to fail to comply with the requirements of the Master Bond Indenture, any Supplemental Bond Indenture or the laws of the State of Missouri.

Acceptance of Trusts; Certain Duties and Responsibilities

The Bond Trustee accepts and agrees to execute the trusts imposed upon it by the Master Bond Indenture, but only upon the terms and conditions contained in the Indenture.

Notice of Defaults

Within **30** days after the occurrence of any default under the Master Bond Indenture of which the Bond Trustee is required to take notice or has received notice as provided in the Master Bond Indenture, the Bond Trustee shall give written notice of such default to the Commission and all owners of Bonds as shown on the bond register maintained by the Bond Trustee, unless such default shall have been cured or waived.

Corporate Trustee Required; Eligibility

There shall at all times be a Bond Trustee under the Master Bond Indenture which shall be a commercial bank or trust company organized and doing business under the laws of the United States of America or of any state thereof, authorized under such laws to exercise corporate trust powers, subject to supervision or examination by federal or state authority, having a corporate trust office authorized to do business in the State of Missouri. The Bond Trustee must have a combined capital and surplus of at least **$100,000,000**, or must provide a guaranty of the full and prompt performance by the Bond Trustee of its obligations under the Master Bond Indenture and any other agreements made in connection with the Bonds, on terms satisfactory to the Commission, by a guarantor with such combined capital and surplus.

Resignation and Removal of Bond Trustee

(a) The Bond Trustee may resign at any time by giving written notice thereof to the Commission and each owner of Bonds Outstanding as shown by the bond register kept by the Bond Trustee. If an instrument of acceptance by a successor Bond Trustee shall not have been delivered to the Bond Trustee within **30** days after the giving of such notice of resignation, the resigning Bond Trustee may petition any court of competent jurisdiction for the appointment of a successor Bond Trustee.

(b) The Bond Trustee may be removed at any time:

(1) by the Commission, without consent of any bondowners so long as the Commission is not in default under the Master Bond Indenture, by an instrument in writing signed by a Commission Representative delivered to the Bond Trustee and each owner of Bonds Outstanding; or

(2) by an instrument or concurrent instruments in writing delivered to the Commission and the Bond Trustee signed by the owners of a majority in principal amount of the Outstanding Bonds. The Commission or any bondowner may at any time petition any court of competent jurisdiction for the removal for cause of the Bond Trustee.

(c) If at any time:

(1) the Bond Trustee shall cease to be eligible under the Master Bond Indenture and shall fail to resign after written request therefor by the Commission or by any such bondowner, or

(2) the Bond Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Bond Trustee or of its property shall be appointed or any public officer shall take charge or control of the Bond Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, the Commission may remove the Bond Trustee, or the Commission or any bondowner may petition any court of competent jurisdiction for the removal of the Bond Trustee and the appointment of a successor Bond Trustee.

Appointment of Successor Bond Trustee

If the Bond Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Bond Trustee for any cause, the Commission (so long as no event of default under the Master Bond Indenture or under the Master Bond Indenture has occurred and is continuing), or the owners of a majority in principal amount of Bonds Outstanding (if an event of default under the Master Bond Indenture or under the Master Bond Indenture has occurred and is continuing), by an instrument or concurrent instruments in writing delivered to the Commission and the retiring Bond Trustee, shall promptly appoint a successor Bond Trustee. In case all or substantially all of the Trust Estate shall be in the possession of a receiver or trustee lawfully appointed, such receiver or trustee, by written instrument, may similarly appoint a temporary successor to fill such vacancy until a new Bond Trustee shall be so appointed by the Commission or the bondowners. If, within **30** days after such resignation, removal or incapability or the occurrence of such vacancy, a successor Bond Trustee shall be appointed in the manner provided in the Master Bond Indenture, the successor Bond Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Bond Trustee and supersede the retiring Bond Trustee and any temporary successor Bond Trustee appointed by such receiver or trustee. If no successor Bond Trustee shall have been so appointed and accepted appointment in the manner provided in the Master Bond Indenture, the Bond Trustee or any bondowner may petition any court of competent jurisdiction for the appointment of a successor Bond Trustee, until a successor shall have been appointed as above provided. The successor so appointed by such court shall immediately and without further act be superseded by any successor appointed as above provided. Every such successor Bond Trustee appointed pursuant to the provisions of this Section shall be a bank with trust powers or trust company in good standing under the law of the jurisdiction in which it was created and by which it exists, meeting the eligibility requirements of the Master Bond Indenture.

Supplemental Bond Indentures without Consent of Bondowners

Without the consent of the owners of any Bonds, the Commission and the Bond Trustee may from time to time enter into one or more Supplemental Bond Indentures for any of the following purposes:

(a) to correct or amplify the description of any property at any time subject to the lien of the Master Bond Indenture, or better to assure, convey and confirm unto the Bond Trustee any property subject or required to be subjected to the lien of the Master Bond Indenture, or to subject to the lien of the Master Bond Indenture additional property;

(b) to add to the conditions, limitations and restrictions on the authorized amount, terms or purposes of issue, authentication and delivery of Bonds or of any series of Bonds, as herein set forth, additional conditions, limitations and restrictions thereafter to be observed;

(c) to authorize the issuance of any series of Bonds and make such other provisions as provided in the Master Bond Indenture;

(d) to modify or eliminate any of the terms of the Master Bond Indenture; provided, however, that:

    (1) such Supplemental Bond Indenture shall expressly provide that any such modifications or eliminations shall become effective only when there is no Bond Outstanding of any series issued prior to the execution of such Supplemental Bond Indenture; and

    (2) the Bond Trustee may, in its discretion, decline to enter into any such Supplemental Bond Indenture which, in its opinion, may not afford adequate protection to the Bond Trustee when the same becomes operative;

(e) to evidence the appointment of a separate trustee or the succession of a new trustee under the Master Bond Indenture;

(f) to add to the covenants of the Commission or to the rights, powers and remedies of the Bond Trustee for the benefit of the owners of all or any series of Bonds or to surrender any right or power herein conferred upon the Commission;

(g) to cure any ambiguity, to correct or supplement any provision in the Master Bond Indenture which may be inconsistent with any other provision herein or to make any other change, with respect to matters or questions arising under the Master Bond Indenture, provided such action shall not materially adversely affect the security of the owners of the Bonds;

(h) to modify, eliminate or add to the provisions of the Master Bond Indenture to such extent as shall be necessary to effect the qualification of the Master Bond Indenture under the Trust Indenture Act of 1939, as amended, or under any similar federal statute enacted, or to permit the qualification of the Bonds for sale under the securities laws of the United States or any state of the United States.

Supplemental Bond Indentures with Consent of Bondowners

With the consent of the owners of not less than a majority in principal amount of the Bonds then Outstanding affected by such Supplemental Bond Indenture, the Commission and the Bond Trustee may enter into one or more Supplemental Bond Indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Master Bond Indenture or of modifying in any manner the rights of the owners of the Bonds under the Master Bond Indenture; provided, however, that no such Supplemental Bond Indenture shall, without the consent of the owner of each Outstanding Bond affected thereby:

(a) change the stated maturity of the principal of, or any installment of interest on, any Bond, or reduce the principal amount thereof or the interest thereon or any premium payable upon the redemption thereof, or change the redemption dates or prices of any Bonds, or change the order of priority for the payment of any Bonds Outstanding, or change the coin or currency in which, any Bond, or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date);

(b) reduce the percentage in principal amount of the Outstanding Bonds, the consent of whose owners is required for any such Supplemental Bond Indenture, or the consent of whose owners is required for any waiver provided for in the Master Bond Indenture of compliance with certain provisions of the Master Bond Indenture or certain defaults under the Master Bond Indenture and their consequences;

(c) modify the obligation of the Commission to make payment on or provide funds for the payment of any Bond;

(d) modify or alter the provisions of the proviso to the definition of the term “Outstanding”;

(e) modify any of the provisions of the Master Bond Indenture, except to increase any percentage provided thereby or to provide that certain other provisions of the Master Bond Indenture cannot be modified or waived without the consent of the owner of each Bond affected thereby; or

(f) permit the creation of any lien ranking prior to or on a parity with the lien of the Master Bond Indenture with respect to any of the Trust Estate or terminate the lien of the Master Bond Indenture on any property at any time subject hereto or deprive the owner of any Bond of the security afforded by the lien of the Master Bond Indenture.

The Bond Trustee may in its discretion determine whether or not any Bonds would be affected by any Supplemental Bond Indenture and any such determination shall be conclusive upon the owners of all Bonds, whether theretofore or thereafter authenticated and delivered under the Master Bond Indenture. The Bond Trustee shall not be liable for any such determination made in good faith.

Payment, Discharge and Defeasance of Bonds

Bonds will be deemed to be paid and discharged and no longer Outstanding under the Master Bond Indenture and will cease to be entitled to any lien, benefit or security of the Master Bond Indenture if the Commission shall pay or provide for the payment of such Bonds in any one or more of the following ways:

(a) by paying or causing to be paid the principal of (including redemption premium, if any) and interest on such Bonds, as and when the same become due and payable;

(b) by delivering such Bonds to the Bond Trustee for cancellation; or

(c) by depositing in trust with the Bond Trustee moneys and Government Obligations in an amount, together with the income or increment to accrue thereon, without consideration of any reinvestment thereof, sufficient to pay or redeem (when redeemable) and discharge the indebtedness on such Bonds at or before their respective maturity or redemption dates (including the payment of the principal of, premium, if any, and interest payable on such Bonds to the maturity or redemption date thereof); provided that, if any such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption is given in accordance with the requirements of the Master Bond Indenture or provision satisfactory to the Bond Trustee is made for the giving of such notice.

The Bonds may be defeased in advance of their maturity or redemption dates only with cash or Government Obligations pursuant to subsection (c) above, subject to receipt by the Bond Trustee of:

(1) a verification report prepared by independent certified public accountants, or other verification agent, satisfactory to the Bond Trustee and the Commission; and

(2) an Opinion of Bond Counsel addressed and delivered to the Bond Trustee and the Commission to the effect that the payment of the principal of and redemption premium, if any, and interest on all of the Bonds then Outstanding and any and all other amounts required to be paid under the provisions of the Master Bond Indenture has been provided for in the manner set forth in the Master Bond Indenture and to the effect that so providing for the payment of any Bonds will not cause the interest on any tax-exempt Bonds to be included in gross income for federal income tax purposes, notwithstanding the satisfaction and discharge of the Master Bond Indenture.

The foregoing notwithstanding, the liability of the Commission in respect of such Bonds shall continue, but the owners thereof shall thereafter be entitled to payment only out of the moneys and Government Obligations deposited with the Bond Trustee as aforesaid.

Moneys and Government Obligations so deposited with the Bond Trustee pursuant to this Section shall not be a part of the Trust Estate but shall constitute a separate trust fund for the benefit of the Persons entitled thereto. Such moneys and Government Obligations shall be applied by the Bond Trustee to the payment to the Persons entitled thereto, of the principal (and premium, if any) and interest for whose payment such moneys and Government Obligations have been deposited with the Bond Trustee.

Satisfaction and Discharge of Bond Indenture

The Master Bond Indenture and the lien, rights and interests created by the Master Bond Indenture shall cease, determine and become null and void (except as to any surviving rights under the Master Bond Indenture) if the following conditions are met:

(a) the principal of, premium, if any, and interest on all Bonds has been paid or is deemed to be paid and discharged by meeting the conditions of the Master Bond Indenture;

(b) all other sums payable under the Master Bond Indenture with respect to the Bonds are paid or provision satisfactory to the Bond Trustee is made for such payment;

(c) the Bond Trustee receives an Opinion of Bond Counsel (which may be based upon a ruling or rulings of the Internal Revenue Service) addressed to the Bond Trustee and the Commission to the effect that so providing for the payment of any Bonds will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes, notwithstanding the satisfaction and discharge of the Master Bond Indenture; and

(d) the Bond Trustee receives an Opinion of Counsel addressed and delivered to the Bond Trustee and the Commission to the effect that all conditions precedent in this Section to the satisfaction and discharge of the Master Bond Indenture have been complied with.

Thereupon, the Bond Trustee shall execute and deliver to the Commission a termination statement and such instruments of satisfaction and discharge of the Master Bond Indenture as may be necessary and shall pay, assign, transfer and deliver to the Commission, or other Persons entitled thereto, all moneys, securities and other property then held by it under the Master Bond Indenture as a part of the Trust Estate, other than moneys or Government Obligations held in trust by the Bond Trustee as provided in the Master Bond Indenture for the payment of the principal of, premium, if any, and interest on the Bonds.

* * *

SUMMARY OF THE FINANCING AGREEMENT

The following is a summary of certain provisions contained in the Financing Agreement. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Master Bond Indenture for a complete recital of the terms thereof.

Use of Proceeds of the Series B 2019 Bonds

(a) *Sale Proceeds.*

(1) *Project Costs.* Proceeds of the sale of the Series B 2019 Bonds shall be deposited into the State Treasury for deposit and credit to the Series B 2019 Fund in the State Road Fund to be held as part of the Trust Estate created pursuant to the Master Bond Indenture and shall be administered and expended for the payment of and applied as provided in the Master Bond Indenture and the Financing Agreement to finance a portion of the costs of the Series B 2019 Project.

(2) *Cost of Issuance.* All remaining proceeds of the sale of the Series B 2019 Bonds shall be deposited into the Cost of Issuance Fund held by the Bond Trustee, and used to pay costs of issuing the Series B 2019 Bonds, as provided in the Master Bond Indenture and Supplemental Bond Indenture No. 7.

(b) *Investment Earnings; Unspent Proceeds.* All Investment Earnings derived from the initial deposit of the sale proceeds of the Series B 2019 Bonds and any Unspent Proceeds shall be credited to the State Road Fund, as required by the Master Bond Indenture. Such Investment Earnings shall be applied in the following order of priority:

(1) *First,* to the payment of any costs of arbitrage rebate computations required by the Tax Compliance Agreement; then

(2) *Second*, to the payment of any arbitrage rebate liability related to the Series B 2019 Bonds; then

(3) *Third*, to the payment of any fees of the Bond Trustee related to the Series B 2019 Bonds; and

(4) *Finally*, to payment of debt service on the Series B 2019 Bonds on the next succeeding payment date.

Term of Agreement

The Financing Agreement shall be effective concurrently with the initial delivery of the Series B 2019 Bonds and shall continue in force and effect until (a) the principal of and interest on the Series B 2019 Bonds have been fully paid (or provisions for their payment have been made in accordance with the Master Bond Indenture) and (b) all sums to which the Commission is entitled from the Office of Administration under **the** Financing Agreement have been paid.

Covenant to Request Appropriations

During the Term of the Financing Agreement, the Office of Administration covenants and agrees:

(a) to request that it be included in the Governor's budget submitted to the General Assembly for each Fiscal Year a request or requests for an appropriation from General Revenue Fund revenues to the State Road Fund in an amount equal to the Commission's Debt Service Requirements payable during the next succeeding Fiscal Year, and

(b) to take such further action (or cause the same to be taken) as may be necessary or desirable, and within the authority of the Office of Administration, to assure the availability of moneys appropriated to pay such moneys directly to the State Road Fund in each Fiscal Year in an amount equal to the lesser of (x) such appropriated amount or (y) (1) the Commission's Debt Service Requirements payable during the next succeeding Fiscal Year, *less* (2) any Investment Earnings or Unspent Proceeds credited in the prior Fiscal Year to the State Road Fund to pay principal of and interest on the Series B 2019 Bonds (the **"General Revenue Transfer"**).

Requests for appropriations shall be made in each Fiscal Year thereafter so that the General Revenue Transfer to be paid during the succeeding Fiscal Year may be available for such purposes. Nothing in this Section shall prevent the Office of Administration from earlier requesting appropriations for payment of the General Revenue Transfer.

To provide for the General Revenue Transfer required to be made pursuant to this Section, the Office of Administration agrees that, pursuant to and upon appropriation made by the General Assembly and approved by the Governor for the Series B 2019 Project, the Office of Administration will submit a warrant to the State Treasurer to pay over such funds to the State Road Fund. If appropriated, the General Revenue Transfer shall be paid to the State Road Fund on or before the dates for payment of the Debt Service Requirements for the Series B 2019 Bonds. As and when such funds are deposited into the State Road Fund, such funds shall constitute State Road Fund Revenues.

Limited Obligations

The obligations of the Office of Administration with respect to the General Revenue Transfer under the Financing Agreement are subject to annual appropriations by the General Assembly of the State of Missouri. The obligations of the Office of Administration with respect to the General Revenue Transfer and the Series B 2019 Bonds shall not constitute a debt or liability of the State of Missouri or of any agency or political subdivision of the State of Missouri within the meaning of any State of Missouri constitutional or statutory debt limitation and shall not, directly, indirectly or contingently, obligate the General Assembly, the Office of Administration, or the State of Missouri to levy any form of taxation therefor or to make any payments beyond those which are specifically set forth in the Financing Agreement. Notwithstanding the foregoing, this limitation shall not be interpreted to in any way limit the covenants and agreements of the Commission and Office of Administration under the Master Bond Indenture with respect to the Trust Estate, or the collection and application of any Pledged Revenues as set forth in the Master Bond Indenture.

The Series B 2019 Project

The Commission agrees to commence the Series B 2019 Project as soon as practicable, and diligently pursue the Series B 2019 Project until completion using proceeds of the Series B 2019 Bonds available for the costs of the Series B 2019 Project.

Events of Default

The occurrence and continuance of any of the following events shall constitute an "Event of Default" hereunder:

(a) failure of the Office of Administration to request that an appropriation from General Revenue Fund revenues to the State Road Fund in an amount equal to the Commission's Series B 2019 Bond debt service payments that are payable during the next succeeding Fiscal Year, be included in the Governor's budget submitted to the General Assembly in any Fiscal Year in which any portion of the Series B 2019 Bonds remain outstanding;

(b) failure of the Office of Administration to make any General Revenue Transfer, to the extent of annual appropriations by the General Assembly of the State of Missouri when the same shall become due and payable; or

(c) failure of the Commission or the Office of Administration to observe or perform any of the other covenants, conditions or provisions hereof or to make any other payment required to be made under the Financing Agreement and to remedy such default within 60 days after written notice thereof from the Commission or the Office of Administration, provided that if such default is correctable but is such that it cannot be corrected within such period, it shall not constitute an Event of Default if corrective action is instituted by the Commission or the Office of Administration within such period and diligently pursued until the default is corrected.

Remedies

If an Event of Default occurs and is continuing, then any party may institute such proceedings as may be necessary in its opinion to cure the default including, but not limited to, proceedings to compel specific performance. The rights and remedies of the parties to this Financing Agreement, whether provided by law or by the Financing Agreement, shall be cumulative and the exercise by any party of any one or more of such remedies shall not preclude the exercise by it, at the same or different times, of any other remedies for the same default or breach. No waiver made by a party shall apply to obligations beyond those expressly waived.

FORM OF COMMISSION CONTINUING DISCLOSURE AGREEMENT

This **CONTINUING DISCLOSURE AGREEMENT** dated as of December 1, 2019 (the **"Continuing Disclosure Agreement"**) is executed and delivered by **MISSOURI HIGHWAYS AND TRANSPORTATION COMMISSION** (the **"Commission"**) and **BOKF, N.A.**, as dissemination agent (the **"Dissemination Agent"**).

RECITALS

1. This Continuing Disclosure Agreement is executed and delivered in connection with the issuance by the Commission of $178,370,000 Third Lien State Road Bonds, Series B 2019 (the **"Bonds"**), pursuant to a Master Bond Indenture dated as of July 1, 2005, between the Commission and BOKF, N.A., as successor bond trustee (the **"Bond Trustee"**), as amended and supplemented, including as supplemented by Supplemental Bond Trust Indenture No. 7 dated as of December 1, 2019, between the Commission and the Bond Trustee.

2. The Commission and the Dissemination Agent are entering into this Continuing Disclosure Agreement for the benefit of the Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Rule 15c2-12 of the Securities and Exchange Commission (the **"Rule"**).

In consideration of the mutual covenants and agreements herein, the Commission and the Dissemination Agent covenant and agree as follows:

Section 1. Definitions. In addition to the definitions set forth in the Bond Indenture, which apply to any capitalized term used in this Continuing Disclosure Agreement unless otherwise defined in this **Section 1**, the following capitalized terms shall have the following meanings:

"Annual Report" means any Annual Report provided by the Commission pursuant to, and as described in, **Section 2** of this Continuing Disclosure Agreement.

"Beneficial Owner" means any registered owner of any Bonds and any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Business Day" means a day other than (a) a Saturday, Sunday or legal holiday, (b) a day on which banks located in any city in which the principal corporate trust office or designated payment office of the Trustee or the Dissemination Agent is located are required or authorized by law to remain closed, or (c) a day on which the Securities Depository or the New York Stock Exchange is closed.

"Commission" means the Missouri Highways and Transportation Commission, and its successors and assigns or any department, body, agency or instrumentality of the State of Missouri succeeding to or charged with the powers, duties and functions of the Commission.

"Dissemination Agent" means BOKF, N.A., acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Commission.

"EMMA" means the Electronic Municipal Market Access system for municipal securities disclosures established and maintained by the MSRB, which can be accessed at www.emma.msrb.org.

"Financial Obligation" means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b) in this definition; *provided however*, the term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Fiscal Year" means the **12**-month period beginning on **July 1** and ending on **June 30** or any other **12**-month period selected by the Commission as the Fiscal Year of the Commission for financial reporting purposes.

"Material Events" means any of the events listed in **Section 3(a)** of this Continuing Disclosure Agreement.

"MSRB" means the Municipal Securities Rulemaking Board, or any successor repository designated as such by the Securities and Exchange Commission in accordance with the Rule.

"Participating Underwriter" means any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Rule" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 2. Provision of Annual Reports.

(a) The Commission shall, or shall cause the Dissemination Agent to, not later than **six months** after the end of the Commission's Fiscal Year, commencing with the Fiscal Year ended June 30, 2020, provide to the MSRB, via EMMA, pursuant to the requirements of the Rule, the following financial information and operating data (the "**Annual Report**"):

(1) The audited financial statements of the Commission for the prior Fiscal Year, prepared in accordance with accounting principles generally accepted in the United States of America. If audited financial statements are not available by the time the Annual Report is required to be provided pursuant to this **Section 2**, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement relating to the Bonds, and the audited financial statements shall be provided in the same manner as the Annual Report promptly after they become available.

(2) Updates as of the end of the Fiscal Year of certain financial information and operating data contained in the final Official Statement, as described in **Exhibit A** hereto**,** in substantially the same format contained in the final Official Statement with such adjustments to formatting or presentation determined to be reasonable by the Commission.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Commission is an **"obligated person"** (as defined by the Rule), which have been provided to the MSRB and is available through EMMA or the Securities and Exchange Commission pursuant to the requirements of the Rule. If the document included by reference is a final official statement, it must be available from MSRB. The Commission shall clearly identify each such other document so included by reference.

In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this **Section 2**; provided that the audited financial statements of the Commission may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Commission's Fiscal Year changes, it shall give notice of such change in the same manner as for a Material Event under **Section 3**.

(b) Not later than the date specified in **Section 2(a)** for providing the Annual Report to the MSRB pursuant to the requirements of the Rule, the Commission shall either: **(1)** provide the Annual Report to the Dissemination Agent, with written instructions to file the Annual Report as specified in **Section 2(a)**, or **(2)** provide written notice to the Dissemination Agent that the Commission has provided the Annual Report to the MSRB pursuant to the requirements of the Rule (or will do so prior to the deadline specified in **Section** 2(a)).

(c) If the Dissemination Agent has not received either an Annual Report with filing instructions or a written notice from the Commission that it has provided an Annual Report to the MSRB pursuant to the requirements of the Rule by the date required in **Section 2(a)**, the Dissemination Agent shall send a notice to the MSRB pursuant to the requirements of the Rule in substantially the form attached as **Exhibit B**.

(d) The Dissemination Agent shall, unless the Commission has provided the Annual Report to the MSRB, promptly following receipt of the Annual Report and instructions required in **Section 2(b)** above, provide the Annual Report to the MSRB and provide a report to the Commission certifying that the Annual Report has been provided pursuant to this Continuing Disclosure Agreement, stating the date it was provided to the MSRB.

(e) The Annual Report shall be filed with the MSRB in such manner and format as is prescribed by the MSRB.

Section 3. Reporting of Material Events.

(a) Not later than **10** Business Days after the occurrence of any of the following events, the Commission shall give, or cause to be given to the MSRB, through EMMA, notice of the occurrence of any of the following events with respect to the Bonds ("**Material Events**"):

(1) principal and interest payment delinquencies;
(2) non-payment related defaults, if material;
(3) unscheduled draws on debt service reserves reflecting financial difficulties;
(4) unscheduled draws on credit enhancements reflecting financial difficulties;
(5) substitution of credit or liquidity providers, or their failure to perform;
(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
(7) modifications to rights of bondholders, if material;
(8) bond calls, if material, and tender offers;
(9) defeasances;
(10) release, substitution or sale of property securing repayment of the Bonds, if material;
(11) rating changes;
(12) bankruptcy, insolvency, receivership or similar event of the obligated person;
(13) the consummation of a merger, consolidation, or acquisition involving the obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
(14) appointment of a successor or additional trustee or the change of name of the trustee, if material;
(15) incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and
(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) The Dissemination Agent shall, promptly after obtaining actual knowledge of the occurrence of any event that it believes may constitute a Material Event, contact the Chief Financial Officer of the Commission or his or her designee, or such other person as the Commission shall designate in writing to the Dissemination Agent from time to time, inform such person of the event, and request that the Commission promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to **Section 3(d)**. If in response to a request under this **Section 3(b)**, the Commission determines that the event does not constitute a Material Event, the Commission shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to **Section 3(d)**.

(c) Whenever the Commission obtains knowledge of the occurrence of a Material Event, because of a notice from the Dissemination Agent pursuant to **Section 3(b)** or otherwise, the Commission shall promptly notify and instruct the Dissemination Agent in writing to report the occurrence pursuant to **Section 3(d)**.

(d) If the Dissemination Agent receives written instructions from the Commission to report the occurrence of a Material Event, the Dissemination Agent shall promptly file a notice of such occurrence to the MSRB, with a copy to the Commission.

Section 4. Termination of Reporting Obligation. The Commission's obligations under this Continuing Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the Commission's obligations under this Continuing Disclosure Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Continuing Disclosure Agreement in the same manner as if it were the Commission, and the Commission shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Bonds, the Commission shall give notice of such termination or substitution in the same manner as for a Material Event under **Section 3**.

Section 5. Dissemination Agents. The Commission may, from time to time, appoint or engage a successor Dissemination Agent to assist it in carrying out its obligations under this Continuing Disclosure Agreement, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign as dissemination agent hereunder at any time upon **30** days prior written notice to the Commission. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report (including without limitation the Annual Report) prepared by the Commission pursuant to this Continuing Disclosure Agreement.

Section 6. Amendment; Waiver. Notwithstanding any other provision of this Continuing Disclosure Agreement, the Commission and the Dissemination Agent may amend this Continuing Disclosure Agreement and any provision of this Continuing Disclosure Agreement may be waived, provided that Bond Counsel or other counsel experienced in federal securities law matters provides the Commission and the Dissemination Agent with its written opinion that the undertaking of the Commission contained herein, as so amended or after giving effect to such waiver, is in compliance with the Rule and all current amendments thereto and interpretations thereof that are applicable to this Continuing Disclosure Agreement.

In the event of any amendment or waiver of a provision of this Continuing Disclosure Agreement, the Commission shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Commission. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (1) notice of such change shall be given in the same manner as for a Material Event under **Section 3**, and (2) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 7. Additional Information. Nothing in this Continuing Disclosure Agreement shall be deemed to prevent the Commission from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that required by this Continuing Disclosure Agreement. If the Commission chooses to include any information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is specifically required by this Continuing Disclosure Agreement, the Commission shall have no obligation under this Continuing Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 8. Default. If the Commission or the Dissemination Agent fails to comply with any provision of this Continuing Disclosure Agreement, any Participating Underwriter or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Commission or the Dissemination Agent, as the case may be, to comply with its obligations under this Continuing Disclosure Agreement. A default under this Continuing Disclosure Agreement shall not be deemed an event of default under the Bond Indenture or the Bonds, and the sole remedy under this Continuing Disclosure Agreement in the event of any failure of the Commission or the Dissemination Agent to comply with this Continuing Disclosure Agreement shall be an action to compel performance.

Section 9. Duties and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Continuing Disclosure Agreement, and the Commission agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Commission under this **Section 9** shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Commission shall pay the fees, charges and expenses of the Dissemination Agent in connection with its administration of this Continuing Disclosure Agreement.

Section 10. Notices. Any notices or communications to or among any of the parties to this Continuing Disclosure Agreement may be given by registered or certified mail, return receipt requested, or by facsimile or by e-mail, receipt confirmed by telephone, or delivered in person or by overnight courier, and will be deemed given on the second day following the date on which the notice or communication is so mailed, as follows:

To the Commission:	**Missouri Highways and Transportation Commission** 105 West Capitol Avenue Jefferson City, MO 65102 Attention: Chief Financial Officer Telephone/Fax: (573) 522-5688/(573) 522-2698 E-mail: brenda.morris@modot.mo.gov
To the Dissemination Agent:	**BOKF, N.A.** 2405 Grand Blvd., Suite 840 Kansas City, Missouri 64108 Attention: Corporate Trust Department Telephone/Fax: (816) 932-7303/(816) 932-7315 E-mail: kdotson@bokf.com

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 11. Beneficiaries. This Continuing Disclosure Agreement shall inure solely to the benefit of the Commission, the Dissemination Agent, the Participating Underwriter, and Beneficial Owners from time to time of the Bonds and shall create no rights in any other person or entity.

Section 12. Severability. If any provision in this Continuing Disclosure Agreement, the Bond Indenture or the Bonds shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 13. Counterparts. This Continuing Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 14. Governing Law. This Continuing Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of Missouri.

Section 15. Electronic Transactions. The arrangement described herein may be conducted and related documents may be sent, received, or stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

IN WITNESS WHEREOF, the Commission and the Dissemination Agent have caused this Continuing Disclosure Agreement to be duly executed by their duly authorized officers, as of the day and year first above written.

MISSOURI HIGHWAYS AND TRANSPORTATION COMMISSION

By: ____________________________________
Name: Brenda Morris
Title: Chief Financial Officer

ATTEST:

By: ____________________________________
Name: Pamela J. Harlan
Title: Secretary to the Commission

APPROVED AS TO FORM:

____
Chief Counsel's Office

BOKF, N.A.,
as Dissemination Agent

By: ______________________________
Name:
Title:

EXHIBIT A

FINANCIAL INFORMATION AND OPERATING DATA TO BE INCLUDED IN ANNUAL REPORT

Updates for the prior fiscal year of the information in the table labeled "**Pro Forma Debt Service Coverage Table (with estimated state appropriations under the Financing Agreement)"** in the section **"Pledged Revenues"** (showing historical information only, without projections).

EXHIBIT B

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Missouri Highways and Transportation Commission

Name of Bond Issue: $178,370,000 Third Lien State Road Bonds, Series B 2019

Name of Obligated Person: Missouri Highways and Transportation Commission

Date of Issuance: December 11, 2019

NOTICE IS HEREBY GIVEN that Missouri Highways and Transportation Commission has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated as of December 1, 2019, between Missouri Highways and Transportation Commission and BOKF, N.A., as Dissemination Agent. [The Obligated Person has informed the Dissemination Agent that the Obligated Person anticipates that the Annual Report will be filed by _____________.]

Dated: __________ ___, _____

BOKF, N.A., as Dissemination Agent
on behalf of **MISSOURI HIGHWAYS AND TRANSPORTATION COMMISSION**

cc: Missouri Highways and Transportation Commission

FORM OF STATE CONTINUING DISCLOSURE UNDERTAKING

$178,370,000
Missouri Highways and Transportation Commission
Third Lien State Road Bonds
Series B 2019

This **CONTINUING DISCLOSURE UNDERTAKING** dated as of December 1, 2019 (the **"Continuing Disclosure Undertaking"**), is executed and delivered by the **STATE OF MISSOURI**, acting by and through its Office of Administration (the **"State"**).

RECITALS

1. The State is entering into this Continuing Disclosure Undertaking for the benefit of the Beneficial Owners of the above-described bonds (the **"Bonds"**) and in order to assist the Participating Underwriter in complying with Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the **"Rule"**).

2. This Continuing Disclosure Undertaking is being executed and delivered by the State in connection with the issuance by the Missouri Highways and Transportation Commission (the **"Commission"**) of the Bonds. The Commission has entered into a separate continuing disclosure agreement relating to the Bonds.

In consideration of the mutual covenants and agreements herein, the State covenants and agrees as follows:

Section 1. Definitions. The following capitalized terms shall have the following meanings:

"Annual Report" means any Annual Report provided by the State pursuant to, and as described in, **Section 2** of this Continuing Disclosure Undertaking.

"Beneficial Owner" means any registered owner of any Bonds and any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"EMMA" means the Electronic Municipal Market Access system for municipal securities disclosures operated by the MSRB, which can be accessed at www.emma.msrb.org.

"Financial Obligation" means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b) in this definition; *provided however*, the term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Financing Agreement" means the Financing Agreement entered into between the State and the Commission dated as of December 1, 2019.

"Material Events" means any of the events listed in **Section 3** of this Continuing Disclosure Undertaking.

"**MSRB"** means the Municipal Securities Rulemaking Board, or any successor repository designated as such by the Securities and Exchange Commission in accordance with the Rule.

"Official Statement" means the Official Statement related to the Bonds.

"Participating Underwriter" means any of the original underwriter(s) of the Bonds required to comply with the Rule in connection with offering of the Bonds.

Section 2. Provision of Annual Reports.

(a) The State shall not later than each **January 31**, commencing January 31, 2020, provide to the MSRB, through EMMA, the following financial information and operating data (the "**Annual Report**"):

(1) The audited financial statements of the State for the prior fiscal year, prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for governmental units as prescribed by the Governmental Accounting Standards Board ("GASB"), which financial statements shall have been audited by such auditor as shall be then required or permitted by the laws of the State. If audited financial statements are not available by the time the Annual Report is required to be filed pursuant to this Section, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement relating to the Bonds, and the audited financial statements shall be provided in the same manner as the Annual Report promptly after they become available.

(2) Such other information and data as set forth in the Comprehensive Annual Financial Report of the State for such prior fiscal year.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the State is an **"obligated person"** (as defined by the Rule), which have been provided to the MSRB and is available through EMMA or to the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The State shall clearly identify each such other document so included by reference.

In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Section; <u>provided</u> that the audited financial statements of the State may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the State's fiscal year changes, it shall give notice of such change in the same manner as for a Material Event under **Section 3**.

(b) The Annual Report shall be filed with the MSRB in such manner and format as is prescribed by the MSRB.

Section 3. Reporting of Material Events. No later than **10** business days after the occurrence of any of the following events, the State shall give, or cause to be given, to the MSRB notice of the occurrence of any of the following events with respect to the Bonds ("**Material Events**"):

(1) principal and interest payment delinquencies;
(2) non-payment related defaults, if material;
(3) unscheduled draws on debt service reserves reflecting financial difficulties;
(4) unscheduled draws on credit enhancements reflecting financial difficulties;
(5) substitution of credit or liquidity providers, or their failure to perform;
(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
(7) modifications to rights of bondholders, if material;
(8) bond calls, if material, and tender offers;
(9) defeasances;
(10) release, substitution or sale of property securing repayment of the Bonds, if material;
(11) rating changes;
(12) bankruptcy, insolvency, receivership or similar event of the State;
(13) the consummation of a merger, consolidation, or acquisition involving the State or the sale of all or substantially all of the assets of the State, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
(14) appointment of a successor or additional trustee or the change of name of the trustee, if material;
(15) incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and
(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

If the State has not submitted the Annual Report to the MSRB by the date required in **Section 2(a)**, the State shall send a notice to the MSRB of the failure of the State to file on a timely basis the Annual Report, which notice shall be given by the State in accordance with this **Section 3**.

Section 4. Termination of Reporting Obligation. The State's obligations under this Continuing Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the State's obligations under this Continuing Disclosure Undertaking are assumed in full by some other entity, such person shall be responsible for compliance with this Continuing Disclosure Undertaking in the same manner as if it were the State, and the State shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Bonds, the State shall give notice of such termination or substitution in the same manner as for a Material Event under **Section 3**.

Section 5. Designated Agents. The State may, from time to time, appoint or designate one or more agents (each, a "designated agent") to submit Annual Reports, Material Event notices, and other notices or reports with the MSRB. The State may at any time designate one or more designated agents for purposes of this **Section 5** from time to time by written designation to the newly appointed designated agent. Such designation may be revoked at any time upon written notice to such designated agent.

Section 6. Amendment; Waiver. Notwithstanding any other provision of this Continuing Disclosure Undertaking, the State may amend this Continuing Disclosure Undertaking and any provision of this Continuing Disclosure Undertaking may be waived, provided that Bond Counsel or other counsel experienced in federal securities law matters provides the State with its written opinion that the undertaking of the State contained herein, as so amended or after giving effect to such waiver, is in compliance with the Rule and all current amendments thereto and interpretations thereof that are applicable to this Continuing Disclosure Undertaking.

In the event of any amendment or waiver of a provision of this Continuing Disclosure Undertaking, the State shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type of financial information or operating data being presented by the State. If the financial information will no longer be prepared in accordance with GAAP for governmental units as prescribed by GASB notice of such change shall be given in the same manner as for a Material Event under **Section 3**.

Section 7. Additional Information. Nothing in this Continuing Disclosure Undertaking shall be deemed to prevent the State from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Continuing Disclosure Undertaking. If the State chooses to include any information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is specifically required by this Continuing Disclosure Undertaking, the State shall have no obligation under this Continuing Disclosure Undertaking to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 8. Default. If the State fails to comply with any provision of this Continuing Disclosure Undertaking, any Participating Underwriter or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the State to comply with its obligations under this Continuing Disclosure Undertaking. A default under this Continuing Disclosure Undertaking shall not be deemed an event of default under the Financing Agreement or any other financing document relating to the Bonds to which the State is a party, and the sole remedy under this Continuing Disclosure Undertaking in the event of any failure of the State to comply with this Continuing Disclosure Undertaking shall be an action to compel performance.

Section 9. Beneficiaries. This Continuing Disclosure Undertaking shall inure solely to the benefit of the State, the Participating Underwriter, and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 10. Severability. If any provision in this Continuing Disclosure Undertaking, the Financing Agreement or the Bonds shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 11. Electronic Transactions. The arrangement described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

Section 12. Governing Law. This Continuing Disclosure Undertaking shall be governed by and construed in accordance with the laws of the State of Missouri.

STATE OF MISSOURI

By: ____________________________________
Sarah H. Steelman,
Commissioner, Office of Administration

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APPENDIX D

CERTAIN CONSTITUTIONAL AND STATUTORY PROVISIONS RELATING TO THE COMMISSION AND STATE ROAD BONDS

The provisions of Article IV, Section 29, §30(a), 30(b), 30(c) and 30(d) of the Missouri Constitution are self executing and in the opinion of Co-Bond Counsel supersede provisions of state statutes.

Missouri Constitution
ARTICLE IV
EXECUTIVE DEPARTMENT
HIGHWAYS AND TRANSPORTATION

Section 29. Highways and transportation commission--qualifications of members and employees--authority over state highways and other transportation programs

The highways and transportation commission shall be in charge of the department of transportation. The number, qualifications, compensation and terms of the members of the highways and transportation commission shall be fixed by law, and not more than one-half of its members shall be of the same political party. The selection and removal of all employees shall be without regard to political affiliation. The highways and transportation commission (i) shall have authority over the state highway system; (ii) shall have authority over all other transportation programs and facilities as provided by law, including, but not limited to, aviation, railroads, mass transportation, ports, and waterborne commerce; and (iii) shall have authority to limit access to, from and across state highways and other transportation facilities where the public interests and safety may require. All references to the highway commission and the department of highways in this constitution and in the statutes shall mean the highways and transportation commission and the department of transportation.

Section 30(a). Apportionment of motor vehicle fuel tax--director of revenue responsible for apportionment--limitation on local fuel taxes--fuel taxes not part of total state revenues or expenses of state government

1. A tax upon or measured by fuel used for propelling highway motor vehicles shall be levied and collected as provided by law. Any amount of the tax collected with respect to fuel not used for propelling highway motor vehicles shall be refunded by the state in the manner provided by law. The remaining net proceeds of the tax, after deducting actual costs of collection of the department of revenue (but after June 30, 2005, not more than three percent of the amount collected) and refunds for overpayments and erroneous payments of such tax as permitted by law, shall be apportioned and distributed between the counties, cities and the state highways and transportation commission as hereinafter provided and shall stand appropriated without legislative action for the following purposes:

(1) Ten percent of the remaining net proceeds shall be deposited in a special trust fund known as the "County Aid Road Trust Fund". In addition, beginning July 1, 1994, an additional five percent of the remaining net proceeds which is derived from the difference between the amount received from a tax rate equal to the tax rate in effect on March 31, 1992, and the tax rate in effect on and after July 1, 1994, shall also be deposited in the county aid road trust fund, and of such moneys generated by this additional five percent, five percent shall be apportioned and distributed solely to cities not within any county in this state. After such distribution to cities not within any county, the remaining proceeds in the county aid road trust fund shall be apportioned and distributed to the various counties of the state on the following basis: One-half on the ratio that the county road mileage of each county bears to the county road mileage of the entire state as determined by the last available report of the state highways and transportation commission and one-half on the ratio that the rural land valuation of each county bears to the rural land valuation of the entire state as determined by the last available report of the state tax commission, except that county road mileage in incorporated villages, towns or cities and the land valuation in incorporated villages, towns or cities shall be excluded in such determination, except that, if the assessed valuation of rural lands in any county is less than five million dollars, the county shall be treated as having an assessed valuation of five million dollars. The funds apportioned and distributed

to each county shall be dedicated, used and expended by the county solely for the construction, reconstruction, maintenance and repairs of roads, bridges and highways, and subject to such other provisions and restrictions as provided by law. The moneys generated by the additional five percent of the remaining net proceeds which is derived from the difference between the amount received from a tax rate equal to the tax rate in effect on March 31, 1992, and the tax rate in effect on and after July 1, 1994, shall not be used or expended for equipment, machinery, salaries, fringe benefits or capital improvements, other than roads and bridges. In counties having the township form of county organization, the funds distributed to such counties shall be expended solely under the control and supervision of the county commission, and shall not be expended by the various townships located within such counties. "Rural land" as used in this section shall mean all land located within any county, except land in incorporated villages, towns, or cities.

(2) Fifteen percent of the remaining net proceeds shall be apportioned and distributed to the various incorporated cities, towns and villages within the state solely for construction, reconstruction, maintenance, repair, policing, signing, lighting and cleaning roads and streets and for the payment of principal and interest on indebtedness on account of road and street purposes, and the use thereof being subject to such other provisions and restrictions as provided by law. The amount apportioned and distributed to each city, town or village shall be based on the ratio that the population of the city, town or village bears to the population of all incorporated cities, towns or villages in the state having a like population, as shown by the last federal decennial census, provided that any city, town or village which had a motor fuel tax prior to the adoption of this section shall annually receive not less than an amount equal to the net revenue derived therefrom in the year 1960; and

(3) All the remaining net proceeds in excess of the distributions to counties, and to cities, towns and villages under this section shall be apportioned, distributed and deposited in the state road fund and shall be expended and used solely as provided in subsection 1 of section 30(b) of Article IV of this Constitution.

2. The director of revenue of the state shall make the apportionment, distribution and deposit of the funds monthly in the manner required hereby.

3. Except for taxes or licenses which may be imposed uniformly on all merchants or manufacturers based upon sales, or which uniformly apply ad valorem to the stocks of merchants or manufacturers, no political subdivision in this state shall collect any tax, excise, license or fee upon, measured by or with respect to the importation, receipt, manufacture, storage, transportation, sale or use, on or after the first day of the month next following the adoption of this section of fuel used for propelling motor vehicles, unless the tax, excise, license or fee is approved by a vote of the people of any city, town or village subsequent to the adoption of this section, by a two-thirds majority. All funds collected shall be used solely for construction, reconstruction, maintenance, repair, policing, signing, lighting, and cleaning roads and streets and for the payment and interest on indebtedness incurred on account of road and street purposes.

4. The net proceeds of fuel taxes apportioned, distributed and deposited under this section to the state road fund, counties, cities, towns and villages shall not be included within the definition of "total state revenues" in section 17 of article X of this constitution nor be considered as an "expense of state government" as that term is used in section 20 of article X of this constitution.

Section 30(b). Source and application of state road fund--sales tax imposed on sale of motor vehicles, apportionment, how, use of revenue--distribution of increases--sales taxes not part of total state revenues or expenses of state government

1. For the purpose of constructing and maintaining an adequate system of connected state highways all state revenue derived from highway users as an incident to their use or right to use the highways

of the state, including all state license fees and taxes upon motor vehicles, trailers and motor vehicle fuels, and upon, with respect to, or on the privilege of the manufacture, receipt, storage, distribution, sale or use thereof (excepting those portions of the sales tax on motor vehicles and trailers which are not distributed to the state road fund pursuant to subsection 2 of this section 30(b) and further excepting all property taxes), less the (1) actual cost of collection of the department of revenue (but not to exceed three percent of the particular tax or fee collected), (2) actual cost of refunds for overpayments and erroneous payments of such taxes and fees and maintaining retirement programs as permitted by law and (3) actual cost of the state highway patrol in administering and enforcing any state motor vehicle laws and traffic regulations, shall be deposited in the state road fund which is hereby created within the state treasury and stand appropriated without legislative action to be used and expended by the highways and transportation commission for the following purposes, and no other:

First, to the payment of the principal and interest on any outstanding state road bonds. The term state road bonds in this section 30(b) means any bonds or refunding bonds issued by the highways and transportation commission to finance or refinance the construction or reconstruction of the state highway system.

Second, to maintain a balance in the state road fund in the amount deemed necessary to meet the payment of the principal and interest of any state road bonds for the next succeeding twelve months.

The remaining balance in the state road fund shall be used and expended in the sole discretion of and under the supervision and direction of the highways and transportation commission for the following state highway system uses and purposes and no other:

(1) To complete and widen or otherwise improve and maintain the state highway system heretofore designated and laid out under existing laws;

(2) To reimburse the various counties and other political subdivisions of the state, except incorporated cities and towns, for money expended by them in the construction or acquisition of roads and bridges now or hereafter taken over by the highways and transportation commission as permanent parts of the state highway system, to the extent of the value to the state of such roads and bridges at the time taken over, not exceeding in any case the amount expended by such counties and subdivisions in the construction or acquisition of such roads and bridges, except that the highways and transportation commission may, in its discretion, repay, or agree to repay, any cash advanced by a county or subdivision to expedite state road construction or improvement;

(3) In the discretion of the commission to plan, locate, relocate, establish, acquire, construct and maintain the following:

(a) interstate and primary highways within the state;
(b) supplementary state highways and bridges in each county of the state;
(c) state highways and bridges in, to and through state parks, public areas and reservations, and state institutions now or hereafter established to connect the same with the state highways, and also national, state or local parkways, travelways, tourways, with coordinated facilities;
(d) any tunnel or interstate bridge or part thereof, where necessary to connect the state highways of this state with those of other states;
(e) any highway within the state when necessary to comply with any federal law or requirement which is or shall become a condition to the receipt of federal funds;
(f) any highway in any city or town which is found necessary as a continuation of any state or federal highway, or any connection therewith, into and through such city or town; and
(g) additional state highways, bridges and tunnels, either in congested traffic areas of the state or where needed to facilitate and expedite the movement of through traffic.

(4) To acquire materials, equipment and buildings and to employ such personnel as necessary for the purposes described in this subsection 1; and

(5) For such other purposes and contingencies relating and appertaining to the construction and maintenance of such state highway system as the highways and transportation commission may deem necessary and proper.

2. (1) The state sales tax upon the sale of motor vehicles, trailers, motorcycles, mopeds and motortricycles at the rate provided by law on November 2, 2004, is levied and imposed by this section until the rate is changed by law or constitutional amendment.

(2) One-half of the proceeds from the state sales tax on all motor vehicles, trailers, motorcycles, mopeds and motortricycles shall be dedicated for highway and transportation use and shall be apportioned and distributed as follows: ten percent to the counties, fifteen percent to the cities, two percent to be deposited in the state transportation fund, which is hereby created within the state treasury to be used in a manner provided by law and seventy-three percent to be deposited in the state road fund. The amounts apportioned and distributed to the counties and cities shall be further allocated and used as provided in section 30(a) of this article. The amounts allocated and distributed to the highways and transportation commission for the state road fund shall be used as provided in subsection 1 of this section 30(b). The sales taxes which are apportioned and distributed pursuant to this subdivision (2) shall not include those taxes levied and imposed pursuant to sections 43(a) or 47(a) of this article. The term "proceeds from the state sales tax" as used in this subdivision (2) shall mean and include all revenues received by the department of revenue from the said sales tax, reduced only by refunds for overpayments and erroneous payments of such tax as permitted by law and actual costs of collection by the department of revenue (but not to exceed three percent of the amount collected).

(3) (i) From and after July 1, 2005, through June 30, 2006, twenty-five percent of the remaining one-half of the proceeds of the state sales tax on all motor vehicles, trailers, motorcycles, mopeds and motortricycles which is not distributed by subdivision (2) of subsection 2 of this section 30(b) shall be deposited in the state road bond fund which is hereby created within the state treasury; (ii) from and after July 1, 2006, through June 30, 2007, fifty percent of the aforesaid one-half of the proceeds of the state sales tax on all motor vehicles, trailers, motorcycles, mopeds and motortricycles which is not distributed by subdivision (2) of subsection 2 of this section 30(b) shall be deposited in the state road bond fund; (iii) from and after July 1, 2007, through June 30, 2008, seventy-five percent of the aforesaid one-half of the proceeds of the state sales tax on all motor vehicles, trailers, motorcycles, mopeds and motortricycles which is not distributed by subdivision (2) of subsection 2 of this section 30(b) shall be deposited in the state road bond fund; and (iv) from and after July 1, 2008, one hundred percent of the aforesaid one-half of the proceeds of the state sales tax on all motor vehicles, trailers, motorcycles, mopeds and motortricycles which is not distributed by subdivision (2) of subsection 2 of this section 30(b) shall be deposited in the state road bond fund. Moneys deposited in the state road bond fund are hereby dedicated to and shall only be used to fund the repayment of bonds issued by the highways and transportation commission to fund the construction and reconstruction of the state highway system or to fund refunding bonds, except that after January 1, 2009, that portion of the moneys in the state road bond fund which the commissioner of administration and the highways and transportation commission each certify is not needed to make payments upon said bonds or to maintain an adequate reserve for making future payments upon said bonds may be appropriated to the state road fund. The highways and transportation commission shall have authority to issue state road bonds for the uses set forth in this subdivision (3). The net proceeds received from the issuance of such bonds shall be paid into the state road fund and shall only be used to fund construction or reconstruction of specific projects for parts of the state highway system as determined by the highways and transportation commission. The moneys deposited in the state road bond fund

shall only be withdrawn by appropriation pursuant to this constitution. No obligation for the payment of moneys so appropriated shall be paid unless the commissioner of administration certifies it for payment and further certifies that the expenditure is for a use which is specifically authorized by the provisions of this subdivision (3). The proceeds of the sales tax which are subject to allocation and deposit into the state road bond fund pursuant to this subdivision (3) shall not include the proceeds of the sales tax levied and imposed pursuant to sections 43(a) or 47(a) of this article nor shall they include the proceeds of that portion of the sales tax apportioned, distributed and dedicated to the school district trust fund on November 2, 2004. The term "proceeds from the state sales tax" as used in this subdivision (3) shall mean and include all revenues received by the department of revenue from the said sales tax, reduced only by refunds for overpayments and erroneous payments of such tax as permitted by law and actual costs of collection by the department of revenue (but not to exceed three percent of the amount collected).

3. After January 1, 1980, any increase in state license fees and taxes on motor vehicles, trailers, motorcycles, mopeds and motortricycles other than those taxes distributed pursuant to subsection 2 of this section 30(b) shall be distributed as follows: ten percent to the counties, fifteen percent to the cities and seventy-five percent to be deposited in the state road fund. The amounts distributed shall be apportioned and distributed to the counties and cities as provided in section 30(a) of this article, to be used for highway purposes.

4. The moneys apportioned or distributed under this section to the state road fund, the state transportation fund, the state road bond fund, counties, cities, towns, or villages shall not be included within the definition of "total state revenues" as that term is used in section 17 of Article X of this constitution nor be considered as an "expense of state government" as that term is used in section 20 of article X of this constitution.

Section 30(c). Transportation programs and facilities, administration of by commission, use of moneys

The highways and transportation commission shall have authority to plan, locate, relocate, establish, acquire, construct, maintain, control, and as provided by law to operate, develop and fund public transportation facilities as part of any state transportation system or program such as but not limited to aviation, mass transportation, transportation of elderly and handicapped, railroads, ports, waterborne commerce and intermodal connections, provided that funds other than those designated or dedicated for highway purposes in or deposited in the state road fund or the state road bond fund pursuant to sections 30(a) or 30(b) of this constitution are made available for such purposes. No moneys which are distributed to the state transportation fund pursuant to section 30(b) shall be used for any purpose other than for transportation purposes as provided in this section.

Section 30(d). Prohibition against diverting revenue for non-highway purposes--severability of provisions--effective date

1. No state revenues derived from highway users which are to be allocated, distributed or deposited in the state road fund pursuant to either section 30(a) or section 30(b) shall be diverted from the highway purposes and uses specified in subsection 1 of section 30(b). No state revenues derived from highway users which are to be allocated, distributed or deposited in the state road bond fund pursuant to subdivision (3) of subsection 2 of section 30(b) shall be diverted from the highway purposes and uses specified in said subdivision (3).

2. All of the provisions of sections 29, 30(a), 30(b), 30(c) and 30(d) shall be self executing. All of the provisions of sections 29, 30(a), 30(b), 30(c) and 30(d) are severable. If any provision of sections 29, 30(a), 30(b), 30(c) and 30(d) is found by a court of competent jurisdiction to be unconstitutional or unconstitutionally enacted, the remaining provisions of these sections shall be and remain valid.

3. The provisions of sections 29, 30(a), 30(b), 30(c) and 30(d) shall become effective on July 1, 2005.

Missouri Revised Statutes Chapter 142
Motor Fuel Tax

142.345. Motor fuel tax fund created--disbursement, transfer

1. There is created the "Motor Fuel Tax Fund". All revenues derived from the motor fuel tax imposed upon highway users as an incident to their use of the highways of the state shall be deposited in the state treasury to the credit of this fund.

2. The moneys deposited to the credit of the motor fuel tax fund shall be disbursed or transferred as follows:

(1) The amount of the tax collected with respect to fuel not used for propelling motor vehicles on state highways shall be transferred to the state highways and transportation department fund to be refunded by the state as provided by law;

(2) The amount of actual costs of collection, apportionment and of making refunds shall be transferred to the state highways and transportation department fund for reimbursement by appropriation, to the agencies or departments of government incurring these costs, subject to the limitations of section 226.200;

(3) A percentage of the net proceeds shall be transferred to the county aid road trust fund as provided in Article IV, Section 30(a) of the State Constitution;

(4) A percentage of the net proceeds shall be allocated to the several cities, towns and villages entitled thereto pursuant to the provisions of Article IV, Section 30(a) of the State Constitution;

(5) All the remaining net proceeds in excess of the allocations to counties and cities, towns and villages shall be transferred to the state highways and transportation department fund.

Missouri Revised Statutes Chapter 226
State Transportation Department

226.132. Total transportation infrastructure needs, multimodal needs, evaluation, submission of plan

The general assembly recognizes that nothing in section 142.345 and sections 226.133, 226.134 and 226.200 fully addresses the total transportation infrastructure needs of the state. In order for the state to exploit all of its transportation assets, the department of transportation shall create a multimodal, total transportation plan based solely upon the real needs of the state. The department of transportation shall objectively evaluate the actual multimodal needs, including aviation, highways, bridges, rail, transit and water ports, of the state based upon criteria that will enhance the state's transportation infrastructure and economic development well-being and shall submit its total transportation plan to the joint committee on transportation oversight, the president pro tem of the senate and the speaker of the house of representatives by January 2, 2001.

226.133. Authorization of indebtedness and issuance of bonds, annual proposed plan

1. The general assembly may authorize the highways and transportation commission to issue bonds or other evidence of indebtedness in an amount not to exceed two billion dollars from fiscal year 2001 to fiscal year 2006; except that, the highways and transportation commission may immediately authorize issue of bonds up to two hundred fifty million dollars for the purpose of providing funds for use in highway construction and

repairs scheduled in the five-year plan. The principal amount of such bonds shall not exceed five hundred million dollars in any one fiscal year. Proceeds from the issuance of the bonds shall be provided to the department of transportation to pay for the cost of construction engineering and construction. The proceeds from the bonds shall not be used to pay for administrative expenses, including but not limited to planning and design expenses. Contracted final design shall not be considered an administrative expense, but shall not exceed seven percent of any project.

2. To obtain authorization for the issuance of bonds, the highways and transportation commission shall annually present to the general assembly, by the tenth legislative day, a proposed plan and an analysis demonstrating the feasibility and appropriateness thereof. The plan to issue bonds shall become effective no later than forty-five calendar days after the plan proposed by the highways and transportation commission is submitted to a regular session of the general assembly, unless it is disapproved within forty-five calendar days of its submission to a regular session by a concurrent resolution introduced within fourteen calendar days of the submission of the plan to a regular session of the general assembly and adopted by a majority vote of the elected members of each house. If no concurrent resolution disapproving of the highway plan is introduced within fourteen calendar days of the submission of the plan to the legislature, then the plan shall become effective immediately. The presiding officer of each house in which a concurrent resolution disapproving of a plan to issue bonds has been introduced, unless the resolution has been previously accepted or rejected by that house, shall submit it to a vote of the membership not sooner than seven calendar days or later than fourteen calendar days after introduction of the concurrent resolution pertaining to the department of transportation plan. The presiding officer of the house passing a concurrent resolution disapproving of a plan to issue bonds shall immediately forward the bill to the other house and the presiding officer of that house shall submit it to a vote of the membership not sooner than seven calendar days or later than fourteen calendar days of its receipt from the other legislative body. The plan submitted by the highways and transportation commission shall not be subject to amendment by either chamber and may only be rejected in its entirety.

3. The highways and transportation commission shall offer such bonds at public sale or negotiated sale. The bonds shall be for a period of not less than ten years and not more than twenty years from their date of issue and shall bear interest at a rate or rates not exceeding the rate permitted by law.

4. The proceeds of the sale or sales of any bonds issued pursuant to this section shall be paid into the state road fund to be expended for the purpose specified pursuant to the provisions of section 226.220.

5. Bonds issued pursuant to this section shall be state road bonds as such term is used in Section 30(b) of Article IV of the State Constitution, and as such, principal and interest payments on such bonds shall be made from the state road fund as provided in Section 30(b) of Article IV of the State Constitution. Bonds issued pursuant to this section shall not be deemed to constitute a debt or liability of the state or a pledge of the full faith and credit of the state, and the principal and interest on such bonds shall be payable solely from the state road fund. Bonds issued pursuant to this section, the interest thereon, or any proceeds from such bonds, shall be exempt from taxation in the state of Missouri for all purposes except for the state estate tax.

6. Bonds may be issued for the purpose of refunding, either at maturity or in advance of maturity, any bonds issued under this section. The proceeds of such refunding bonds may either be applied to the payment of the bonds being refunded or deposited in trust and maintained in cash or investments for the retirement of the bonds being refunded, as shall be specified by the highways and transportation commission and the authorizing resolution or trust indenture securing such refunding bonds. The authorizing resolution or trust indenture securing the refunding bonds shall specify the amount and other terms of the refunding bonds and may provide that the refunding bonds shall have the same security for their payment as provided for the bonds being refunded. The refunding bonds shall be for a period of not less than ten years and not more than twenty years from their date of issue and shall bear interest at a rate or rates not exceeding the rate permitted by law. The principal amount of refunding bonds issued pursuant to this section shall not be counted toward the limit on the principal amount of bonds permitted under this section.

226.134. Projects funded by bonds, conformity

All projects funded by bonds authorized in section 226.133 shall be funded in conformity with the priorities established in the 1992 plan developed by the transportation department.

226.200. State highways and transportation department fund--sources of revenue--expenditures

1. There is hereby created a "State Highways and Transportation Department Fund" into which shall be paid or transferred all state revenue derived from highway users as an incident to their use or right to use the highways of the state, including all state license fees and taxes upon motor vehicles, trailers, and motor vehicle fuels, and upon, with respect to, or on the privilege of the manufacture, receipt, storage, distribution, sale or use thereof (excepting the sales tax on motor vehicles and trailers, and all property taxes), and all other revenue received or held for expenditure by or under the department of transportation or the state highways and transportation commission, except:

(1) Money arising from the sale of bonds;

(2) Money received from the United States government; or

(3) Money received for some particular use or uses other than for the payment of principal and interest on outstanding state road bonds.

2. Subject to the limitations of subsection 3 of this section, from said fund shall be paid or credited the cost:

(1) Of collection of all said state revenue derived from highway users as an incident to their use or right to use the highways of the state;

(2) Of maintaining the state highways and transportation commission;

(3) Of maintaining the state transportation department;

(4) Of any workers' compensation for state transportation department employees;

(5) Of the share of the transportation department in any retirement program for state employees, only as may be provided by law; and

(6) Of administering and enforcing any state motor vehicle laws or traffic regulations.

3. Beginning in fiscal year 2004, the total amount of appropriations from the state highways and transportation department fund for all state offices and departments, except for the highway patrol, and actual costs incurred by the office of administration for or on behalf of the highway patrol and employees of the department of transportation, shall not exceed the total amount appropriated for such offices and departments from said fund for fiscal year 2001. Appropriations to the highway patrol from the state highways and transportation department fund shall be made in accordance with Article IV, Section 30(b) of the Missouri Constitution. Appropriations allocated from the state highways and transportation department fund to the highway patrol shall only be used by the highway patrol to administer and enforce state motor vehicle laws or traffic regulations. Beginning July 1, 2007, any activities or functions conducted by the highway patrol not related to enforcing or administering state motor vehicle laws or traffic regulations shall not be funded by the state highways and transportation department fund, but shall be funded from general revenue or any other applicable source. Any current funding from the highways and transportation department fund used for

activities not related to enforcing state motor vehicle laws or traffic regulations shall expire on June 30, 2007. The state auditor shall annually audit and examine the appropriations made to the highway patrol to determine whether such appropriations are actually being used for administering and enforcing state motor vehicle laws and traffic regulations pursuant to the constitution. The state auditor shall submit its annual findings to the general assembly by January fifteenth of each year.

4. The provisions of subsection 3 of this section shall not apply to appropriations from the state highways and transportation department fund to the highways and transportation commission and the state transportation department or to appropriations to the office of administration for department of transportation employee fringe benefits and OASDHI payments, or to appropriations to the department of revenue for motor vehicle fuel tax refunds under chapter 142 or to appropriations to the department of revenue for refunds or overpayments or erroneous payments from the state highways and transportation department fund.

5. All interest earned upon the state highways and transportation department fund shall be deposited in and to the credit of such fund.

6. Any balance remaining in said fund after payment of said costs shall be transferred to the state road fund.

7. Notwithstanding the provisions of subsection 2 of this section to the contrary, any funds raised as a result of increased taxation pursuant to sections 142.025 and 142.372 after April 1, 1992, shall not be used for administrative purposes or administrative expenses of the transportation department.

226.220. State road fund--sources--expenditures

1. There is hereby created and set up the "State Road Fund" which shall receive all moneys and credits from

(1) The sale of state road bonds;

(2) The United States government and intended for highway purposes;

(3) The state road bond and interest sinking fund as provided in section 226.210; and

(4) Any other source if they are held for expenditure by or under the department of transportation or the state highways and transportation commission and if they are not required by section 226.200 to be transferred to the state highway department fund.

2. The costs and expenses withdrawn from the state treasury

(1) For locating, relocating, establishing, acquiring, reimbursing for, constructing, improving and maintaining state highways in the systems specified in Article IV, Section 30(b), of the Constitution;

(2) For acquiring materials, equipment and buildings; and

(3) For other purposes and contingencies relating and appertaining to the construction and maintenance of said highways shall be paid from the state road fund upon warrants drawn by the state auditor, based upon bills of particulars and vouchers preapproved and certified for payment by the commissioner of administration and by the state highways and transportation commission acting through such of their employees as may be designated by them.

3. No payments or transfers shall ever be made from the state road fund except for an expenditure made

(1) Under the supervision and direction of the state highways and transportation commission; and

(2) For a purpose set out in Subparagraph (1), (2), (3), (4), or (5) of Section 30(b), Article IV, of the Constitution.

226.225. State transportation fund established, purposes

There is created in the state treasury a "State Transportation Fund". One percent of the sales tax funds designated for highway and transportation use by Subsection 2 of Section 30(b) of Article IV of the State Constitution and other funds as are made available by appropriation, grants, bequests or other sources for state transportation purposes other than road and highway construction and maintenance shall be deposited in the state transportation fund. The state transportation fund shall be utilized, as specified by appropriation, by the department of transportation for transportation purposes other than highways. Such purposes may include the locating, relocating, establishing, acquiring, constructing, planning, developing, maintaining or operating public transportation facilities or projects as part of any state or local transportation program, including but not limited to aviation, mass transportation, railroads, ports, waterways, waterborne commerce, and transportation of elderly and handicapped. Funds may be utilized for contracts with any public or private entity to carry out the above or other purposes related to transportation.

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APPENDIX E

FORM OF OPINION OF CO-BOND COUNSEL

FORM OF CO-BOND COUNSEL OPINION

December 11, 2019

Missouri Highways and Transportation Commission
Jefferson City, Missouri

BOKF, N.A.,
Kansas City, Missouri
Successor Bond Trustee

BofA Securities, Inc.,
New York, New York
as r underwriter

Re: $178,370,000 Missouri Highways and Transportation Commission
Third Lien State Road Bonds, Series B 2019

Ladies and Gentlemen:

We have acted as co-bond counsel in connection with the issuance by the Missouri Highways and Transportation Commission (the "Commission") of the above-captioned bonds (the "Series B 2019 Bonds"), pursuant to a Master Bond Indenture, as amended, including the Supplemental Bond Trust Indenture No. 7 (collectively, the "Bond Indenture"), between the Commission and BOKF, N.A. (the "Bond Trustee"). Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Bond Indenture.

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon representations of the Commission contained in the Bond Indenture, the Financing Agreement, the Tax Compliance Agreement and the certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Reference is made to an opinion of even date herewith of the Chief Counsel's Office of the Commission, with respect to, among other matters, (a) the due organization of the Commission, (b) the power of the Commission to enter into and perform its obligations under the Bond Indenture, the Financing Agreement, and the Tax Compliance Agreement, and (c) the due authorization, execution and delivery of the Bond Indenture, the Financing Agreement, the Tax Compliance Agreement and the Series B 2019 Bonds by the Commission and the binding effect and enforceability thereof against the Commission.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Series B 2019 Bonds have been duly authorized, executed and delivered by the Commission and are valid and legally binding state road bonds of the Commission, payable from Pledged Revenues held under the Indenture. The Series B 2019 Bonds are not general obligations of the State, the Commission or any political subdivision thereof and do not constitute a pledge of the full faith and credit of the State, the Commission or any political subdivision thereof. The issuance of the Series B 2019 Bonds shall not, directly, indirectly or contingently, obligate the State, the Commission or any political subdivision thereof to levy any form of taxation therefor or to make any appropriation for their payment.

2. The Bond Indenture, the Financing Agreement, and the Series B 2019 Bonds have been duly authorized, executed and delivered by the Commission and are valid and legally binding agreements of the Commission, enforceable against the Commission.

3. The interest on the Series B 2019 Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in this paragraph are subject to the condition that the Commission comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series B 2019 Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Commission has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series B 2019 Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Series B 2019 Bonds. The Series B 2019 Bonds have not been designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

4. The interest on the Series B 2019 Bonds is exempt from income taxation by the State of Missouri.

We express no opinion regarding the perfection or priority of the lien on revenues or other funds pledged under the Bond Indenture or tax consequences arising with respect to the Series B 2019 Bonds other than as expressly set forth in this opinion.

The rights of the owners of the Series B 2019 Bonds and the enforceability of the Series B 2019 Bonds and the Bond Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

This opinion is given as of its date, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law that may occur after the date of this opinion.

Very truly yours,