Thomas A. Schweich

Missouri State Auditor

State of Missouri

Single Audit

Year Ended June 30, 2010

March 2011

Report No. 2011-11

http://auditor.mo.gov

Thomas A. Schweich
Missouri State Auditor

CITIZENS SUMMARY

Findings in the Fiscal Year 2010 Statewide Single Audit

Single Audit Background	The United States Congress passed the Single Audit Act of 1996 to establish uniform requirements for audits of federal awards administered by states, local governments, and non-profit organizations. The Act requires an audit of the state's financial statements and its use of federal awards. The Single Audit reports the federal awards spent by all state agencies, except component units of the state, which are audited by other auditors. Single Audit guidelines require audit work be conducted on "major" programs and utilize a risk-based approach to determine which specific programs are major. Using this methodology, for the fiscal year ended June 30, 2010 (FY2010), our Single Audit involved audit work on 30 major programs at 10 departments, encompassing $13.46 billion (91 percent) of the total federal awards spent. The 30 major programs audited also account for approximately 98.5 percent ($2.57 billion) of all American Recovery and Reinvestment Act of 2009 (ARRA) funds spent during FY2010.
2010 Federal Awards	Nineteen different state departments or offices spent federal awards, but 4 state departments spent 91 percent of the federal awards, and 96 percent of the federal awards received came from just 5 federal agencies. The state spent approximately $14.79 billion in federal awards through 341 different federal programs during FY2010. Included in this figure is approximately $2.61 billion in federal awards through ARRA, expended through 61 programs at 12 state departments. Total state expenditures of federal awards have increased $6.1 billion over the last 4 years.
Monitoring of Recovery Act Funds DESE	As of December 31, 2010, the Department of Elementary and Secondary Eductation (DESE) had not done any monitoring of the ARRA portion of its existing programs. As such, DESE did not know whether the schools understand their requirements and had not identified and addressed any problems that might have existed. DESE disagrees with this finding.
Eligibility Reassessments DHSS	Of the 66 cases reviewed, the Department of Health and Senior Services (DHSS) did not perform mandatory annual reassessment of eligibility for 74 percent of the Medicaid recipients receiving State Plan Personal Care or the Aged and Disabled Waiver program services. As a result, DHSS could not demonstrate payments were only made on behalf of eligible persons.
State Fiscal Stabilization Fund DHE	The Department of Higher Education (DHE) disbursed approximately $134 million of ARRA funds to 23 colleges and universities through the State Fiscal Stabilization Fund to restore state support. DHE had no monitoring policies and procedures in place to ensure compliance with federal regulations and initially was not aware it had monitoring responsibilities.
Child Care Eligibility and Payments DSS-Children's Division	The Department of Social Services (DSS)-Children's Division lacked adequate controls to ensure that payments from the Child Care and Development Fund (CCDF) were proper and benefiting only eligible clients.

Of the 60 cases reviewed, 22 percent lacked eligibility documentation, including 6 case files that were missing entirely, and of the 60 payments reviewed, 50 percent lacked adequate documentation and/or were not in compliance with DSS policies. Previous state audits noted similar concerns in the DSS Child Care program, and a recent internal review by DSS of the Child Care program revealed a 43 percent error rate. DSS needs to increase oversight to address the high error rate and poor case record management.

Unallowable Costs and Maintenance of Effort DSS-Family Support Division	The DSS-Family Support Division lacks a formal and comprehensive system for evaluating whether costs charged to or counted toward the Temporary Assistance for Needy Families (TANF) program are allowable. The DSS criteria have changed at least twice in the last 4 years. DSS charged certain state-funded costs as prior approved program costs and used costs related to educational and scholarship programs to meet the maintenance of effort (MOE) requirements, but it appears these costs may not meet the TANF criteria. Once audit staff questioned DSS about these costs, DSS moved the scholarship program costs for fiscal year 2011 from MOE to direct costs, but it still did not determine if the TANF criteria were met.
Additional Comments	The audit also found that several agencies (DESE, DHE, the Department of Natural Resources and DSS) lacked the controls and procedures necessary to ensure that required quarterly ARRA reports (Section 1512 reports) are complete and accurate. In addition, DESE did not ensure prevailing wages were paid by subrecipients and did not ensure School Improvement Grant payments were made in accordance with approved budgets or expended appropriately. DHSS did not adequately control voided checks in the Women, Infants and Children (WIC) program, and over 2,000 voided checks were later redeemed. DHE failed to monitor teacher loan forgiveness claim payments for timeliness. The Department of Labor and Industrial Relations (DLIR) is still working to resolve over 2,000 cases of potential restored balances due to overpayments, an issue identified in the 2009 Statewide Single Audit. DLIR was also unable to adequately track ARRA funds and its financial records and reports were inaccurate and untimely; audit staff reviewed payments made to 25 claimants and found that 56 percent contained one or more errors. During FY2010, the DSS-Missouri HealthNet Division and the Department of Mental Health received $26.8 million as the federal share of billed costs for comprehensive waiver services before obtaining formal federal approval, which has now been denied. The federal authority has not yet indicated how it expects to resolve this issue. The Department of Public Safety-Adjutant General did not adequately account for or protect its capital assets. Recommendations were also made to DSS in the areas of cost and payment allocations, documentation and verification of eligibility and participation, management of reimbursements and salary certifications. No findings were made with respect to the Missouri Department of Transportation or the Department of Economic Development.

Because of the compound nature of this audit report, no overall rating is provided.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
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Common Abbreviations

ARRA	American Recovery and Reinvestment Act of 2009
CFDA	Catalog of Federal Domestic Assistance
CFR	Code of Federal Regulations
OMB	Office of Management and Budget
RSMo	Missouri Revised Statutes
SAM II	Statewide Advantage for Missouri
USC	United States Code

INTRODUCTION AND SUMMARY

INTRODUCTION AND SUMMARY

The United States Congress passed the Single Audit Act of 1996 to establish uniform requirements for audits of federal awards administered by states, local governments, and non-profit organizations. The Office of Management and Budget (OMB) issued Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* to set forth standards for obtaining consistency and uniformity among federal agencies for the audit of non-federal entities expending federal awards. A single audit requires an audit of the state's financial statements and expenditures of federal awards. The audit is required to determine whether:

- The state's basic financial statements are presented fairly in all material respects in conformity with generally accepted accounting principles.

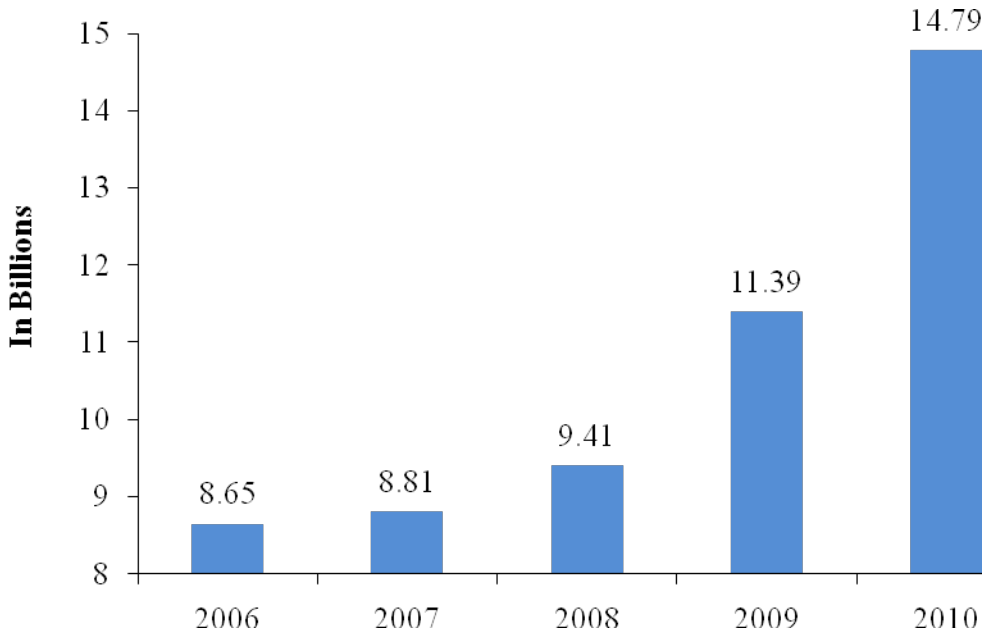
- The schedule of expenditures of federal awards is presented fairly in all material respects in relation to the financial statements taken as a whole.

- The state has adequate internal controls to ensure compliance with federal award requirements.

- The state has complied with the provisions of laws, regulations, and contracts or grants that could have a direct and material effect on federal awards.

The Single Audit report includes the federal awards expended by all state agencies that are part of the primary government. The report does not include the component units of the state, which are the public universities and various financing authorities. These component units have their own separate OMB Circular A-133 audits conducted by other auditors. The state expended $14.79 billion in federal awards during the year ended June 30, 2010. Expenditures of federal awards have increased over the past 5 years.

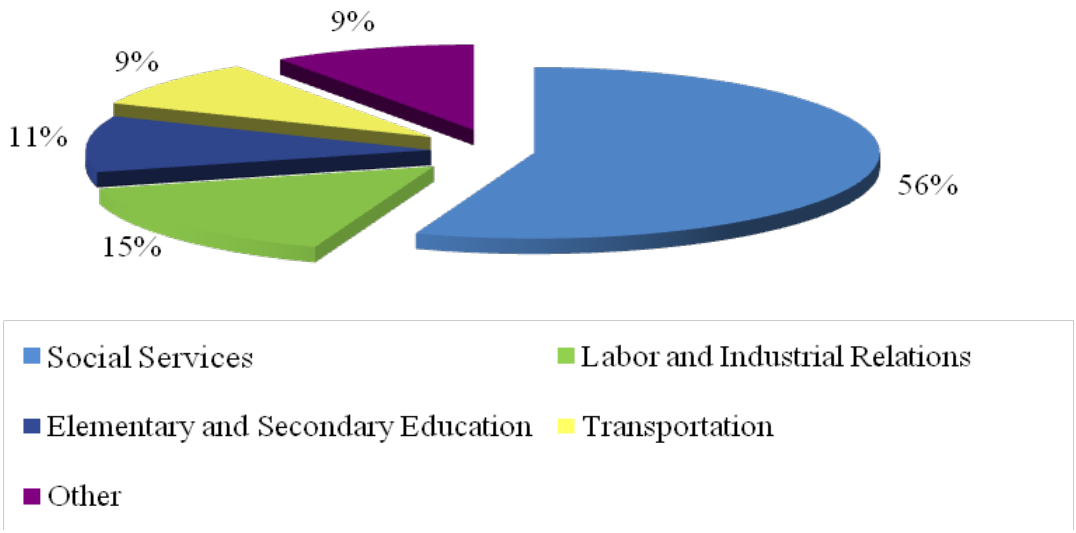
Total Expenditures of Federal Awards
Five Year Comparison



A contributing factor to the increase in total expenditures of federal awards during the year ended June 30, 2010, was the additional federal funds made available through the American Recovery and Reinvestment Act of 2009 (ARRA).

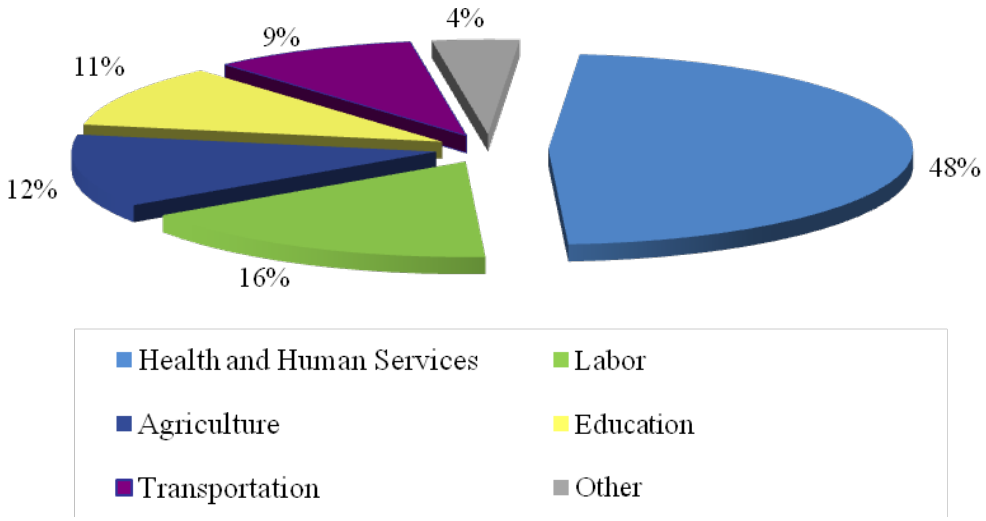
Although 19 state departments and other state offices expended federal awards, 4 state departments expended the bulk of the federal awards (91 percent).

Expenditures of Federal Awards by State Department



The state received federal awards from 22 different federal agencies. Most of the federal awards (96 percent) came from 5 federal agencies.

Expenditures of Federal Awards by Federal Department

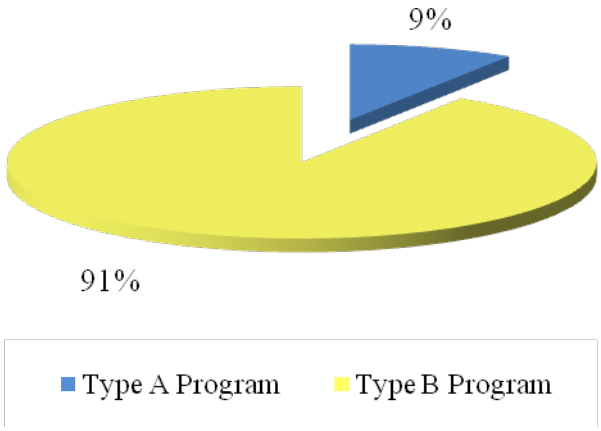


Overall, the state expended federal awards in 341 different programs. Under the audit requirements of OMB Circular A-133, federal programs are divided into Type A and Type B programs based on a dollar threshold. For the state of Missouri, OMB Circular A-133 defines the dollar threshold of a Type A program as the larger of $30 million or fifteen-hundredths of one percent (0.0015) of federal awards expended.

Determination of Type A Programs		
Larger of:		$30,000,000
		or
Total expenditures of federal awards	14,794,700,194	
Fifteen-hundredths of one percent	.0015	
		22,192,050
Dollar Threshold		$30,000,000

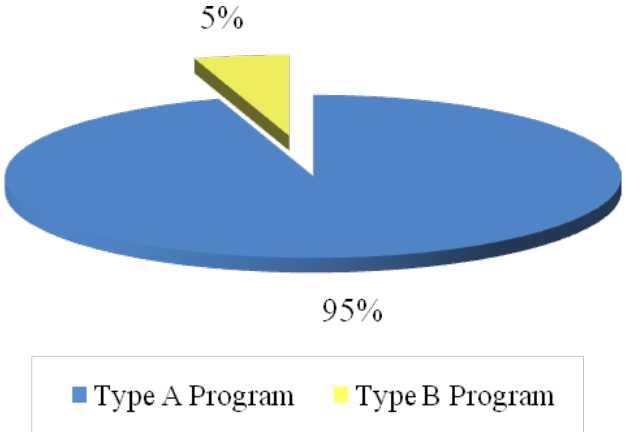
Programs with federal expenditures over $30 million are Type A programs and the programs under $30 million are Type B programs. Of the 341 different federal award programs, 31 were Type A programs and 310 were Type B programs.

Type A and Type B Programs
Number of Programs



The 31 Type A programs had expenditures of federal awards totaling $14 billion, which was 95 percent of the total expenditures for all programs. The 310 Type B programs had expenditures of federal awards totaling $737 million, which was only 5 percent of the total expenditures for all programs.

Type A and Type B Programs
Expenditures of Federal Awards



OMB Circular A-133 requires the auditor to perform risk assessments on Type A programs and to audit as major each Type A program assessed as high risk based on various risk factors. To ensure a high level of accountability over ARRA funds, Appendix VII of the 2010 Compliance Supplement included additional criteria to consider when determining risk for the Type A programs containing ARRA funds due to the inherently higher risk of these funds. We performed a risk assessment on each Type A program and determined 8 of the 31 Type A programs were low risk and did not need to be audited as major. In accordance with OMB Circular A-133, we audited the 23 Type A programs assessed as high risk as major.

OMB Circular A-133 also requires the auditor to perform risk assessments on the larger Type B programs to determine which ones to audit as major in place of the Type A programs which were not audited as major. The dollar threshold to determine the larger Type B programs is three-hundredths of one percent (.0003) of total awards expended ($14.79 billion times .0003 = $4,438,410). We performed risk assessments on the 45 larger Type B programs and determined 13 of them were high risk. In accordance with OMB Circular A-133, we audited 7 (one-half) of these 13 high risk Type B programs as major.

Major and Non-major Programs

Audit Coverage by Type of Program	Number of Programs		Expenditures	Percentage of Expenditures
Type A major programs	23	$	13,326,416,301	
Type B major programs	7		137,037,687	
Total major programs	30	$	13,463,453,988	91%
Type A non-major programs	8	$	731,276,335	
Type B non-major programs	303		599,969,871	
Total all programs	311	$	1,331,246,206	9%
	341	$	14,794,700,194	100%

American Recovery and Reinvestment Act of 2009

As noted above, the state of Missouri expended a total of approximately $14.79 billion in federal awards during the year ended June 30, 2010. Of that total, approximately $2.61 billion (17.6 percent) was expended in ARRA awards. The ARRA awards relate to 61 existing or new federal programs with expenditures at 12 different state agencies. We audited 25 of these programs as major, covering about $2.57 billion, or 98.5 percent of total expenditures of ARRA awards.

STATE OF MISSOURI
SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

CFDA Number	Federal Grantor Agency - Program	Federal Grantor Agency	Federal Awards Expended
	SNAP Cluster:		
10.551	Supplemental Nutrition Assistance Program	Agriculture	$ 1,334,093,306
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Agriculture	55,582,179
10.561	ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Agriculture	3,654,050
	Total SNAP Cluster		1,393,329,535
	Child Nutrition Cluster:		
10.553	School Breakfast Program	Agriculture	58,005,880
10.555	National School Lunch Program	Agriculture	202,320,684
10.556	Special Milk Program for Children	Agriculture	541,422
10.559	Summer Food Service Program for Children	Agriculture	11,375,206
	Total Child Nutrition Cluster		272,243,192
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Agriculture	85,482,038
10.558	Child and Adult Care Food Program	Agriculture	46,107,238
12.401	National Guard Military Operations and Maintenance (O&M) Projects	Defense	51,381,955
12.401	ARRA - National Guard Military Operations and Maintenance (O&M) Projects	Defense	622,178
	CDBG - State-Administered Small Cities Program Cluster:		
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Housing and Urban Development	39,209,847
14.255	ARRA - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Housing and Urban Development	1,131,364
	Total CDBG - State-Administered Small Cities Program Cluster		40,341,211
17.225	Unemployment Insurance	Labor	1,679,488,308
17.225	ARRA - Unemployment Insurance	Labor	573,123,808
	WIA Cluster:		
17.258	Workforce Investment Act - Adult Program	Labor	16,935,178
17.258	ARRA - Workforce Investment Act - Adult Program	Labor	8,328,916
17.259	Workforce Investment Act - Youth Activities	Labor	19,463,914
17.259	ARRA - Workforce Investment Act - Youth Activities	Labor	20,227,326
17.260	Workforce Investment Act - Dislocated Workers	Labor	24,388,532
17.260	ARRA - Workforce Investment Act - Dislocated Workers	Labor	19,097,506
	Total WIA Cluster		108,441,372
	Highway Planning and Construction Cluster:		
20.205	Highway Planning and Construction	Transportation	971,934,640
20.205	ARRA - Highway Planning and Construction	Transportation	272,693,765
20.219	Recreational Trails Program	Transportation	527,790
	Total Highway Planning and Construction Cluster		1,245,156,195
64.015	Veterans State Nursing Home Care	Veterans Affairs	40,433,415
66.458	Capitalization Grants for Clean Water State Revolving Funds	Environmental Protection Agency	12,857,269
66.458	ARRA - Capitalization Grants for Clean Water State Revolving Funds	Environmental Protection Agency	28,365,778
	Title I, Part A Cluster:		
84.010	Title I Grants to Local Educational Agencies	Education	190,809,777
84.389	ARRA - Title I Grants to Local Educational Agencies, Recovery Act	Education	68,645,150
	Total Title I, Part A Cluster		259,454,927

STATE OF MISSOURI
SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

CFDA Number	Federal Grantor Agency - Program	Federal Grantor Agency	Federal Awards Expended
	Special Education Cluster (IDEA):		
84.027	Special Education - Grants to States	Education	201,924,439
84.173	Special Education - Preschool Grants	Education	5,900,040
84.391	ARRA - Special Education Grants to States, Recovery Act	Education	107,482,111
84.392	ARRA - Special Education - Preschool Grants, Recovery Act	Education	1,148,795
	Total Special Education (IDEA) Cluster		316,455,385
84.032	Federal Family Education Loans	Education	148,917,739
	Vocational Rehabilitation Cluster:		
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Education	56,845,099
84.390	ARRA - Rehabilitation Services - Vocational Rehabilitation Grants to States, Recovery Act	Education	8,745,020
	Total Vocational Rehabilitation Cluster		65,590,119
84.367	Improving Teacher Quality State Grants	Education	39,006,989
	State Fiscal Stabilization Fund Cluster:		
84.394	ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	Education	530,036,219
84.397	ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	Education	86,639,554
	Total State Fiscal Stabilization Fund Cluster		616,675,773
93.069	Public Health Emergency Preparedness	Health and Human Services	39,929,827
	Immunization Cluster:		
93.268	Immunization Grants	Health and Human Services	55,113,022
93.712	ARRA - Immunization	Health and Human Services	2,286,736
	Total Immunization Cluster		57,399,758
	TANF Cluster:		
93.558	Temporary Assistance for Needy Families	Health and Human Services	173,005,808
93.714	ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs	Health and Human Services	290,000
	Total TANF Cluster		173,295,808
93.563	Child Support Enforcement	Health and Human Services	28,076,900
93.563	ARRA - Child Support Enforcement	Health and Human Services	16,916,859
93.568	Low-Income Home Energy Assistance	Health and Human Services	115,557,157
	CSBG Cluster:		
93.569	Community Services Block Grant	Health and Human Services	15,581,601
93.710	ARRA - Community Services Block Grant	Health and Human Services	20,651,595
	Total CSBG Cluster		36,233,196
	CCDF Cluster:		
93.575	Child Care and Development Block Grant	Health and Human Services	73,235,681
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Health and Human Services	57,667,602
93.713	ARRA - Child Care and Development Block Grant	Health and Human Services	2,265,756
	Total CCDF Cluster		133,169,039

STATE OF MISSOURI
SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

CFDA Number	Federal Grantor Agency - Program	Federal Grantor Agency	Federal Awards Expended
93.658	Foster Care - Title IV-E	Health and Human Services	56,043,470
93.658	ARRA - Foster Care - Title IV-E	Health and Human Services	1,539,309
93.659	Adoption Assistance	Health and Human Services	35,061,102
93.659	ARRA - Adoption Assistance	Health and Human Services	2,951,175
93.667	Social Services Block Grant	Health and Human Services	65,656,226
93.767	Children's Health Insurance Program	Health and Human Services	108,083,288
	Medicaid Cluster:		
93.775	State Medicaid Fraud Control Units	Health and Human Services	1,133,450
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	Health and Human Services	16,340,279
93.778	Medical Assistance Program	Health and Human Services	5,264,411,388
93.778	ARRA - Medical Assistance Program	Health and Human Services	727,726,725
	Total Medicaid Cluster		6,009,611,842
	Disability Insurance/SSI Cluster:		
96.001	Social Security - Disability Insurance	Social Security Administration	37,697,942
	Total Disability Insurance/SSI Cluster		37,697,942
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Homeland Security	116,995,314
	Total Type A Programs (expenditures greater than $30,000,000)		14,057,692,636
	Total Type B Programs (expenditures less than $30,000,000)		737,007,558
	Total Expenditures of Federal Awards		$ 14,794,700,194

STATE AUDITOR'S REPORTS

THOMAS A. SCHWEICH
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly

We have audited the 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, 2010, which collectively comprise the state's basic financial statements, and have issued our report thereon dated January 25, 2011. Our report includes a reference to other auditors. Our report also expressed a qualified opinion on the basic financial statements because we were not allowed access to tax returns and related source documents for income taxes. Except as discussed in the preceding sentence, 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.

As described in our report on the state of Missouri's financial statements, other auditors audited the financial statements of:

1. The Missouri Department of Transportation and blended transportation corporations, 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 78 percent and 13 percent of the assets and revenues, respectively, of the governmental activities.

2. The State Lottery and the Petroleum Storage Tank Insurance Fund, which represent 35 percent of both the assets and revenues of the business-type activities.

3. The component units.

P.O. Box 869 • Jefferson City, MO 65102 • (573) 751-4213 • FAX (573) 751-7984

4. The pension (and other employee benefit) trust funds and the Missouri Department of Transportation Local Fund, which represent 94 percent and 97 percent of the assets and additions, respectively, of the fiduciary funds.

This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

The financial statements of the Missouri Highway 63 Transportation Corporation and the Wentzville Parkway Transportation Corporation, blended component units; 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 Northwest Missouri State University, discretely presented component units; and the pension (and other employee benefit) trust funds were not audited in accordance with *Government Auditing Standards*.

As described in Note 2 to the financial statements presented in the *Missouri Comprehensive Annual Financial Report*, the state of Missouri implemented Governmental Accounting Standards Board Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*; Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*; Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*; and Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

Internal Control Over Financial Reporting

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

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 state's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

Compliance and Other Matters

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

The State Auditor's office regularly issues management reports on the various programs, agencies, divisions, and departments of the state of Missouri. The conditions mentioned in those management reports were considered in determining the nature, timing, and extent of the auditing procedures to be applied in our audit of the basic financial statements. Our reports of these conditions do not modify our report dated January 25, 2011, on the basic financial statements.

This report is intended for the information and use of the management of the state of Missouri, federal awarding agencies and pass-through entities, and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Thomas A. Schweich
State Auditor

January 25, 2011

THOMAS A. SCHWEICH
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly

Compliance

We have audited the compliance of the state of Missouri with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The state's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the state's management. Our responsibility is to express an opinion on the state's compliance based on our audit.

Our compliance audit, described below, did not include the operations of the component units and related organizations that expended federal financial assistance during the year ended June 30, 2010, because they engaged other auditors to perform audits in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the state's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the state's compliance with those requirements.

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As described in finding numbers 2010-2, 2010-6, 2010-8, 2010-10, 2010-16, and 2010-21 in the accompanying Schedule of Findings and Questioned Costs, the state of Missouri did not comply with requirements regarding allowable activities or allowable costs and cost principles applicable to the School Improvement Grants Cluster, eligibility requirements applicable to the Medical Assistance Program, subrecipient monitoring requirements applicable to the State Fiscal Stabilization Fund Cluster, reporting requirements applicable to the Unemployment Insurance Program, allowable activities or allowable costs and cost principles and eligibility requirements applicable to the Child Care and Development Fund Cluster, and allowable activities or allowable costs and cost principles and level of effort requirements applicable to the Temporary Assistance for Needy Families Program. Compliance with such requirements is necessary, in our opinion, for the state of Missouri to comply with the requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the state of Missouri complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 2010-4, 2010-5, 2010-7, 2010-9, 2010-12, 2010-15, 2010-17 through 2010-20, 2010-22, 2010-23, and 2010-25.

Internal Control Over Compliance

The management of the state of Missouri is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the state's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the state's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and material weaknesses.

A deficiency in the state's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We

consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 2010-1, 2010-3, 2010-4, 2010-6, 2010-8 through 2010-11, 2010-13, 2010-16, 2010-21, 2010-22, 2010-24, and 2010-25 to be significant deficiencies.

A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented or detected and corrected on a timely basis. Of the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider finding numbers 2010-6, 2010-8, 2010-10, 2010-16, and 2010-21 to be material weaknesses.

The responses of the state of Missouri to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the state's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of the management of the state of Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

Thomas A. Schweich
State Auditor

February 18, 2011

THOMAS A. SCHWEICH
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly

We have audited the 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, 2010, which collectively comprise the state's basic financial statements, and have issued our report thereon dated January 25, 2011. Our report includes a reference to other auditors. Our report also expressed a qualified opinion on the basic financial statements because we were not allowed access to tax returns and related source documents for income taxes. Except as discussed in the preceding sentence, 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.

As described in our report on the state of Missouri's financial statements, other auditors audited the financial statements of:

1. The Missouri Department of Transportation and blended transportation corporations, 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 78 percent and 13 percent of the assets and revenues, respectively, of the governmental activities.

2. The State Lottery and the Petroleum Storage Tank Insurance Fund, which represent 35 percent of both the assets and revenues of the business-type activities.

3. The component units.

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4. The pension (and other employee benefit) trust funds and the Missouri Department of Transportation Local Fund, which represent 94 percent and 97 percent of the assets and additions, respectively, of the fiduciary funds.

The financial statements of the Missouri Highway 63 Transportation Corporation and the Wentzville Parkway Transportation Corporation, blended component units; 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 Northwest Missouri State University, discretely presented component units; and the pension (and other employee benefit) trust funds were not audited in accordance with *Government Auditing Standards*.

As described in Note 2 to the financial statements presented in the *Missouri Comprehensive Annual Financial Report*, the state of Missouri implemented Governmental Accounting Standards Board Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*; Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*; Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*; and Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the state of Missouri's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. The state of Missouri has excluded federal award expenditures of public universities and other component units from the accompanying Schedule of Expenditures of Federal Awards. The information in the Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, except for the effects of the exclusion of federal award expenditures of public universities and other component units, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Thomas A. Schweich
State Auditor

January 25, 2011

SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
Office of National Drug Control Policy			
07.UNKNOWN	HIDTA	$ 3,554,770	2,498,596
	Total Office of National Drug Control Policy	3,554,770	2,498,596
Department of Agriculture			
10.025	Plant and Animal Disease, Pest Control, and Animal Care	1,033,253	0
10.069	Conservation Reserve Program	121,969	215
10.072	Wetlands Reserve Program	186,801	0
10.086	ARRA - Aquaculture Grants Program (AGP)	109,942	109,942
10.156	Federal-State Marketing Improvement Program	27,296	25,296
10.163	Market Protection and Promotion	49,164	44,363
10.169	Specialty Crop Block Grant Program	77,684	61,384
10.170	Specialty Crop Block Grant Program - Farm Bill	286,552	249,613
10.435	State Mediation Grants	16,894	0
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	724,936	0
10.479	Food Safety Cooperative Agreements	6,725	0
10.550	Food Donation	32,959	32,959
	SNAP Cluster:		
10.551	Supplemental Nutritional Assistance Program	1,334,093,306	0
10.561	State Administrative Matching Grants for the Supplemental Nutritional Assistance Program	55,582,179	0
10.561	ARRA - State Administrative Matching Grants for the Supplemental Nutritional Assistance Program	3,654,050	3,654,050
	Total SNAP Cluster	1,393,329,535	3,654,050
	Child Nutrition Cluster:		
10.553	School Breakfast Program	58,005,880	58,005,879
10.555	National School Lunch Program	202,320,684	202,207,477
10.556	Special Milk Program for Children	541,422	541,422
10.559	Summer Food Service Program for Children	11,375,206	10,969,250
	Total Child Nutrition Cluster	272,243,192	271,724,028
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	85,482,038	20,150,878
10.558	Child and Adult Care Food Program	46,107,238	45,462,600
10.560	State Administrative Expenses for Child Nutrition	2,534,501	706,309
10.565	Commodity Supplemental Food Program	649,407	583,512
	Emergency Food Assistance Cluster:		
10.568	Emergency Food Assistance Program (Administrative Costs)	1,426,499	1,426,499
10.568	ARRA - Emergency Food Assistance Program (Administrative Costs)	647,127	0
10.569	Emergency Food Assistance Program (Food Commodities)	11,492,472	0
10.569	ARRA - Emergency Food Assistance Program (Food Commodities)	1,085,889	1,085,889
	Total Emergency Food Assistance Cluster	14,651,987	2,512,388
10.572	WIC Farmers' Market Nutrition Program (FMNP)	92,557	77,689
10.574	Team Nutrition Grants	137,593	7,879
10.578	WIC Grants to States (WGS)	106,839	106,839
10.578	ARRA - WIC Grants to States (WGS)	604,536	0
10.579	Child Nutrition Discretionary Grants Limited Availability	1,806,467	1,806,417
10.582	Fresh Fruit and Vegetable Program	1,164,918	1,164,917
10.664	Cooperative Forestry Assistance	1,409,786	298,894
	Schools and Roads Cluster:		
10.665	Schools and Roads - Grants to States	6,845,948	6,845,948
	Total Schools and Roads Cluster	6,845,948	6,845,948
10.678	Forest Stewardship Program	4,604	0
10.680	Forest Health Protection	106,393	0
10.688	ARRA - Wildland Fire Management	37,682	0

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
10.769	Rural Business Enterprise Grants	13,459	8,459
10.902	Soil and Water Conservation	83,474	0
10.912	Environmental Quality Incentives Program	37,988	0
Total Department of Agriculture		1,830,124,317	355,634,579
Department of Commerce			
	Public Works and Economic Development Cluster:		
11.307	ARRA - Economic Adjustment Assistance	391,062	0
	Total Public Works and Economic Development Cluster	391,062	0
11.468	Applied Meteorological Research	122,600	122,600
11.555	Public Safety Interoperable Emergency Communications Grant Program	2,530,352	34,621
Total Department of Commerce		3,044,014	157,221
Department of Defense			
12.AAG	Drug Interdiction and Counter Drug Activities	59,735	0
12.UNKNOWN	Troops to Teachers	145,541	45,375
12.112	Payments to States in Lieu of Real Estate Taxes	1,425,626	1,425,626
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	907,007	28,808
12.401	National Guard Military Operations and Maintenance (O&M) Projects	51,381,955	0
12.401	ARRA - National Guard Military Operations and Maintenance (O&M) Projects	622,178	0
12.404	National Guard Challenge Program	16,163	0
Total Department of Defense		54,558,205	1,499,809
Department of Housing and Urban Development			
	CDBG - State-Administered Small Cities Program Cluster:		
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	39,209,847	38,163,429
14.255	ARRA - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	1,131,364	1,013,907
	Total CDBG - State-Administered Small Cities Program Cluster	40,341,211	39,177,336
14.231	Emergency Shelter Grants Program	1,649,793	1,649,793
14.238	Shelter Plus Care	8,947,448	8,947,448
14.241	Housing Opportunities for Persons with AIDS	341,356	341,356
14.257	ARRA - Homelessness Prevention and Rapid Rehousing Program	3,934,329	3,934,329
14.401	Fair Housing Assistance Program - State and Local	601,483	0
Total Department of Housing and Urban Development		55,815,620	54,050,262
Department of the Interior			
15.FFB	Webless Migratory Game Bird Research Program	117,097	0
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	198,464	0
15.252	Abandoned Mine Land Reclamation (AMLR) Program	1,673,195	947,180
15.255	Applied Science Program Cooperative Agreements Related to Coal Mining and Reclamation	18,803	0
	Fish and Wildlife Cluster:		
15.605	Sport Fish Restoration Program	7,401,433	0
15.611	Wildlife Restoration	8,401,940	0
	Total Fish and Wildlife Cluster	15,803,373	0
15.608	Fish and Wildlife Management Assistance	14,708	0
15.615	Cooperative Endangered Species Conservation Fund	112,946	0
15.616	Clean Vessel Act	111,516	111,516
15.623	North American Wetlands Conservation Fund	332,866	0
15.633	Landowner Incentive Program	293,437	0
15.634	State Wildlife Grants	1,345,531	0

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
15.656	ARRA - Habitat Enhancement, Restoration and Improvement	12,946	0
15.807	Earthquake Hazards Reduction Program	66,584	0
15.808	U.S. Geological Survey - Research and Data Collection	35,060	0
15.810	National Cooperative Geologic Mapping Program	122,417	0
15.814	National Geological and Geophysical Data Preservation Program	1,438	0
15.904	Historic Preservation Fund Grants-In-Aid	819,976	61,096
15.916	Outdoor Recreation - Acquisition, Development and Planning	494,075	453,938
15.921	Rivers, Trails and Conservation Assistance	10,164	0
15.978	Upper Mississippi River System Long Term Resource Monitoring Program	354,097	0
Total Department of the Interior		21,938,693	1,573,730
Department of Justice			
16.UNKNOWN	Domestic Cannabis Eradication	334,188	0
16.017	Sexual Assault Services Formula Program	44,221	34,662
16.202	Prisoner Reentry Initiative Demonstration (Offender Reentry)	378,650	0
16.523	Juvenile Accountability Block Grants	729,563	643,617
16.540	Juvenile Justice and Delinquency Prevention - Allocation to States	796,949	623,597
16.542	Part D - Research, Evaluation, Technical Assistance and Training	88,234	0
16.543	Missing Children's Assistance	95,520	0
16.548	Title V - Delinquency Prevention Program	49,749	49,749
16.554	National Criminal History Improvement Program (NCHIP)	428,287	255,787
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	228,109	228,109
16.575	Crime Victim Assistance	6,527,735	6,386,304
16.576	Crime Victim Compensation	2,985,806	2,985,806
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	118,890	75,000
16.588	Violence Against Women Formula Grants	1,901,280	1,785,914
16.588	ARRA - Violence Against Women Formula Grants	1,072,132	1,037,091
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	147,339	37,493
16.593	Residential Substance Abuse Treatment for State Prisoners	75,140	75,140
16.606	State Criminal Alien Assistance Program	124,424	0
16.610	Regional Information Sharing Systems	5,406,586	5,406,586
16.710	Public Safety Partnership and Community Policing Grants	2,785,268	2,178,404
16.726	Juvenile Mentoring Program	251,653	233,255
16.734	Special Data Collections and Statistical Studies	37,304	0
16.735	Protecting Inmates and Safeguarding Communities Discretionary Grant Program	45,881	0
16.738	Edward Byrne Memorial Justice Assistance Grant Program	2,783,129	2,404,938
16.740	Statewide Automated Victim Information Notification (SAVIN) Program	72,095	0
16.741	Forensic DNA Backlog Reduction Program	484,120	0
16.750	Support for Adam Walsh Act Implementation Grant Program	54,235	0
16.801	ARRA - State Victim Assistance Formula Grant Program	792,989	760,691
16.802	ARRA - State Victim Compensation Formula Grant Program	951,498	951,498
16.803	ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	8,763,816	8,606,481
16.810	ARRA - Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program	881,513	0
Total Department of Justice		39,436,303	34,760,122
Department of Labor			
17.002	Labor Force Statistics	1,312,631	0
17.005	Compensation and Working Conditions	208,528	0
	Employment Service Cluster:		
17.207	Employment Service/Wagner-Peyser Funded Activities	12,789,225	103,052
17.207	ARRA - Employment Service/Wagner-Peyser Funded Activities	7,374,553	686,281
17.801	Disabled Veterans' Outreach Program (DVOP)	887,233	0
17.804	Local Veterans' Employment Representative Program	2,372,251	0
	Total Employment Service Cluster	23,423,262	789,333

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
17.225	Unemployment Insurance	1,679,488,308	0
17.225	ARRA - Unemployment Insurance	573,123,808	0
17.235	Senior Community Service Employment Program	2,717,653	2,636,824
17.235	ARRA - Senior Community Service Employment Program	548,237	538,199
17.245	Trade Adjustment Assistance	23,688,715	0
	WIA Cluster:		
17.258	Workforce Investment Act - Adult Program	16,935,178	15,203,434
17.258	ARRA - Workforce Investment Act - Adult Program	8,328,916	8,328,916
17.259	Workforce Investment Act - Youth Activities	19,463,914	17,051,195
17.259	ARRA - Workforce Investment Act - Youth Activities	20,227,326	20,174,148
17.260	Workforce Investment Act - Dislocated Workers	24,388,532	20,048,210
17.260	ARRA - Workforce Investment Act - Dislocated Workers	19,097,506	18,889,954
	Total WIA Cluster	108,441,372	99,695,857
17.261	Workforce Investment Act - Pilots, Demonstrations, and Research Projects	16,286	16,286
17.266	Work Incentive Grants	221,426	220,692
17.267	Incentive Grants - WIA Section 503	752,940	681,061
17.268	H-1B Job Training Grants	8,199,177	8,196,409
17.271	Work Opportunity Tax Credit Program (WOTC)	371,545	0
17.273	Temporary Labor Certification for Foreign Workers	99,720	0
17.275	ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	274,507	116,444
17.504	Consultation Agreements	1,082,486	0
17.505	OSHA Data Initiative	38,924	0
17.600	Mine Health and Safety Grants	312,317	0
Total Department of Labor		2,424,321,842	112,891,105
Department of Transportation			
20.UNKNOWN	National Highway Traffic Safety Administration	58,509	0
20.106	Airport Improvement Program	20,861,921	20,670,113
20.106	ARRA - Airport Improvement Program	5,039,442	5,039,442
	Highway Planning and Construction Cluster:		
20.205	Highway Planning and Construction	971,934,640	102,821,793
20.205	ARRA - Highway Planning and Construction	272,693,765	24,499,225
20.219	Recreational Trails Program	527,790	464,109
	Total Highway Planning and Construction Cluster	1,245,156,195	127,785,127
20.217	Motor Carrier Safety	2,914,374	682,881
20.218	National Motor Carrier Safety	1,372,537	1,308,466
20.231	Performance and Registration Information Systems Management	100,791	0
20.237	Commercial Vehicle Information Systems and Networks	227,297	0
20.240	Fuel Tax Evasion - Intergovernmental Enforcement Efforts	15,419	0
20.317	Capital Assistance to States - Intercity Passenger Rail Service	2,512,332	2,512,332
	Federal Transit Cluster:		
20.500	Federal Transit - Capital Investment Grants	5,447,233	5,446,682
	Total Federal Transit Cluster	5,447,233	5,446,682
20.505	Metropolitan Transportation Planning	5,396,630	5,195,278
20.509	Formula Grants for Other Than Urbanized Areas	12,416,284	11,697,802
20.509	ARRA - Formula Grants for Other Than Urbanized Areas	13,626,099	13,626,099
	Transit Services Programs Cluster:		
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	3,075,347	2,932,919
20.516	Job Access - Reverse Commute	547,298	542,810
20.521	New Freedom Program	235,718	235,718
	Total Transit Services Programs Cluster	3,858,363	3,711,447

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
	Highway Safety Cluster:		
20.600	State and Community Highway Safety	5,200,300	3,834,235
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I	3,661,459	2,593,446
20.604	Safety Incentive Grants for Use of Seatbelts	1,781	1,781
20.610	State Traffic Safety Information System Improvement Grants	591,087	407,566
20.611	Incentive Grant Program to Prohibit Racial Profiling	186,188	186,188
20.612	Incentive Grant Program to Increase Motorcyclist Safety	144,860	0
20.613	Child Safety and Child Booster Seats Incentive Grants	614,202	215,554
	Total Highway Safety Cluster	10,399,877	7,238,770
20.607	Alcohol Open Container Requirements	9,820,706	5,248,676
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	279,486	79,272
20.615	E-911 Grant Program	118,493	118,493
20.700	Pipeline Safety Program Base Grants	713,375	0
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	522,310	357,986
20.721	PHMSA Pipeline Safety Program One Call Grant	10,048	0
Total Department of Transportation		1,340,867,721	210,718,866
Equal Employment Opportunity Commission			
30.002	Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	668,611	0
Total Equal Employment Opportunity Commission		668,611	0
General Services Administration			
39.003	Donation of Federal Surplus Personal Property	1,641,070	1,256,438
39.011	Election Reform Payments	628,576	298,729
Total General Services Administration		2,269,646	1,555,167
National Foundation on the Arts and the Humanities			
45.025	Promotion of the Arts - Partnership Agreements	746,643	434,747
45.025	ARRA - Promotion of the Arts - Partnership Agreements	274,014	274,014
45.301	Museums for America	63,675	0
45.310	Grants to States	3,330,276	1,757,221
45.312	National Leadership Grants	293	0
Total National Foundation on the Arts and the Humanities		4,414,901	2,465,982
Department of Veterans Affairs			
64.005	Grants to States for Construction of State Home Facilities	847,625	0
64.005	ARRA - Grants to States for Construction of State Home Facilities	561,664	0
64.015	Veterans State Nursing Home Care	40,433,415	0
64.024	VA Homeless Providers Grant and Per Diem Program	361,898	361,898
64.123	All-Volunteer Force Educational Assistance	697,620	0
64.203	State Cemetery Grants	4,757,501	0
Total Department of Veterans Affairs		47,659,723	361,898
Environmental Protection Agency			
66.032	State Indoor Radon Grants	140,878	0
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	635,341	163,283
66.039	National Clean Diesel Emissions Reduction Program	403,786	216,802
66.039	ARRA - National Clean Diesel Emissions Reduction Program	247,385	146,882
66.040	State Clean Diesel Grant Program	223,167	88,968
66.040	ARRA - State Clean Diesel Grant Program	949,149	898,553
66.180	Chemical Emergency Preparedness and Prevention Technical Assistance	29,876	0
66.202	Congressionally Mandated Projects	101,048	0
66.419	Water Pollution Control State, Interstate, and Tribal Program Support	121,355	54,880

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
66.433	State Underground Water Source Protection	133,345	0
66.454	Water Quality Management Planning	534,531	322,393
66.454	ARRA - Water Quality Management Planning	38,723	38,723
66.458	Capitalization Grants for Clean Water State Revolving Funds	12,857,269	12,857,269
66.458	ARRA - Capitalization Grants for Clean Water State Revolving Funds	28,365,778	26,339,490
66.460	Nonpoint Source Implementation Grants	3,034,880	1,519,280
66.461	Regional Wetland Program Development Grants	244,253	8,604
66.468	Capitalization Grants for Drinking Water State Revolving Funds	4,533,822	1,642,484
66.468	ARRA - Capitalization Grants for Drinking Water State Revolving Funds	16,580,552	16,580,552
66.471	State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	363,723	250,750
66.474	Water Protection Grants to the States	82,222	0
66.605	Performance Partnership Grants	13,420,943	1,063,934
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	18,928	0
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	333,085	0
66.709	Multi-Media Capacity Building Grants for States and Tribes	54,779	0
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	1,433,760	140,365
66.804	Underground Storage Tank Prevention, Detection, and Compliance Program	612,122	0
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	1,167,436	254,130
66.805	ARRA - Leaking Underground Storage Tank Trust Fund Corrective Action Program	3,101,652	2,873,944
66.810	Chemical Emergency Preparedness and Prevention (CEPP) Technical Assistance Grants Program	40,364	40,000
66.817	State and Tribal Response Program Grants	1,088,566	137,594
66.818	Brownfields Assessment and Cleanup Cooperative Agreements	112,190	64,271
66.940	Environmental Policy and State Sustainability Grants	30,764	0
Total Environmental Protection Agency		91,035,672	65,703,151
Department of Energy			
81.039	National Energy Information Center	2,848	0
81.041	State Energy Program	591,954	26,123
81.041	ARRA - State Energy Program	1,059,321	264,269
81.042	Weatherization Assistance for Low-Income Persons	5,141,144	4,603,323
81.042	ARRA - Weatherization Assistance for Low-Income Persons	21,210,481	20,624,294
81.089	Fossil Energy Research and Development	13,100	0
81.092	Weldon Springs Site Remedial Action Project	357,138	22,382
81.104	Office of Environmental Waste Processing	136,332	0
81.119	State Energy Program Special Projects	200,876	148,994
81.122	Electricity Delivery and Energy Reliability, Research, Development and Analysis	86,266	0
81.122	ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis	3,267	0
81.127	ARRA - Energy Efficient Appliance Rebate Program (EEARP)	2,523,572	2,489,730
81.128	ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	578,146	520,634
81.902	State Environmental Oversight and Monitoring	54,942	0
Total Department of Energy		31,959,387	28,699,749
Department of Education			
84.UNKNOWN	Cooperative System Grant	45,862	0
84.002	Adult Education - Basic Grants to States	9,554,559	9,190,377
	Title I, Part A Cluster:		
84.010	Title I Grants to Local Educational Agencies	190,809,777	188,439,625
84.389	ARRA - Title I Grants to Local Educational Agencies, Recovery Act	68,645,150	68,645,150
	Total Title I, Part A Cluster	259,454,927	257,084,775
84.011	Migrant Education - State Grant Program	1,359,760	1,335,112
84.013	Title I State Agency Program for Neglected and Delinquent Children	988,411	975,114

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
	Special Education Cluster (IDEA):		
84.027	Special Education - Grants to States	201,924,439	198,523,774
84.173	Special Education - Preschool Grants	5,900,040	5,900,040
84.391	ARRA - Special Education Grants to States, Recovery Act	107,482,111	107,482,111
84.392	ARRA - Special Education - Preschool Grants, Recovery Act	1,148,795	1,148,795
	Total Special Education (IDEA) Cluster	316,455,385	313,054,720
84.032	Federal Family Education Loans	148,917,739	0
84.048	Career and Technical Education - Basic Grants to States	22,181,990	21,148,329
84.069	Leveraging Educational Assistance Partnership	1,286,496	1,286,496
	Vocational Rehabilitation Cluster:		
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	56,845,099	3,000
84.390	ARRA - Rehabilitation Services - Vocational Rehabilitation Grants to States, Recovery Act	8,745,020	0
	Total Vocational Rehabilitation Cluster	65,590,119	3,000
84.144	Migrant Education - Coordination Program	69,444	59,924
	Independent Living - State Grants Cluster:		
84.169	Independent Living - State Grants	304,444	267,116
84.398	ARRA - Independent Living - State Grants, Recovery Act	227,089	0
	Total Independent Living - State Grants Cluster	531,533	267,116
	Independent Living Services for Older Individuals Who Are Blind Cluster:		
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who Are Blind	14,453	0
	Total Independent Living Services for Older Individuals Who Are Blind Cluster	14,453	0
	Early Intervention Services (IDEA) Cluster:		
84.181	Special Education - Grants for Infants and Families	11,597,340	11,597,340
84.393	ARRA - Special Education - Grants for Infants and Families, Recovery Act	666,289	666,289
	Total Early Intervention Services (IDEA) Cluster	12,263,629	12,263,629
84.185	Byrd Honors Scholarships	736,500	0
84.186	Safe and Drug-Free Schools and Communities - State Grants	4,499,097	4,046,654
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	426,246	0
	Education for Homeless Children and Youth Cluster:		
84.196	Education for Homeless Children and Youth	621,133	598,683
84.387	ARRA - Education for Homeless Children and Youth, Recovery Act	358,239	358,239
	Total Education for Homeless Children and Youth Cluster	621,133	598,683
84.213	Even Start - State Educational Agencies	926,023	896,153
84.224	Assistive Technology	521,047	342,829
84.243	Tech-Prep Education	1,909,738	1,909,433
84.265	Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	113,331	0
84.287	Twenty-First Century Community Learning Centers	16,634,825	16,374,413
84.298	State Grants for Innovative Programs	48,240	48,239
	Educational Technology State Grants Cluster:		
84.318	Education Technology State Grants	2,301,749	2,175,990
84.386	ARRA - Education Technology State Grants, Recovery Act	5,684,935	5,684,935
	Total Educational Technology State Grants Cluster	7,986,684	7,860,925
84.323	Special Education - State Personnel Development	982,599	982,599
84.326	Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	186,452	0
84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	105,000	105,000
84.331	Grants to States for Workplace and Community Transition Training for Incarcerated Individuals	576,133	0
84.357	Reading First State Grants	6,347,516	6,253,295

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
84.358	Rural Education	2,718,477	2,718,477
84.365	English Language Acquisition Grants	3,218,990	3,218,990
84.366	Mathematics and Science Partnerships	3,426,654	3,426,000
84.367	Improving Teacher Quality State Grants	39,006,989	38,406,305
84.369	Grants for State Assessments and Related Activities	7,670,596	400,000
	Statewide Data Systems Cluster:		
84.372	Statewide Data Systems	1,954,316	0
	Total Statewide Data Systems Cluster	1,954,316	0
	School Improvement Grants Cluster:		
84.377	School Improvement Grants	5,817,996	5,264,366
84.388	ARRA - School Improvement Grants, Recovery Act	400,000	400,000
	Total School Improvement Grants Cluster	6,217,996	5,664,366
84.378	College Access Challenge Grant Program	1,219,412	1,078,508
	State Fiscal Stabilization Fund Cluster:		
84.394	ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	530,036,219	530,036,219
84.397	ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	86,639,554	86,639,554
	Total State Fiscal Stabilization Fund Cluster	616,675,773	616,675,773
84.902	National Assessment of Educational Programs	130,379	0
Total Department of Education		1,563,932,692	1,328,033,473
National Archives and Records Administration			
89.003	National Historical Publications and Records Grants	18,277	9,504
Total National Archives and Records Administration		18,277	9,504
Elections Assistance Commission			
90.401	Help America Vote Act Requirements Payments	920,806	115,940
Total Elections Assistance Commission		920,806	115,940
Department of Health and Human Services			
93.006	State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	139,925	0
93.041	Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93,314	45,942
93.042	Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	307,154	76,007
93.043	Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	447,939	447,939
	Aging Cluster:		
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	8,357,543	7,258,126
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	12,896,460	12,896,460
93.053	Nutrition Services Incentive Program	4,178,929	4,178,929
93.705	ARRA - Aging Home-Delivered Nutrition Services for States	512,304	512,304
93.707	ARRA - Aging Congregate Nutrition Services for States	1,040,618	1,040,618
	Total Aging Cluster	26,985,854	25,886,437
93.048	Special Programs for the Aging - Title IV - and Title II - Discretionary Projects	27,849	0
93.051	Alzheimer's Disease Demonstration Grants to States	198,356	189,760
93.052	National Family Caregiver Support, Title III, Part E	3,079,200	3,079,200
93.069	Public Health Emergency Preparedness	39,929,827	15,844,071
93.070	Environmental Public Health and Emergency Response	352,358	172,786
93.071	Medicare Enrollment Assistance Program	41,650	40,399
93.089	Emergency System for Advance Registration of Volunteer Health Professionals	43,983	0

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
93.103	Food and Drug Administration - Research	458,270	0
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	3,236,840	3,095,148
93.110	Maternal and Child Health Federal Consolidated Programs	315,399	68,877
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	582,929	120,301
93.127	Emergency Medical Services for Children	110,568	0
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	215,686	10,000
93.134	Grants to Increase Organ Donations	87,915	0
93.135	Centers for Research and Demonstration for Health Promotion and Disease Prevention	42,894	0
93.136	Injury Prevention and Control Research and State and Community Based Programs	662,022	531,278
93.150	Projects for Assistance in Transition from Homelessness (PATH)	786,887	762,047
93.161	Health Program for Toxic Substances and Disease Registry	63,326	0
93.165	Grants to States for Loan Repayment Program	150,000	150,000
93.197	Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	491,115	187,265
93.226	Research on Healthcare Costs, Quality and Outcomes	1,609	0
93.230	Consolidated Knowledge Development and Application (KD&A) Program	159,658	20,876
93.234	Traumatic Brain Injury State Demonstration Grant Program	185,881	137,797
93.235	Abstinence Education Program	337,379	189,655
93.236	Grants for Dental Public Health Residency Training	153,782	58,473
93.240	State Capacity Building	331,987	0
93.241	State Rural Hospital Flexibility Program	517,569	275,577
93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	13,758,567	12,464,772
93.251	Universal Newborn Hearing Screening	214,020	58,260
93.259	Rural Access to Emergency Devices Grant	84,485	0
	Immunization Cluster:		
93.268	Immunization Grants	55,113,022	467,728
93.712	ARRA - Immunization	2,286,736	106,150
	Total Immunization Cluster	57,399,758	573,878
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	9,045,614	3,357,165
93.293	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	102,962	100,269
93.301	Small Rural Hospital Improvement Grant Program	394,188	375,417
93.402	ARRA - State Loan Repayment Program	300,000	300,000
93.414	ARRA - State Primary Care Offices	25,107	0
93.556	Promoting Safe and Stable Families	8,216,849	0
	TANF Cluster:		
93.558	Temporary Assistance for Needy Families	173,005,808	15,416,398
93.714	ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs	290,000	0
	Total TANF Cluster	173,295,808	15,416,398
93.563	Child Support Enforcement	28,076,900	6,820,136
93.563	ARRA - Child Support Enforcement	16,916,859	13,239,087
93.566	Refugee and Entrant Assistance - State Administered Programs	2,342,577	0
93.568	Low-Income Home Energy Assistance	115,557,157	46,288,058
	CSBG Cluster:		
93.569	Community Services Block Grant	15,581,601	15,310,694
93.710	ARRA - Community Services Block Grant	20,651,595	20,651,595
	Total CSBG Cluster	36,233,196	35,962,289

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
	CCDF Cluster:		
93.575	Child Care and Development Block Grant	73,235,681	2,483,317
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	57,667,602	0
93.713	ARRA - Child Care and Development Block Grant	2,265,756	0
	Total CCDF Cluster	133,169,039	2,483,317
93.576	Refugee and Entrant Assistance - Discretionary Grants	1,065,198	735,862
93.584	Refugee and Entrant Assistance - Targeted Assistance Grants	389,193	0
93.586	State Court Improvement Program	659,152	0
93.590	Community-Based Child Abuse Prevention Grants	543,273	543,273
93.597	Grants to States for Access and Visitation Programs	169,898	0
93.599	Chafee Education and Training Vouchers Program (ETV)	819,034	0
	Head Start Cluster:		
93.600	Head Start	180,448	180,448
	Total Head Start Cluster	180,448	180,448
93.617	Voting Access for Individuals with Disabilities - Grants to States	125,656	123,136
93.630	Developmental Disabilities Basic Support and Advocacy Grants	1,259,577	495,558
93.643	Children's Justice Grants to States	600,166	0
93.645	Child Welfare Services - State Grants	5,564,082	0
93.652	Adoption Opportunities	425,863	0
93.658	Foster Care - Title IV-E	56,043,470	0
93.658	ARRA - Foster Care - Title IV-E	1,539,309	0
93.659	Adoption Assistance	35,061,102	0
93.659	ARRA - Adoption Assistance	2,951,175	0
93.667	Social Services Block Grant	65,656,226	2,103,388
93.669	Child Abuse and Neglect State Grants	281,099	0
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes	1,510,163	0
93.674	Chafee Foster Care Independence Program	3,878,950	0
93.717	ARRA - Preventing Healthcare-Associated Infections	15,366	0
93.719	ARRA - State Grants to Promote Health Information Technology	408,609	0
93.720	ARRA - Survey and Certification Ambulatory Surgical Center Healthcare-Associated Infection (ASC-HAI) Prevention Initiative	35,555	0
93.723	ARRA - Prevention and Wellness - State, Territories and Pacific Islands	1,725	0
93.767	Children's Health Insurance Program	108,083,288	0
	Medicaid Cluster:		
93.775	State Medicaid Fraud Control Units	1,133,450	0
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	16,340,279	0
93.778	Medical Assistance Program	5,264,411,388	0
93.778	ARRA - Medical Assistance Program	727,726,725	0
	Total Medicaid Cluster	6,009,611,842	0
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	9,638,409	1,063,566
93.790	Alternate Non-Emergency Service Providers or Networks	334,476	0
93.793	Medicaid Transformation Grants	482,605	0
93.889	National Bioterrorism Hospital Preparedness Program	9,108,833	6,820,521
93.913	Grants to States for Operation of Offices of Rural Health	179,011	38,301
93.917	HIV Care Formula Grants	14,422,250	13,812,305
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	2,608,664	222,468
93.940	HIV Prevention Activities - Health Department Based	4,717,639	2,792,371
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	813,042	361,338
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	190,359	40,000

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
93.958	Block Grants for Community Mental Health Services	5,342,709	4,966,310
93.959	Block Grants for Prevention and Treatment of Substance Abuse	25,919,628	23,995,435
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	1,930,282	270,327
93.982	Mental Health Disaster Assistance and Emergency Mental Health	102,951	101,296
93.991	Preventive Health and Health Services Block Grant	2,731,549	579,419
93.994	Maternal and Child Health Services Block Grant to the States	12,746,192	6,304,562
	Total Department of Health and Human Services	7,063,820,229	254,378,765
Corporation for National and Community Service			
94.003	State Commissions	292,217	0
94.004	Learn and Serve America - School and Community Based Programs	302,242	286,949
94.006	AmeriCorps	631,981	631,981
94.006	ARRA - AmeriCorps	2,637,196	2,633,663
94.007	Program Development and Innovation Grants	75,499	75,499
94.009	Training and Technical Assistance	105,278	9,269
	Total Corporation for National and Community Service	4,044,413	3,637,361
Social Security Administration			
	Disability Insurance/SSI Cluster:		
96.001	Social Security - Disability Insurance	37,697,942	0
	Total Disability Insurance/SSI Cluster	37,697,942	0
	Total Social Security Administration	37,697,942	0
Department of Homeland Security			
97.001	Interoperable Emergency Communication Grant	175,983	45,265
97.005	State and Local Homeland Security National Training Program	220,114	197,578
97.008	Non-Profit Security Program	74,907	74,907
97.012	Boating Safety Financial Assistance	2,405,284	0
97.017	Pre-Disaster Mitigation (PDM) Competitive Grants	6,893,084	6,893,084
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	180,657	0
97.027	Emergency Management Institute (EMI) - Independent Study Program	155,181	155,181
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	116,995,314	112,550,715
97.039	Hazard Mitigation Grant	9,058,326	9,058,326
97.041	National Dam Safety Program	52,360	0
97.042	Emergency Management Performance Grants	4,955,585	3,204,576
97.045	Cooperating Technical Partners	2,902,338	0
97.047	Pre-Disaster Mitigation	122,064	122,064
97.052	Emergency Operations Center	41,414	41,414
	Homeland Security Cluster:		
97.067	Homeland Security Grant Program	25,426,863	21,129,455
	Total Homeland Security Cluster	25,426,863	21,129,455
97.070	Map Modernization Management Support	84,750	0
97.075	Rail and Transit Security Grant Program	926,259	924,041
97.078	Buffer Zone Protection Program (BZPP)	621,107	589,428
97.082	Earthquake Consortium	6,339	0
97.091	Homeland Security Biowatch Program	344,673	272,813
97.092	Repetitive Flood Claims	953,808	953,808
	Total Department of Homeland Security	172,596,410	156,212,655
		$ 14,794,700,194	2,614,957,935

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

STATE OF MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards of the state of Missouri has been prepared to comply with U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the 2010 OMB Circular A-133 Compliance Supplement. The circular requires a schedule that shows total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available. Appendix VII of the supplement requires identifying expenditures of federal awards made under the American Recovery and Reinvestment Act of 2009 (ARRA) separately on the schedule with the inclusion of the prefix "ARRA-" in the name of the federal program.

The accompanying schedule includes all federal financial assistance administered by the state of Missouri, except for those programs administered by public universities and other component units and related organizations which are legally separate from the state of Missouri. Federal financial assistance provided to public universities and other component units and related organizations has been excluded from this audit. They were audited by other auditors under OMB Circular A-133.

B. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards is presented in accordance with OMB Circular A-133, which defines federal financial assistance as assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

The schedule presents both Type A and B federal assistance programs administered by the state of Missouri. OMB Circular A-133 establishes the formula for determining the level of expenditures or disbursements to be used in defining Type A and B federal financial assistance programs. For the state of Missouri during the year ended June 30, 2010, Type A programs are those which exceed $30 million in disbursements, expenditures, or distributions. The determination of major and non-major programs is based on the risk-based approach outlined in OMB Circular A-133.

C. Basis of Accounting

The expenditures for each of the federal financial assistance programs are presented on the accounting basis as required by the federal agency which awarded the assistance. Most programs are presented on a cash basis, which recognizes expenditures of federal awards when disbursed in cash. However, some are presented on a modified accrual basis, which recognizes expenditures of federal awards when the related liability is incurred.

2. Supplemental Nutrition Assistance Program Expenditures

The reported expenditures for benefits under the Supplemental Nutrition Assistance Program (SNAP) (CFDA No. 10.551) are supported by both regularly appropriated funds and incremental funding made available under section 101 of ARRA. The mechanism used by the United States Department of Agriculture (USDA) to make these funds available to States does not enable a State to validly disaggregate the regular and ARRA components of this figure. At the national aggregate level, however, ARRA funds account for approximately 16 percent of USDA's total expenditures for SNAP benefits in the federal fiscal year ended September 30, 2010.

3. Special Supplemental Nutrition Program for Women, Infants and Children Program Rebates

The state received cash rebates from an infant formula manufacturer, totaling $35,593,507, on sales of formula to participants in the Special Supplemental Nutrition Program for Women, Infants, and Children Program (CFDA No. 10.557). This amount was excluded from total program expenditures. Rebate contracts with infant formula manufacturers are authorized by 7 CFR 246.16(a) as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs. The state was able to extend program benefits to more persons than could have been served this fiscal year in the absence of the rebate contract.

4. Unemployment Insurance Expenditures

Expenditures of federal awards reported for the Unemployment Insurance program (CFDA No. 17.225) include unemployment benefit payments from the State Unemployment Compensation Fund totaling $2,202,671,399. Reimbursements to other states from the State Unemployment Compensation Fund for benefits paid by those other states, totaling $61,242,314, have also been included in the Unemployment Insurance program expenditures. Reimbursements to the State Unemployment Compensation Fund from other states for benefits paid by the State of Missouri, totaling $16,259,599, have been excluded from total expenditures.

5. Federal Loan Guarantees

The Department of Higher Education (DHE) guarantees student loans made by lenders under the Federal Family Education Loans program (CFDA 84.032). The original principal balance outstanding of all loans guaranteed by the DHE was $4,081,092,221 as

of June 30, 2010. Additionally, the outstanding balance of defaulted loans (including principal and accrued interest) for which the federal government imposes continuing compliance requirements on the DHE was $299,813,377 as of June 30, 2010.

6. Nonmonetary Assistance

The Department of Elementary and Secondary Education distributes food commodities to school districts under the National School Lunch program (CFDA No. 10.555). Distributions are valued at the cost of the food paid by the federal government and totaled $21,192,360.

The Department of Public Safety distributes excess Department of Defense equipment to state and local law enforcement agencies under the Department of Defense Surplus Property program (CFDA No. 12.AAG). Property distributions totaled $256,375 valued at the historical cost as assigned by the federal government, which is substantially in excess of the property's fair market value. The amount of expenditures presented on the Schedule of Expenditures of Federal Awards is 23.3 percent of the historical cost ($59,735), which approximates the fair market value of the property at the time of distribution.

The State Agency for Surplus Property distributes federal surplus property to eligible donees under the Donation of Federal Surplus Personal Property program (CFDA No. 39.003). Property distributions totaled $7,043,218 valued at the historical cost as assigned by the federal government, which is substantially in excess of the property's fair market value. The amount of expenditures presented on the Schedule of Expenditures of Federal Awards is 23.3 percent of the historical cost ($1,641,070), which approximates the fair market value of the property at the time of distribution as determined by the General Services Administration.

The Department of Health and Senior Services distributes vaccines to local health agencies and other health care professionals under Public Health Emergency Preparedness program (CFDA No. 93.069) and the Immunization Grants Cluster (CFDA No. 93.268 and 93.712). Distributions are valued at the cost of the vaccines paid by the federal government and totaled $13,610,500 and $53,223,965, respectively.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATE OF MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Qualified	
Internal control over financial reporting:		
• Material weaknesses identified?	_____ yes	__x__ no
• Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	__x__ none reported
Noncompliance material to the financial statements noted?	_____ yes	__x__ no

Federal Awards

Internal control over major programs:		
• Material weaknesses identified?	__x__ yes	_____ no
• Significant deficiencies identified that are not considered to be material weaknesses?	__x__ yes	
Type of auditor's report issued on compliance for major program(s):	Qualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	__x__ yes	_____ no

The following programs were audited as major programs:

CFDA Number	Name of Federal Program or Cluster
	SNAP Cluster:
10.551	Supplemental Nutritional Assistance Program
10.561	State Administrative Matching Grants for the Supplemental Nutritional Assistance Program
10.561	ARRA - State Administrative Matching Grants for the Supplemental Nutritional Assistance Program

10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
12.401	National Guard Military Operations and Maintenance (O&M) Projects
12.401	ARRA - National Guard Military Operations and Maintenance (O&M) Projects
	CDBG - State-Administered Small Cities Program Cluster:
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
14.255	ARRA - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
	Employment Service Cluster:
17.207	Employment Service/Wagner-Peyser Funded Activities
17.207	ARRA - Employment Service/Wagner-Peyser Funded Activities
17.801	Disabled Veterans' Outreach Program (DVOP)
17.804	Local Veteran's Employment Representative Program
17.225	Unemployment Insurance
17.225	ARRA - Unemployment Insurance
	WIA Cluster:
17.258	Workforce Investment Act - Adult Program
17.258	ARRA - Workforce Investment Act - Adult Program
17.259	Workforce Investment Act - Youth Activities
17.259	ARRA - Workforce Investment Act - Youth Activities
17.260	Workforce Investment Act - Dislocated Workers
17.260	ARRA - Workforce Investment Act - Dislocated Workers
20.106	Airport Improvement Program
20.106	ARRA - Airport Improvement Program
	Highway Planning and Construction Cluster:
20.205	Highway Planning and Construction
20.205	ARRA - Highway Planning and Construction
20.219	Recreational Trails Program
20.509	Formula Grants for Other Than Urbanized Areas
20.509	ARRA - Formula Grants for Other Than Urbanized Areas
64.015	Veterans State Nursing Home Care
66.458	Capitalization Grants for Clean Water State Revolving Funds
66.458	ARRA - Capitalization Grants for Clean Water State Revolving Funds
66.468	Capitalization Grants for Drinking Water State Revolving Funds
66.468	ARRA - Capitalization Grants for Drinking Water State Revolving Funds
81.042	Weatherization Assistance for Low-Income Persons
81.042	ARRA - Weatherization Assistance for Low-Income Persons
	Title I, Part A Cluster:
84.010	Title I Grants to Local Educational Agencies
84.389	ARRA - Title I Grants to Local Educational Agencies, Recovery Act

	Special Education Cluster (IDEA):
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants
84.391	ARRA - Special Education - Grants to States, Recovery Act
84.392	ARRA - Special Education - Preschool Grants, Recovery Act
84.032	Federal Family Education Loans
	Vocational Rehabilitation Cluster:
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States
84.390	ARRA - Rehabilitation Services - Vocational Rehabilitation Grants to States, Recovery Act
	Educational Technology State Grants Cluster:
84.318	Education Technology State Grants
84.386	ARRA - Education Technology State Grants, Recovery Act
	School Improvements Grants Cluster:
84.377	School Improvement Grants
84.388	ARRA - School Improvement Grants, Recovery Act
	State Fiscal Stabilization Fund Cluster:
84.394	ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act
84.397	ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act
93.069	Public Health Emergency Preparedness
	Immunization Cluster:
93.268	Immunization Grants
93.712	ARRA - Immunization
	TANF Cluster:
93.558	Temporary Assistance for Needy Families
93.714	ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program
93.563	Child Support Enforcement
93.563	ARRA - Child Support Enforcement
	CSBG Cluster:
93.569	Community Services Block Grant
93.710	ARRA - Community Services Block Grant
	CCDF Cluster:
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.713	ARRA - Child Care and Development Block Grant
93.658	Foster Care - Title IV-E
93.658	ARRA - Foster Care - IV-E
93.767	Children's Health Insurance Program

Medicaid Cluster:

93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778	Medical Assistance Program
93.778	ARRA - Medical Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs: $30,000,000

Auditee qualified as a low-risk auditee? _____ yes __x__ no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* require to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

2010-1.	**Davis-Bacon Act**

Federal Agency: Department of Education
Federal Program: 84.377 School Improvement Grants
2009 - S377A080027 and 2010 - S377A090026
84.388 ARRA - School Improvement Grants, Recovery Act
2010 - S388A090026
84.010 Title I Grants to Local Educational Agencies
2009 - S010A080025 and 2010 - S010A090025
84.389 ARRA - Title I Grants to Local Educational Agencies, Recovery Act
2010 - S389A090025
State Agency: Department of Elementary and Secondary Education (DESE)

The DESE does not ensure prevailing wages are paid by subrecipients when necessary. School Improvement Grant (SIG) and Title I Grant funds are allowed to be used by subrecipients (school districts) for minor remodeling projects, defined as minor alterations in previously completed buildings. Minor remodeling is not building construction, structural alterations to a building, building maintenance, or repairs.

At the beginning of each school fiscal year, school districts submit a budget and plan for each of these grant funds. The remodeling projects, which may require prevailing wages to be paid in accordance with the Davis-Bacon Act, and equipment purchases greater than $1,000, are recorded by school districts as capital outlays on their budgets and plans. The school districts are required by the DESE to indicate the purpose of the capital outlays in the school district plan; however, the DESE does not review the reported purpose for

capital outlays to ensure remodeling projects are clearly identified. In addition, the DESE does not ensure prevailing wages are paid during monitoring reviews conducted.

During fiscal year 2010, 551 school districts received approximately $257.1 million through the Title I Grant programs. Of that amount, 200 districts recorded approximately $11.2 million in capital outlays on their budgets. Through the SIG programs, 21 school districts received approximately $4.5 million, with approximately $869,000 in capital outlays recorded on the budgets of 6 districts.

We reviewed the budgets and plans of 14 school districts with the largest recorded capital outlays in these programs. This included the six school districts responsible for all of the recorded SIG capital outlays and eight school districts responsible for 36 percent of the Title I Grant capital outlays. All school districts reviewed either failed to adequately report the purpose of capital outlays or did not document the purpose. The DESE was unable to clearly determine from the budgets or school plans whether capital outlays were for minor remodeling versus equipment and the DESE did not follow-up with the school districts for more information on the use of those capital outlay funds. As a result, the DESE could not ensure prevailing wages were paid on applicable projects in compliance with federal requirements.

The Davis-Bacon Act requires all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of $2,000 financed by federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the U.S. Department of Labor (40 USC 3141-3144, 3146, and 3147).

WE RECOMMEND the DESE establish procedures to clearly identify funds expended by subrecipients which may require prevailing wages to be paid, and monitor those subrecipients to ensure compliance with the Davis-Bacon Act.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.

2010-2.	**School Improvement Grants**

Federal Agency:	Department of Education
Federal Program:	84.377 School Improvement Grants 2009 - S377A080027 and 2010 - S377A090026 84.388 ARRA - School Improvement Grants, Recovery Act 2010 - S388A090026
State Agency:	Department of Elementary and Secondary Education (DESE)
Questioned Cost:	$225,680

The DESE did not always ensure payments were made to subrecipients in accordance with approved budgets and DESE written policies, and budget amendments were not adequately documented. In addition, the DESE did not question a school district's ability to spend grant monies timely, as required. During state fiscal year 2010, expenditures for the School Improvement Grants (SIG) program totaled approximately $6.2 million with approximately $4.5 million disbursed to 21 school districts.

The objective of the SIG program is to improve student achievement in Title I school districts identified for improvement, corrective action, or restructuring to enable those school districts to make adequate yearly progress and exit school improvement status. At the beginning of each fiscal year, the DESE substantially approves each school district's budget for SIG funds. DESE written policies allow school districts to begin to obligate these grant funds as of the substantial approval date. The school districts typically submit reimbursement requests to the DESE as the funds are expended. DESE written policies allow for variances of expenditures in approved budget categories without documented approval up to 10 percent of the total grant amount budgeted. The DESE also requires school districts receiving federal funds to indicate the funds have already been spent or will be spent within 3 days of receipt, to help ensure compliance with federal Cash Management Improvement Act requirements to minimize the time elapsing between receipt and disbursement of federal funds.

We reviewed payments made to 10 school districts totaling $1,936,638 or 31 percent of total grant funds expended. We noted concerns with a payment made to one school district.

A. The DESE approved a $695,200 payment to a school district which was not adequately documented or supported by a budget. The DESE substantially approved a SIG budget for this school district in May 2009, for $615,200, with $400,000 budgeted in the purchased services expenditure category. In June 2009, the DESE approved an increase in expenditures of $80,000 for a total amended budget of $695,200; however, there was no documentation of the expenditure category the amendment affected. The school district requested payment of $695,200, entirely from the purchased services expenditure category of the budget. The request was approved and paid by the DESE in September 2009, although only a portion of the original budget had been authorized in this category. Based on the original approved budget and the DESE budget amendment policy, it appears the maximum allowable expenditures in the purchased services budget category was $469,520 ($400,000 original purchased services budget line plus 10 percent of the total amended budget). We question the federal share of the payment made in excess of the documented approved budget category, or $225,680 (100 percent).

   The SIG requirements within 34 CFR Subtitle B, Chapter II, provides school districts shall implement a budget of sufficient size and scope to ensure the school district can implement the required improvement plans. Also, OMB Circular A-87, Section A.3.e.(3) indicates a State must adopt its own written fiscal and

administrative requirements for expending and accounting for all funds, which are consistent with the provisions of OMB Circular A-87, and extend such policies to all subrecipients. These fiscal and administrative requirements must be sufficiently specific to ensure funds are used in compliance with all applicable federal statutory and regulatory provisions, costs are reasonable and necessary for operating these programs, and funds are not used for general expenses required to carry out other responsibilities of a state or its subrecipients.

B. The DESE did not question the ability of the school district to spend the requested monies within 3 days of receipt as required. The school district requested payment from the DESE on September 3, 2009, and received the funds on September 21, 2009, for the entire grant amount of $695,200. The request for payment document indicated the school district had not previously expended any of these funds. It appeared unlikely that the school district could spend this entire grant in such a limited time frame. At our request, the DESE obtained documentation from the school district to support this payment. We noted the following concerns with the supporting documentation provided by the school district:

- The school district did not expend $93,060 within 3 days of receipt of grant funds from the DESE. The school district expended these funds between September 29, 2009 and January 20, 2010.

- The school district issued a $293,195 check on September 15, 2009, to a vendor for services yet to be performed from October 2009 through February 2010. Approximately $201,000 of the disbursement was reimbursed to the school through the payment request. By paying for these services in advance, the school district's options to compel satisfactory completion of the contract were reduced.

In addition to requiring recipients to establish procedures to minimize the time elapsing between receipt and disbursement of federal funds, OMB Circular A-133, Compliance Supplement Part 3, requires recipients (the DESE) to establish similar procedures for its subrecipients when funds are drawn in advance, rather than as a reimbursement. It also requires the DESE to monitor cash drawdowns by their subrecipients to ensure that subrecipients conform substantially to the same standards of timing and amount as apply to the pass-through entity.

WE RECOMMEND the DESE:

A. Ensure all payments are made in accordance with the approved budget, federal guidelines, and written policies, and budget amendments are adequately documented. In addition, the DESE should resolve the questioned costs with the grantor agency.

B. Establish procedures to ensure school districts appropriately expend funds received within the required time-frame.

AUDITEE'S RESPONSE

We agree with the auditor's findings. Our Corrective Action Plan includes our planned actions to address the findings.

2010-3.	**Monitoring of Recovery Act Funds**

Federal Agency: Department of Education
Federal Program: 84.386 ARRA - Education Technology State Grants, Recovery Act 2010 - S386A090025
84.389 ARRA - Title I Grants to Local Educational Agencies, Recovery Act 2010 - S389A090025
84.391 ARRA - Special Education Grants to States, Recovery Act 2010 - H391A090040
84.394 ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act 2010 - S394A090026
84.397 ARRA - State Fiscal Stabilization Fund - Government Services, Recovery Act 2010 - S397A090026
State Agency: Department of Elementary and Secondary Education (DESE)

The DESE did not monitor ARRA funds provided to school districts on a timely basis. ARRA funds for the programs noted above totaling approximately $664 million were provided to school districts through new and existing programs during state fiscal year 2010.

A. The DESE could have more timely monitored school district use of ARRA funds received under previously established programs. ARRA funds totaling approximately $182 million were provided to school districts through the Education Technology, Title I, and Special Education programs during fiscal year 2010. ARRA funds were allocated to eligible districts based on various program requirements and not all districts received funding under each program.

The DESE has an ongoing system of annual program reviews (including onsite and desk reviews) for monitoring school districts based on a 5-year rotational basis. Onsite reviews, as well as desk reviews, are used to assess whether expenditures are allowable and reasonable in nature. Supporting documentation of district expenditures is reviewed during onsite reviews, while only summary information provided by each school district is reviewed during desk reviews. Onsite reviews are performed of school districts the DESE has assessed as high

risk. Districts may also be included in an onsite review, based on the risk assessment performed by the DESE, regardless of the 5-year rotation. The reviews performed by the DESE in fiscal year 2010 covered only fiscal year 2009 expenditures, which had no ARRA program expenditures. School districts began incurring fiscal year 2010 expenditures under the Education Technology, Title I, and Special Education programs in July 2009. As of December 2010, the DESE had still not performed monitoring activities for these expenditures. The ARRA funds for these programs must be spent by September 30, 2011.

In addition, the DESE utilizes checklists for both onsite and desk reviews for each program to monitor school district use of federal funds. While the DESE has added a step to the checklist to require ARRA expenditures be reviewed during the fiscal year 2011 reviews, the DESE has not established the number or percentage of expenditures to be reviewed to ensure adequate coverage of ARRA expenditures. DESE officials indicated they did not change or expedite the monitoring for these ARRA funds because the purpose of these funds were the same as other grants schools had received in the past, school plans and budgets for the funds had been approved by DESE, and no guidance was received from the U.S. Department of Education (USDE) regarding additional monitoring of these ARRA funds.

B. The DESE did not monitor the State Fiscal Stabilization Fund (SFSF) monies provided to school districts on a timely basis to ensure compliance with federal guidelines. In March 2010, the DESE adopted a plan to monitor these new program monies; however, monitoring activities were not started until after significant expenditures were incurred and fiscal year 2010 had ended. The SFSF programs were new in state fiscal year 2010, and SFSF monies totaling approximately $482 million were provided to 551 school districts during the fiscal year.

Each school district was allocated SFSF monies at the beginning of the fiscal year based on the basic school funding formula, and the funds were disbursed to each school district monthly. These funds were allocated for general school district operations with few restrictions on use. However, these funds cannot be used for maintenance costs, stadiums or other facilities primarily used for athletic events, purchases or upgrades of vehicles, improvement of stand-alone administrative offices, and certain school modernization. Quarterly reports are prepared by the DESE identifying the total expenditures by budget category based on information provided by school districts. If applicable, jobs and vendor information is also provided by the school districts for the quarterly reports; however, supporting documentation is not required to be submitted.

The annual monitoring plan adopted by the DESE for the 551 school districts receiving SFSF monies called for onsite reviews of 11 higher risk school districts (2 percent); desk reviews of 111 school districts (20 percent), and reviews of the independent audit reports for all school districts. Supporting documentation of

district expenditures is reviewed during onsite reviews, while only summary information provided by each school district is reviewed during desk reviews. A detailed risk assessment was performed of each school district to determine which districts will receive onsite or desk reviews. The risk assessment included factors such as the amount of SFSF monies received by the school district, the school district's financial stability, and whether federal program findings were identified in the school district's independent audit reports.

Although the DESE began expending the SFSF in July 2009, the DESE did not perform a risk analysis of these funds until September 2010, or begin monitoring until November 2010. The majority of the monitoring planned for these programs had still not been completed almost 6 months after the end of the fiscal year. As of December 15, 2010, all 11 onsite reviews had been performed, but the desk reviews had not started. In addition, as of January 12, 2011, 539 of the 551 school districts had submitted independent audit reports, but only 119 of the audit reports had been reviewed by the DESE.

OMB Circular A-133, section .400(d)(3), requires the DESE to monitor subrecipients through reporting, site visits, regular contact, or other means "…to ensure federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts and grant agreements and performance goals are achieved." In addition, the USDE issued specific guidance over the SFSF program in April 2009, indicating the DESE has oversight responsibilities and must monitor activities to ensure compliance with all applicable federal requirements. Given the magnitude of ARRA funds received, the additional federal requirements related to these funds, and heightened federal expectations of transparency and accountability, more comprehensive and timely monitoring procedures appear needed. While current review procedures performed only after the conclusion of the fiscal year may be acceptable for existing ongoing programs, they may not be adequate for the additional temporary ARRA funds. Without adequate and timely monitoring of ARRA funds, noncompliance with federal guidelines is unlikely to be detected in a timely manner and would not allow corrective action by the DESE before the end of the program.

WE RECOMMEND the DESE develop additional monitoring procedures to ensure ARRA expenditures are in compliance with federal guidelines. In addition, these procedures should be performed on a timely basis.

AUDITEE'S RESPONSE

We disagree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement.

2010-4.	Section 1512 Reporting

Federal Agency: Department of Education
Federal Program: 84.386 ARRA - Education Technology State Grants, Recovery Act
2010 - S386A090025

84.388 ARRA - School Improvement Grants, Recovery Act
2010 - S388S090026
84.389 ARRA - Title I Grants to Local Education Agencies, Recovery Act
2010 - S389A090025
84.391 ARRA - Special Education Grants to States, Recovery Act
2010 - H391A090040
84.392 ARRA - Special Education - Preschool Grants, Recovery Act
2010 - H392A090103
84.394 ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act
2010 - S394A090026
84.397 ARRA - State Fiscal Stabilization Fund - Government Services, Recovery Act
2010 - S397A090026
State Agency: Department of Elementary and Secondary Education (DESE)

The DESE does not have adequate controls and procedures in place to ensure Section 1512 reports are complete and accurate and payments made through the School Improvements Grants (SIG) program were not properly classified. In addition, the DESE does not have a formal written plan in place for the Section 1512 reporting process.

Section 1512 of the ARRA requires comprehensive reporting for certain ARRA awards to promote transparency and accountability over the use of such funds. This section requires various data elements to be reported on a quarterly basis by prime recipients detailing the use of ARRA funds including the total grant award, the amount received and expended, and certain elements for vendor payments and subawards. Additionally, prime recipients are required to report on planned projects and activities, including the status of project completion and an estimate of direct jobs created or retained. Prime recipients may solicit information for some data elements from subrecipients and vendors to help meet Section 1512 reporting requirements. Additionally, in some cases prime recipients may delegate certain reporting duties to their subrecipients, although the state of Missouri, as the prime recipient of these funds, has not delegated such responsibilities.

A. The DESE does not have adequate controls and procedures in place to provide assurance Section 1512 report information submitted by school districts and universities (subrecipients) is complete and accurate. During state fiscal year

2010, the DESE disbursed approximately $665 million in ARRA funds to subrecipients.

On a quarterly basis, school districts submit data specific for Section 1512 reporting through an online reporting system administered by the DESE. Once all information is received, DESE personnel compile data for each program, upload the information into the state's Section 1512 reporting system (STIM 360), and perform a review to ensure information entered into STIM 360 agrees to the online reporting system. Some elements submitted by the school districts, such as subaward identifying numbers, award amounts, and project descriptions, are consistent each quarter and are prepopulated in STIM 360 from prior quarters, requiring little oversight by the DESE on a quarterly basis. For other elements, DESE personnel review information submitted for reasonableness, and compare expenditure data to SAM II and revenue data to drawdown reports; however, the DESE relies on the accuracy and completeness of much of the other information submitted by the school districts, such as jobs created or retained and vendor payments, for each quarterly report. In addition, during state fiscal year 2010, the SIG program obtained jobs data from the program's one subrecipient, a state university; all other data elements were available at the DESE. However, the DESE relied on the jobs data received from the university for Section 1512 reporting purposes.

For the Education Technology, SIG, Title I, and Special Education programs, the DESE has an ongoing system of annual program reviews, including onsite monitoring and desk reviews, for monitoring school districts based on a 5-year rotation. For the State Fiscal Stabilization Fund (SFSF) program, a new program in state fiscal year 2010, the DESE has established a monitoring plan for reviewing a percentage of school districts each year, through both onsite monitoring and desk reviews. However, for each program, monitoring procedures performed did not include a review of documentation supporting the data submitted by subrecipients and relied on for Section 1512 reporting. According to DESE personnel, steps were added to the SFSF monitoring checklist during state fiscal year 2011 and they are working on adding steps to their monitoring checklists for the remaining programs to include a review of certain Section 1512 data elements.

OMB Memorandum M09-21 states the DESE, as prime recipient, is ultimately responsible for the reporting of all data required by Section 1512 of the ARRA. Additionally, the prime recipients, as owners of the data submitted, have the principal responsibility for the quality of the information submitted. Without adequate monitoring procedures in place over the subrecipient data, the DESE has less assurance the information included in the Section 1512 reports for the various programs is complete and accurate.

B. Payments made through the SIG program were not properly classified on the Section 1512 report. During the year ended June 30, 2010, the DESE expended

$400,000 in ARRA funds through the SIG program, all of which was disbursed to one university to provide technical and grant application assistance to school districts. Our review of the March 31, 2010, Section 1512 report for the SIG program noted payments made to the university were classified as vendor payments although the DESE indicated ARRA funds had been passed through to subrecipients on its Schedule of Expenditures of Federal Awards. According to DESE personnel, the payments were misclassified and will be correctly identified as subrecipient payments on future Section 1512 reports.

OMB Memorandum M09-21, Supplement 2, outlines the various reporting elements required to be reported, including vendor and subrecipient data. Data elements required to be reported differ if the payments are made to vendors versus subrecipients. Required data elements for subrecipients are more extensive and include items such as subaward number and amount and total amount of subawards disbursed, whereas vendor payments are only required to include a description of the product/service provided and the payment amount. Without properly classifying payments in Section 1512 reports, the DESE cannot ensure all data elements are reported as required.

C. The DESE does not have a formal written plan in place to address the Section 1512 reporting process. A formal written plan would help ensure Section 1512 reports are complete and accurate. The plan should, at a minimum, document the flow of information, define the responsibilities of subrecipients and various program personnel, and include procedures for ensuring the accuracy and completeness of all Section 1512 reporting elements. Without a formal written plan in place, the DESE has less assurance the various reporting responsibilities, such as data collection and verification, have been relayed to and understood by all parties of the reporting process.

WE RECOMMEND the DESE:

A. Establish procedures to ensure the accuracy and completeness of data submitted by subrecipients for Section 1512 reporting purposes.

B. Properly classify subawards on Section 1512 reports for the SIG program.

C. Establish a formal written plan for all programs that require Section 1512 reporting.

AUDITEE'S RESPONSE

A&B. We agree with the auditor's findings. Our Corrective Action Plan includes our planned actions to address the findings.

C. We disagree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement.

2010-5.	Food Instruments

Federal Agency: Department of Agriculture
Federal Program: 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children
2007 - 07WICSPNDRFD and 3MO700754-07
2008 - 3MO700754-08
2009 - 09WIC, 09WICSPNDFWD, and 09BRSTFEDWIC
2010 - 10WIC, 10WICSPNDFWD, and 10BRSTFEDWIC
State Agency: Department of Health and Senior Services (DHSS)
Questioned Costs: $43,140

For the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), the DHSS does not have adequate controls in place to ensure the disposition of voided food instruments (WIC checks) are properly accounted for as required by program regulations.

The DHSS awarded subgrants to 118 local WIC providers (LWP) to certify applicant eligibility for benefits and to deliver benefits to eligible persons (participants). Periodically, participants receive checks which list the food to be purchased from authorized dealers by quantity, size, and brand. For example, a check issued in April 2010 provided that the maximum of $12.52 could be spent to purchase 24 ounces of infant cereal, approved brands and 16, 4-ounce jars of infant fruits/veggies, approved brands. All LWPs utilize the Missouri WIC Information Network System (MOWINS) to maintain information regarding participants and WIC checks.

During the year ended June 30, 2010, these LWPs issued over 7.5 million checks to participants, totaling approximately $156.5 million. Of the checks issued, 191,380 checks, totaling $4,904,961, were identified as void in the MOWINS. Checks are voided when returned as unused by a participant or when not issued to the participant because a wrong amount or item was printed. However, the DHSS does not have established procedures to identify if voided checks in MOWINS are later redeemed. Additionally, DHSS policies/procedures provide that voided checks are to be defaced as void and destroyed as soon as possible. This was not always done by the LWPs since checks voided in MOWINS were later redeemed by participants. As a result, we determined that 2,191 (1 percent) of the voided checks in MOWINS were redeemed by participants. We question the federal share of the voided checks that were issued and redeemed, or $43,140.

According to 7 CFR Section 246.12(q), the DHSS must account for the disposition of all WIC checks as either issued or voided, and as either redeemed or unredeemed. The disposition process must be performed within 120 days of the first valid date for participant use of the check and must be conducted in accordance with the financial management requirements of 7 CFR Section 246.13.

WE RECOMMEND the DHSS develop controls and procedures to prevent voided checks from being redeemed. In addition, the DHSS should resolve the questioned costs with the grantor agency.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.

2010-6.	**Eligibility Reassessments**

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
2009 - 0905MO5028 and 0905MO5048
2010 - 1005MO5MAP/XIX-MAP10 and
1005MO5ADM/XIX-ADM10
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA and 2010 - 1005MOARRA
State Agency: Department of Health and Senior Services (DHSS)
Questioned Costs: $598,286

The DHSS does not have effective controls in place to ensure annual reassessments to determine the eligibility of recipients receiving State Plan Personal Care (PC) or Aged and Disabled Waiver (ADW) services are conducted, as required.

The Medical Assistance Program, also known as Medicaid, is administered by the Department of Social Services (DSS), MO HealthNet Division, while the DHSS is charged with providing comprehensive assessments/reassessments and case management services for Medicaid recipients who are eligible for the PC or the ADW program services, and to authorize the services to be provided based on a plan of care. These services provide assistance to help qualifying recipients remain in or return to their home or community, and include services such as bathing, grooming, and dressing; general toileting activities; cleaning, dusting, and laundry; meal preparation and/or assistance with eating and washing dishes; and transportation for shopping/errands and medical appointments. Other services include advanced personal care, authorized nurse visits, and respite care. During the year ended June 30, 2010, over 72,500 recipients received PC and ADW services, with payments for these services totaling approximately $466 million.

We tested 66 cases randomly selected from the Medicaid cases receiving PC or ADW services for all or part of the year ended June 30, 2010. Payments for the services related to these cases for the year ended June 30, 2010 totaled approximately $990,000. We noted the DHSS did not perform annual reassessments of eligibility for 49 of 66 (74 percent) cases reviewed. The most recent reassessment for the majority of these cases was completed 2 to 4 years ago; however, the most recent reassessment for 2 cases was

last completed over 10 years ago. As a result, the DHSS could not demonstrate payments related to these 49 cases were made on behalf of eligible individuals. The payments made on behalf of the recipients without annual reassessments during the year ended June 30, 2010, totaled $806,967. We question the federal share of these payments or $598,286 (74.14 percent).

Federal regulation 42 CFR Section 441.302(c) requires a reassessment of eligibility at least annually to ensure ADW recipients continue to be eligible for benefits, and the Cooperative Agreement between the DSS and the DHSS provides for periodic reassessments of the PC and ADW services to ensure the continued necessity, appropriateness, and adequacy of the services. The DHSS policy manual, section 1606.20, provides that the reassessment be completed at least annually to establish continued eligibility for services, ensure adequacy of the care plan and determine the level of client satisfaction of the provider and service delivery. The failure to perform annual reassessments as required can result in service payments being made on behalf of ineligible individuals.

WE RECOMMEND the DHSS establish effective controls to ensure the annual reassessments are conducted as required. In addition, the DHSS should resolve the questioned costs with the grantor agency.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

2010-7.	**Teacher Loan Forgiveness Payments**

Federal Agency: Department of Education
Federal Program: 84.032 Federal Family Education Loans
State Agency: Department of Higher Education (DHE)
Questioned Costs: $1,408,723

The DHE did not make payments to lenders within 45 days as required by program regulations for teacher loan forgiveness (TLF) claims. During the year ended June 30, 2010, payments totaling approximately $3.83 million were made for 558 TLF claims.

The DHE is Missouri's guarantor agency for student loans generated under the Federal Family Education Loan program. The DHE contracts with a loan servicer to act on the state's behalf in processing TLF claims received from lenders for teachers requesting forgiveness of their student loans. The contractor's responsibilities include determining whether certain eligibility requirements are met, approving or denying TLF claims, and processing and paying approved claims in accordance with federal regulations.

DHE compliance personnel periodically review TLF claims processed by the loan servicer for compliance with federal regulations, which includes ensuring approved TLF claims are paid within 45 days after receiving lender requests. As noted in our prior report, the DHE review of TLF claims paid in fiscal year 2010 noted errors with the timeliness of some payments made. During our current audit, we tested 16 TLF claim payments and identified 7 that were not paid timely according to federal regulations. Although these payments appeared to be for eligible recipients, payments were made between 51 and 58 days after receiving the lenders' requests.

Of the TLF claims paid during the year ended June 30, 2010, the DHE identified 184 claims (33 percent) that were paid untimely, which includes the 7 errors noted during our review. All fiscal year 2010 TLF claim payments identified as being paid untimely occurred between July and October 2009. We question the federal share of the 184 claim payments, or $1,408,723. Both the loan servicer and the DHE indicated procedures were updated in October 2009 to use the correct date parameters and to ensure the timely payment of TLF claims. Since this change, the DHE review has not identified any errors and our review of five TLF claims paid between November 2009 and June 2010 also did not identify any errors.

Federal regulation 34 CFR 682.215(f)(3) requires the guaranty agency, within 45 days of receiving the lender's request, determine if the borrower is eligible for loan forgiveness, notify the lender of the determination, and if approved, pay the lender the amount of the claim, up to $17,500.

WE RECOMMEND the DHE continue monitoring to ensure TLF payments are made in a timely manner in accordance with federal regulations. In addition, the DHE should resolve the questioned costs with the grantor agency.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reason for our disagreement and any planned actions to address the finding.

2010-8.	**State Fiscal Stabilization Fund**

Federal Agency: Department of Education
Federal Program: 84.394 ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act
2010 - S394A090026
84.397 ARRA - State Fiscal Stabilization Fund - Government Services, Recovery Act
2010 - S397A090026
State Agency: Department of Higher Education (DHE)

The DHE does not have policies and procedures in place to monitor the State Fiscal Stabilization Fund (SFSF) monies provided to subrecipients to ensure compliance with federal guidelines. The DHE did not properly identify the source of federal funds disbursed to subrecipients or relay audit responsibilities under OMB Circular A-133 as required. In addition, the DHE does not have adequate controls and procedures in place to ensure Section 1512 reports are complete and accurate for the SFSF program.

During state fiscal year 2010, the DHE disbursed approximately $134 million of SFSF monies, awarded under the ARRA, to 23 state Institutions of Higher Education (institutions) to restore state support. Each institution was allocated SFSF monies at the beginning of the fiscal year based on amounts appropriated by the state legislature. The DHE disbursed the funds to the various institutions in 12 equal monthly payments during the fiscal year. The SFSF program monies are required to be obligated or expended by September 30, 2011, and the DHE anticipates disbursing the remainder of program funds, an estimated $41 million, to the institutions by the end of June 2011.

A. The DHE has not established a monitoring plan to review funds provided to and expended by the institutions and has not performed any monitoring of the SFSF monies, such as on-site monitoring visits, desk reviews, or obtaining OMB Circular A-133 audit reports from the various institutions. According to DHE officials, they were unaware of their monitoring responsibilities over SFSF monies and do not have or intend to establish an audit function within the DHE to fulfill such responsibilities. However, DHE personnel indicated they have recently contracted out monitoring activities over the institutions, which are set to begin during March 2011.

   OMB Circular A-133 requires the DHE to monitor subrecipients to ensure federal awards are used for authorized purposes in compliance with laws, regulations, and provisions of contracts and grant agreements and that performance goals are achieved. In addition, the U.S. Department of Education issued specific guidance over this program in April 2009, indicating the DHE has oversight responsibilities and must monitor activities to ensure compliance with all federal requirements of the SFSF program. Given the magnitude of ARRA funds received, the additional federal requirements relating to these funds, and the heightened federal expectations of transparency and accountability, timely monitoring of the use of funds by the institutions is needed. Without adequate and timely subrecipient monitoring procedures, there is less assurance funds disbursed to the institutions are used for the intended purpose, and noncompliance with federal guidelines is unlikely to be detected in a timely manner and would not allow for corrective action before the program ends.

B. The DHE did not identify the federal award information to each institution at the time of subaward as required by federal regulations. While a spreadsheet was provided to each institution outlining the funding sources and monthly amounts to be received from the state, including funding from the state's Federal Budget Stabilization Fund, the spreadsheet did not identify specific federal award

information such as the CFDA title and number, award year, or the federal agency. Additionally, each institution signed a Statement of Assurances outlining the specific ARRA compliance requirements and their responsibilities for meeting those requirements; however, the DHE did not communicate the responsibilities of the institutions to comply with additional SFSF program requirements or the general requirements applicable to all federal programs. Furthermore, the DHE did not communicate the responsibilities of the institutions to separately identify ARRA funds on their schedule of expenditures of federal awards (SEFA), or meet OMB Circular A-133 Single Audit requirements.

OMB Circular A-133, Section .400(d), requires the DHE, as a pass-through entity, to identify federal awards made by informing each subrecipient of the CFDA title and number, award name and number, award year, and the name of the federal agency. In addition, the pass-through entity is required to ensure that subrecipients expending $500,000 or more in federal awards during the subrecipient's fiscal year have met A-133 Single Audit requirements. OMB Circular A-133 Compliance Supplement Part VII, also requires pass-through entities to require their subrecipients to separately identify the expenditures of federal awards under the ARRA on their SEFA. Without properly identifying federal award information to institutions or communicating responsibilities, the DHE has less assurance the institutions understand their responsibilities in meeting the federal requirements.

C. The DHE does not have adequate procedures in place to provide assurance Section 1512 report information submitted by the institutions is complete and accurate. The DHE has limited procedures to ensure expenditure and subaward data is complete and accurate; however, the DHE does not perform any monitoring of institution-submitted data, through either on-site monitoring or desk reviews of supporting documentation, to ensure elements relied on for reporting purposes are adequately supported.

Section 1512 of the ARRA requires comprehensive reporting for certain ARRA awards to promote transparency and accountability over the use of such funds. This section requires various data elements to be reported on a quarterly basis by prime recipients detailing the use of ARRA funds including the total grant award, the amount received and expended, and certain elements for vendor payments and subawards made. Additionally, prime recipients are required to report on planned projects and activities, including the status of project completion and an estimate of direct jobs created or retained. Prime recipients may solicit information for some data elements from subrecipients and vendors to help meet Section 1512 reporting requirements. Additionally, in some cases, prime recipients may delegate certain direct reporting duties to their subrecipients, although the state of Missouri, as the prime recipient of these funds, has not delegated such responsibilities.

On a quarterly basis, the DHE sends out a Section 1512 report template to be completed and returned by each institution. Once all information is received, DHE personnel enter the data into the state's Section 1512 reporting system (STIM 360) and perform a review to ensure information entered agrees to the information received from the institutions. Some elements submitted by the institutions, such as subaward identifying numbers, award amounts, and project descriptions, are consistent each quarter and are prepopulated in STIM 360 from prior quarters, requiring little oversight from the DHE on a quarterly basis. For the other elements, DHE personnel review information submitted for reasonableness and compare expenditure data to SAM II; however, the DHE relies on the accuracy and completeness of much of the other information submitted by the institutions, such as jobs created or retained and vendor payments, for each quarterly report. As of December 2010, institutions had not submitted any vendor payment information and the DHE could not determine whether any vendor information should have been included, although program descriptions submitted by some institutions contained plans that could involve vendor purchases.

OMB Memorandum M09-21 states the DHE, as prime recipient, is ultimately responsibility for reporting of all data required by Section 1512 of the ARRA. Additionally, the prime recipients, as owners of the data submitted, have the principal responsibility for the quality of the information submitted. Without adequate monitoring procedures in place over the data submitted by the institutions, the DHE has less assurance the information included in the Section 1512 reports for the SFSF program is complete and accurate.

WE RECOMMEND the DHE:

A. Develop policies and procedures for the timely monitoring over the use of SFSF program monies by the institutions to ensure compliance with federal requirements.

B. Establish procedures to identify federal award information to the institutions at the time of the subaward and communicate subrecipient responsibilities under OMB Circular A-133.

C. Develop policies and procedures for the SFSF program to ensure the accuracy and completeness of data submitted by the institutions for Section 1512 reporting purposes.

AUDITEE'S RESPONSE

We agree with the auditor's findings. Our Corrective Action Plan includes our planned actions to address the findings.

2010-9.	Benefit Payments

Federal Agency: Department of Labor
Federal Program: 17.225 Unemployment Insurance
2009 - UI-18030-09-55-A-29
2010 - UI-19592-10-55-A-29
17.225 ARRA - Unemployment Insurance
2009 - UI-18030-09-55-A-29
2010 - UI-19592-10-55-A-29
State Agency: Department of Labor and Industrial Relations (DLIR)

Controls and procedures used to manage unemployment benefits were not adequate, resulting in errors in benefits paid or owed to claimants and in establishing overpayments. During the year ended June 30, 2010, total federal unemployment insurance benefits paid totaled over $2.2 billion.

According to 20 CFR Part 601.1, the structure of the Unemployment Insurance (UI) program is based on federal statute; however, it is implemented through state law. The UI program is funded through a combination of employer payroll taxes, employer reimbursements and federal monies, depending on the types of benefits paid. The ARRA provided additional federal funding for additional weeks of Emergency Unemployment Compensation (EUC) and Extended Benefits (EB), as well as Federal Additional Compensation (FAC) consisting of $25 weekly to supplement the unemployment benefits of eligible claimants. Further extension of these programs, which extended the program end dates, were funded with federal general revenues.

A claimant has several levels/types of benefits that can be received depending on eligibility and the timing of the benefits. Regular UI benefits are the first level against which eligible claimants can draw. After regular benefits have been exhausted, a claimant can receive EUC benefits which involves four tiers. When the First Tier benefits are exhausted, the claimant can receive benefits from the Second Tier, and so forth, if certain criteria are met. Each tier represents additional weeks of benefits that can be claimed. When triggered during times of high unemployment, a claimant can also receive benefits from the EB level after the EUC benefits are exhausted.

The DLIR has various procedures to detect unreported wages earned by claimants receiving unemployment benefits. When this occurs, a claimant may have been overpaid unemployment benefits, depending on the amount of wages unreported. If overpaid, the DLIR will establish an overpayment of benefits and take measures to recover the overpayment. Also, an overpayment can result in restoring a balance to the specific types or tiers of benefits. Thus, one level of benefits may not have been exhausted before payments were made from the next level.

Due to concerns noted in the prior report, computer programming was implemented by the DLIR to identify claimants with potential restored balances due to overpayments;

however, the DLIR indicated 2,187 such cases remained unresolved as of January 3, 2011. DLIR personnel indicated these cases have to be reviewed manually, and while four employees have been trained to resolve these issues, staff members are often pulled from this area to work on other benefit disbursement issues relating to further program extensions, which take priority. We reviewed 61 benefit payments, covering the various payments types, made to 25 claimants listed on the DLIR report of potential restored balances as of January 21, 2011. During our review, we noted 17 errors in the accounts of 14 of these claimants.

A. For eight accounts reviewed, we noted benefits from a previous level were initially exhausted; however, due to the DLIR identifying the failure of the claimants to report wages earned, overpayments of benefits totaling $3,592 were established. Since these overpayments were made from a level that had previously been exhausted, when repaid or recouped, the benefits of that previous level will no longer be exhausted. As a result, the potential exists that these benefits would not subsequently be paid to the claimants when owed. The DLIR needs to expedite efforts to resolve all overpayment cases with potential restored balances, to ensure claimants subsequently receive all applicable benefits owed.

   Generally, all monies should be paid from one level before payments are made from the next level. The overpayments above were established in a prior level but benefits continued to be paid out from subsequent levels, instead of reverting back to the level where the overpayment was repaid or recouped until that level was again exhausted. As a result, the previous levels still have some benefits available to these claimants that had not been utilized. Unemployment Insurance Program Letter (UIPL) 23-08 indicates EUC is payable to individuals who have exhausted all rights to regular compensation and UIPL 23-08, Change 3, indicates an individual will qualify for Second Tier benefits when First Tier is exhausted. Also, UIPL 23-08 Change 5, indicates an individual may qualify for the next higher Tier when the Second Tier or Third Tier is exhausted.

B. For one account reviewed, an overpayment of $4,760 (which includes $500 overpayment of FAC) was not properly established on an EUC Tier 1 claim due to an oversight by DLIR personnel entering the identified overpayments. Benefit payments totaling $11,536 (which includes $1,225 of FAC) were issued for regular UI, EUC Tier I, and EUC Tier II benefit programs to a claimant initially found eligible by the Appeals Tribunal. When the DLIR Commission later reversed the decision of the Appeals Tribunal, the claimant was declared ineligible to have received these benefits and a notice was sent to the Benefit Payment Control Unit to establish the overpayments. Overpayments were properly established for the regular UI overpayment of $5,824 and the EUC Tier II overpayment of $952; however, an overpayment was not established for the EUC Tier I amount of $4,760.

   Section 288.380.9(3), RSMo, provides future unemployment benefits may be offset for overpayments and Section 288.380.14, RSMo, provides recovering

overpaid benefits may be pursued through billing, setoffs against state and federal tax refunds, intercepts of lottery winnings, and other collection efforts. Procedures should be reviewed to ensure all overpayments are properly established so collection can be pursued.

C. For eight accounts reviewed, we noted FAC overpayments totaling $425 were not offset from other weekly benefits disbursed to claimants. DLIR personnel indicated that computer programming was implemented at the beginning of the FAC program to ensure FAC monies were only used to offset FAC overpayments. FAC overpayments were recovered from subsequent FAC benefits until the FAC program ended on December 11, 2010, at which time recovery of FAC overpayments ceased. DLIR personnel indicated they detected the FAC offset issue prior to our review and the Information Technology Services Division is currently updating computer programming to recover FAC overpayments from other allowable benefits.

UIPL 11-09 provides that FAC may only be used to offset FAC overpayments; however, it also provides a state may use other Federal Unemployment Compensation to offset FAC overpayments in that state.

Personnel indicated the U.S. Department of Labor had issued numerous implementation instructions because of the continuous program extensions and the DLIR was under very restricted time constraints to implement changes immediately.

WE RECOMMEND the DLIR:

A. Expedite efforts to resolve cases with restored balances and ensure any payments due to the claimants are paid.

B. Develop procedures to ensure all overpayments are properly established so collection can be pursued.

C. Implement computer programming to offset FAC overpayments from other allowable benefits.

AUDITEE'S RESPONSE

We agree with the auditor's findings. Our Corrective Action Plan includes our planned actions to address the findings.

2010-10.	Reporting

Federal Agency: Department of Labor
Federal Program: 17.225 Unemployment Insurance
2009 - UI-18030-09-55-A-29
2010 - UI-19592-10-55-A-29
17.225 ARRA - Unemployment Insurance
2009 - UI-18030-09-55-A-29
2010 - UI-19592-10-55-A-29
State Agency: Department of Labor and Industrial Relations (DLIR)

Controls and procedures over reporting are in need of improvement. Due to inadequate procedures and a lack of oversight, reports necessary to comply with federal reporting requirements were not submitted timely and some reports submitted were not accurate.

The U.S. Department of Labor (USDOL) Employment and Training Administration (ETA) requires state agencies participating in the Unemployment Insurance (UI) program to submit various reports to document program and administrative expenditures and activity. Reports may be submitted monthly, quarterly, or annually, depending on the specific report.

The DLIR has an individual that is responsible for monitoring most reports and ensuring reports are filed timely; however, no one is responsible for monitoring the timeliness of the ETA 9130 reports. The ETA 9130 Financial Report provides detailed expenditure information on the grant award activities, and numerous reports should be filed quarterly for the various activities associated with each type of grant. Of the 52 ETA 9130 reports filed for the year ended June 30, 2010, 15 (29 percent) were filed 9 to 20 days after the due date. Most of the reports required for the quarter ended March 31, 2010, and some reports for the quarter ended December 31, 2009, were not filed timely. Although the DLIR utilizes a USDOL system in place that produces a report called "reports prompt" (timely) and a report called "reports not prompt", the ETA 9130 reports are not tracked through this system.

In addition, all monthly ETA 2112 reports filed with the USDOL during fiscal year ended June 30, 2010, were inaccurate, and 1 of 12 (8 percent) of the reports was submitted 25 days late. According to the UI Reports Handbook No. 401, the ETA 2112 UI Financial Transaction Summary report is a required monthly summary of transactions in the state unemployment fund. The ETA 2112 reports included incorrect totals for ARRA and non-ARRA benefits paid. For example, we noted one error which resulted in underreporting $9.5 million of restricted ARRA monies in the Unemployment Trust Fund Account. While DLIR procedures for the review of the ETA 2112 reports required the preparer to submit the report and supporting documentation to supervisory staff for review, these procedures were not adequate to detect the errors. Also, the DLIR had known since January 2010 that ARRA and non-ARRA benefit payment amounts were not accurately segregated in the accounting records, which resulted in inaccurate ETA 2112 reports.

After receiving additional guidance from the USDOL, the computer system was reprogrammed and the DLIR began revising reports for resubmission. Once all reports are revised for the year ended June 30, 2010, the reports will be resubmitted to the USDOL. As of February 2011, corrections are still pending and reports have not been resubmitted to the USDOL.

With the lack of oversight, not utilizing the system in place to monitor timeliness of reports, and not properly recording the ARRA versus non-ARRA benefits paid, reports were not submitted timely or accurately.

WE RECOMMEND the DLIR improve procedures to ensure applicable reports are filed with the USDOL within the required timeframe. The DLIR should ensure adequate oversight of the reporting process to ensure reports are accurate and utilize the tracking reports to monitor the timeliness of reports.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.

2010-11. Schedule of Expenditures of Federal Awards

Federal Agency:	Department of Labor
Federal Program:	17.225 Unemployment Insurance
	2009 - UI-18030-09-55-A-29
	2010 - UI-19592-10-55-A-29
	17.225 ARRA - Unemployment Insurance
	2009 - UI-18030-09-55-A-29
	2010 - UI-19592-10-55-A-29
State Agency:	Department of Labor and Industrial Relations (DLIR)

DLIR controls and procedures are not sufficient to prevent or detect errors in accounting records and financial reports and to ensure the timely preparation of an accurate schedule of expenditures of federal awards (SEFA).

Financial accounting records consisting of cash journals, general ledgers, and trial balances, which are used in the preparation of the SEFA, were not accurate. Due to personnel changes related to an employee retirement, duties were reassigned and a different employee started preparing the records during the audit period. The employee who previously prepared the records became responsible for reviewing the records. However, the preparation and review of these records was not adequate. During our review, various errors were noted. In addition, during a significant portion of the audit period, the DLIR was unable to separately identify regular Unemployment Insurance (UI) and ARRA UI expenditure amounts relating to benefit payments, as required, on financial accounting records and reports. The DLIR indicated this was because directives issued by

the U.S. Department of Labor (USDOL) in Unemployment Insurance Program Letters were unclear as to funding sources (ARRA or federal general revenue) for various program extensions, and requests to the USDOL for clarification were not answered timely. Although the DLIR reconciliation procedures detected these potential reporting discrepancies for ARRA amounts as early as January 2010, a corrective course of action was not determined until July 2010 when further guidance was obtained. After making programming changes, regenerating various financial reports, reviewing the financial reports, and making corrections to the financial reports, the DLIR was finally able to produce an accurate SEFA and supporting financial reports on December 20, 2010.

Also, because the financial accounting records and reports were not finalized in a timely manner, the DLIR was delayed in providing to the Office of Administration financial statements and related adjusting entries necessary for presentation in the state of Missouri Comprehensive Annual Financial Report. Additionally, periodic reports filed to comply with other federal UI program reporting requirements were originally based on inaccurate data, requiring the reports to be re-submitted to the USDOL.

Recipients are required to maintain records that identify adequately the source and application of ARRA awards and provide separate identification of ARRA awards in their SEFA, pursuant to 2 CFR 176.210(b). The financial management system must accurately generate the required reports and allow tracing of funds to establish ARRA and non-ARRA funds were used for authorized purposes and allowable costs. In addition, the controls over the accounting records should provide accurate data for other required federal reports.

WE RECOMMEND the DLIR implement procedures to prepare a complete and accurate SEFA in a timely manner. In addition, the DLIR should ensure financial accounting records and reports are prepared properly and adequately reviewed to detect and correct errors in a timely manner.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.

2010-12. Comprehensive Home and Community-Based Services Waiver

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
2009 - 0905MO5028 and 0905MO05048
2010 - 1005MO5ADM and 1005MO5MAP
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA
2010 - 1005MOARRA

State Agency: Department of Social Services - Missouri HealthNet Division (DSS-MHD), and the Department of Mental Health - Division of Developmental Disabilities (DMH-DD)

During the fall of 2009, the DMH-DD converted services provided to MO HealthNet-eligible clients at two state-operated facilities from the Intermediate Care Facilities for the Mentally Retarded (ICF/MR) Program to a Medicaid Waiver program without ensuring the related services constituted allowable home and community-based services. The federal grantor agency, U.S. Department of Health and Human Services (DHHS) Centers for Medicare and Medicaid Services (CMS), subsequently disapproved a waiver amendment request related to this action.

Pursuant to 42 CFR, Part 441(G), the DSS-MHD has obtained a waiver of statutory requirements to provide an array of home and community-based services (which may permit an individual to avoid institutionalization), including the Mental Retardation/Developmental Disabilities Comprehensive Home and Community-Based Services Waiver (MRDD comprehensive waiver). The DSS-MHD has entered into an interagency agreement with the DMH-DD to operate this waiver program. While the DSS-MHD serves as the oversight agency for the MRDD comprehensive waiver, actual operation of the waiver program is overseen by the DMH-DD since it is the statutorily-authorized agency with administrative charge and control of the provision of services to persons with mental retardation and developmental disabilities.

As a way of addressing budget cuts in state fiscal year 2010, the DMH-DD initiated the conversion of ICF/MR services provided to 315 individuals residing at the Marshall Habilitation Center (MHC) and the St. Louis Developmental Disabilities Treatment Center (SLDDTC) to MRDD comprehensive waiver services. Much of the expected savings to the state was related to the reduction or elimination of staff in the dietary and housekeeping departments at those institutions since the dietary and housekeeping needs of the clients would be provided by direct care staff and/or the clients themselves.

According to DMH-DD officials, they met and communicated with certain regional CMS officials both prior to and during this conversion, and they indicated no serious reservations were expressed by the federal officials about DMH proposed actions. The clients affected by this conversion resided in group home-style cottages at the respective facilities. The actual conversion of services at the MHC and SLDDTC occurred at various intervals between September 15, 2009, and November 15, 2009, and the billing for services began effective on the date of conversion at the respective facilities.

In February 2010, after receiving supporting information from the DMH-DD, the DSS-MHD submitted an amendment of the MRDD comprehensive waiver to the CMS to obtain formal approval for this expansion of the waiver program for the converted clients. However, in early August 2010, the Administrator of the CMS denied this waiver amendment request. In a letter disapproving the amendment request, the federal official indicated that because the proposed services were to be provided to individuals on the grounds of a large state-operated institution the state amendment did not meet the

requirements of: 1) 42 CFR, Section 441.301(b)(1)(ii), which requires the state waiver request must provide that waiver services will be furnished only to recipients who are not inpatients of a hospital, nursing facility, or ICF/MR, or 2) 42 CFR, Section 441.300, which permits states to offer waiver services that individuals need in order to avoid institutionalization.

According to information provided by the DMH, approximately $36 million was billed for MRDD comprehensive waiver services provided to the applicable clients at the MHC and SLDDTC during the year ended June 30, 2010. The state received approximately $26.8 million, the federal share of billed costs, with the DMH receiving approximately $23.2 million of this amount. An additional $5.7 million was billed for waiver-related services provided at these two facilities during the first 2 months of the next fiscal year. The state received approximately $4.2 million, the federal share of billed costs, with the DMH receiving approximately $3.7 million of this amount.

As of early February 2011, DSS and DMH officials indicated the CMS has not formally communicated regarding the claims related to these services. In addition, DMH officials indicated actions have been taken to recertify the applicable beds at the MHC and SLDDTC for ICF/MR participation effective August 15, 2010.

WE RECOMMEND the DMH-DD work with the DSS-MHD and the DHHS-CMS to resolve this matter. In addition, the DMH-DD should ensure the services related to any future planned expansion of this program constitute home and community-based services.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.

2010-13.	**Section 1512 Reporting**

Federal Agency:	Department of Energy Environmental Protection Agency
Federal Program:	66.458 ARRA - Capitalization Grants for Clean Water State Revolving Funds 2009 - 2W977080-01 66.468 ARRA - Capitalization Grants for Drinking Water State Revolving Funds 2009 - 2F977082-01 81.042 ARRA - Weatherization Assistance for Low-Income Persons 2009 - DE-EE0000151
State Agency:	Department of Natural Resources (DNR)

The DNR needs to strengthen controls and procedures in place to ensure Section 1512 reports are complete and accurate for the Weatherization Assistance for Low-Income Persons (WAP) program. In addition, the DNR does not have a formal written plan in place for the Section 1512 reporting process.

Section 1512 of the ARRA requires comprehensive reporting for certain ARRA awards to promote transparency and accountability over the use of such funds. This section requires various data elements to be reported on a quarterly basis by prime recipients detailing the use of ARRA funds including the total grant award, the amount received and expended, and certain elements for vendor payments and subawards. Additionally, prime recipients are required to report on planned projects and activities, including the status of project completion and an estimate of direct jobs created or retained. Prime recipients may solicit information for some data elements from subrecipients and vendors to help meet Section 1512 reporting requirements. Additionally, in some cases, prime recipients may delegate certain direct reporting duties to their subrecipients, although the state of Missouri, as the prime recipient of these funds, has not delegated such responsibilities.

A. The DNR needs to strengthen controls and procedures in place to provide assurance Section 1512 report information submitted by subrecipients of the WAP program is complete and accurate. The DNR, Division of Energy is responsible for administering the WAP program for the state of Missouri. The majority of WAP funds are passed through to subrecipients, consisting of 17 Community Action Agencies and 7 other local agencies throughout the state. During the state fiscal year 2010, the DNR disbursed approximately $21 million in WAP program ARRA funds to subrecipients.

   On a quarterly basis, subrecipients submit various forms to the DNR to provide required program information for Section 1512 reporting purposes, such as vendor activity, jobs created and retained, and expenditure data. Once information is received, the DNR tracks and compiles expenditure and subrecipient data and enters the data into the state's Section 1512 reporting system (STIM 360). Some elements submitted by subrecipients, such as subaward identifying numbers, award amounts, and project descriptions, are consistent each quarter and are prepopulated in STIM 360 from prior quarters, requiring little oversight from the DNR on a quarterly basis. For other elements, DNR personnel review information submitted for reasonableness and compare expenditure data to SAM II; however, the DNR relies on the accuracy and completeness of much of the other information submitted by subrecipients, such as jobs created and retained and vendor payments, for each quarterly report. The DNR performs three technical and two procedural monitoring visits each year for all subrecipients to review program supporting documentation and to ensure work was completed as indicated. However, the field visits do not include a review of documentation supporting the data submitted by subrecipients and relied on for Section 1512 reporting purposes.

OMB Memorandum M09-21 states the DNR, as prime recipient, is ultimately responsible for the reporting of all data required by Section 1512 of the ARRA. Additionally, the prime recipients, as owners of the data submitted, have the principal responsibility for the quality of the information submitted. Strengthening monitoring procedures in place over the subrecipient data would provide the DNR more assurance the information included in the Section 1512 report for the WAP program is complete and accurate.

B. While some procedures are in place, the DNR does not have a formal written plan in place to address the Section 1512 reporting process for the WAP, Clean Water State Revolving Fund, or Drinking Water State Revolving Fund programs. The DNR currently has a spreadsheet listing all programs requiring Section 1512 reporting which documents the various data elements required, the method and source of information, and the report preparer and reviewer; however, the spreadsheet does not document a formal work plan for ensuring the accuracy and completeness of Section 1512 reports.

A formal written plan for each applicable program would help ensure Section 1512 reports are complete and accurate. The plan should, at a minimum, document the flow of information, define the responsibilities of subrecipients and various program personnel, and include procedures for ensuring the accuracy and completeness of all Section 1512 reporting elements. A formal written plan would provide the DNR more assurance the various reporting responsibilities, such as data collection and verification, have been relayed to and understood by all parties of the reporting process.

WE RECOMMEND the DNR:

A. Strengthen procedures for the WAP program to ensure the accuracy and completeness of data submitted by the subrecipients for Section 1512 reporting purposes.

B. Establish a formal written plan for all programs that require Section 1512 reporting.

AUDITEE'S RESPONSE

We disagree with the auditor's findings. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement.

2010-14.	Capital Assets

Federal Agency: Department of Defense
Federal Program: 12.401 National Guard Military Operations and Maintenance Projects
2009-DAHA23-09-2-1000 and 2010-DAHA23-10-2-1000
State Agency: Department of Public Safety - Adjutant General (AG)

The AG did not maintain proper records of capital assets acquired through the above referenced program, or adequately perform periodic inventories to ensure these assets are accounted for properly. Additionally, some capital asset expenditures were not properly classified. During fiscal year ended June 30, 2010, approximately $1 million of program funds were expended on capital assets (excluding construction in process and land) for the various facilities statewide.

A. Some assets purchased during state fiscal year 2010 have not been properly accounted for in the AG internal capital asset tracking system or SAM II, Fixed Asset Subsystem, and some assets have not received a property tag and asset number. Although the AG responded in two prior audit reports that improvements had been made in tracking capital assets, more improvement is needed. AG personnel again indicated the staff position assigned responsibility for tracking capital assets was not able to keep up with the high workload, resulting in a backlog of assets not tagged or entered into the internal or SAM II capital asset tracking systems.

Our review of 42 capital asset purchases (costing $1,000 or more) made during state fiscal year 2010, totaling approximately $486,300, noted 10 assets totaling about $65,000 lacked property tag numbers. Additionally, 31 of the capital asset purchases reviewed, valued at approximately $365,700, had not been entered in the internal capital asset tracking system and 32 of the capital asset purchases reviewed, valued at approximately $324,800, had not been entered in the SAM II capital asset tracking system. Also, the AG had only performed physical inventories during fiscal year 2010 for 2 of the 56 different property books used to track assets purchased with these funds. Assets listed in these property books are at various locations throughout the state.

After we again brought these concerns to the attention of AG personnel, in an effort to alleviate the backlog of assets not tagged or entered into either capital asset tracking system, an additional staff person was assigned duties related to tracking capital assets in October 2010. Approximately $44,100 of the capital asset purchases we reviewed were subsequently added to the SAM II capital asset tracking system.

To ensure capital assets are accounted for properly, the AG should follow its current capital asset procedures, ensuring all newly purchased assets are assigned

property tags and entered into both the internal and SAM II capital asset tracking systems in a timely manner, and physical inventories are performed annually. In addition, to ensure the capital asset records are complete and accurate, the AG should continue to investigate the backlog of untagged capital assets.

B. AG personnel have not completed a reconciliation between expenditure records and capital asset records in the SAM II or internal capital asset tracking systems.

- A reconciliation between expenditure records and the SAM II capital asset tracking system is in progress; however, as of October 2010, approximately $600,000 of the $4.5 million in capital asset expenditures from fiscal year 2002 through 2010 has not been reconciled.

- A reconciliation between expenditure records and the AG internal capital asset tracking system is not performed. The AG policy is to tag all capital assets with an acquisition cost or fair market value greater than $250 at the time of acquisition. This policy differs from the state policy of tagging capital assets of $1,000 or more, and the AG maintains an internal capital asset tracking system to account for all capital assets that are tagged by the AG.

A reconciliation between expenditure records and both the SAM II and internal capital asset tracking systems would ensure all acquisitions of capital assets have been identified and properly recorded in appropriate property books for annual inventory.

C. Equipment expenditures were not always properly classified to specific capital asset object codes in the SAM II accounting system. As a result, some equipment was not identified in the system for proper tracking and was subsequently omitted from all capital asset records. The following expenditures were not charged to the capital asset object codes as required.

- Computer equipment with a unit price of $4,422 and total price of $17,688 was charged to "under threshold - computer equipment".

- Uninterruptible power supplies with a unit price of $1,012 and a total price of $6,072 were charged to "under threshold - other equipment".

- Electronic security equipment costing $5,925 was charged as "electrical supplies".

The failure to record appropriate expenditures as capital assets reduces the control and accountability over capital assets and increases the potential for loss, theft, or misuse of assets.

The cooperative agreement between the AG and the U.S. Department of Defense, National Guard Bureau requires the state to account for and manage equipment acquired

under this program. In addition, OMB Circular A-133, Compliance Supplement Part 3, indicates that a state shall use, manage, and dispose of equipment acquired under a federal grant in accordance with state laws and procedures. State regulation, 15 CSR 40-2.031, requires each department to establish and maintain a system of control and control records for capital assets, identify capital assets with a numbered tag, and perform an annual physical inventory for assets with a value of $1,000 or more. In addition, Missouri National Guard Regulation 735-1 requires all capital assets with a value greater than $250 at the time of acquisition will be tagged and accounted for properly. To ensure compliance with state and federal regulations and internal policy and to safeguard assets against loss and misuse, the AG should have adequate procedures in place to account for and track capital assets.

WE RECOMMEND the AG:

A. Ensure all equipment is properly assigned a property tag number and entered into both the internal and SAM II capital asset tracking systems. In addition, the AG should ensure annual physical inventories are performed, and continue to investigate the backlog of untagged capital assets.

B. Ensure capital asset reconciliations between expenditure records and capital asset records in both the SAM II and internal capital asset tracking systems are completed.

C. Ensure capital asset expenditures are charged to appropriate object codes.

AUDITEE'S RESPONSE

We agree with the auditor's findings. Our Corrective Action Plan includes our planned actions to address the findings.

2010-15.	**Cost Allocation Procedures**

Federal Agency: Department of Health and Human Services
Federal program: 93.558 Temporary Assistance for Needy Families
2009 - G0901MOTANF and 2010 - G1002MOTANF
93.658 Foster Care - Title IV-E
2009 - G0901MO1401 and 2010 - G1001MO1401
93.658 ARRA - Foster Care - Title IV-E
2009 - G0901MO1402 and 2010 - G1001MO1402
93.659 Adoption Assistance
2009 - G0901MO1407 and 2010 - G1001MO1407
93.674 Chafee Foster Care Independence Program
2009 - G0901MO1420 and 2010 - G1001MO1420
93.778 Medical Assistance Program
2009 - 0905MO5048 and 2010 - 1005MO5ADM

State Agency: Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)
Questioned Costs: $2,168,919

DFAS controls and procedures over the quarterly allocation of costs to federal programs are not sufficient and as a result, numerous cost allocation errors were not prevented and/or detected.

The DFAS has developed procedures to identify, measure, and allocate all costs to the programs administered by the department. These procedures provide for the quarterly allocation of direct costs and cost pools to the various programs in accordance with the DSS cost allocation plan. The Fiscal and Administrative Manager enters costs from various sources into comprehensive cost allocation spreadsheets which contain formulas to allocate costs to the various programs. DFAS personnel indicated a supervisory review of the cost allocation spreadsheets is performed; however, this review is not documented and does not include a review of spreadsheet formulas or a comparison/reconciliation to supporting records.

Our review of selected sections of state fiscal year 2010 Children's Division and Family Support Division cost allocation spreadsheets and supporting documentation identified overstatements totaling approximately $3.3 million ($2.2 million federal share) for 5 federal programs and understatements totaling approximately $3.2 million ($2.2 million federal share) for 11 federal programs due to spreadsheet formula and data entry errors. Examples of errors identified include:

- Data entry and spreadsheet formula errors resulted in the allocation of only some fiscal year 2009 Single Audit costs to five federal programs, including an incorrect program. This resulted in understatements totaling approximately $95,000 and overstatements totaling approximately $15,400. We question the federal share of the overstatements, or $15,388.

- Fraud investigation costs totaling approximately $618,000 for 3 months were not allocated to the six applicable federal programs due to spreadsheet formula errors, resulting in understatements of program costs.

- In response to Report No. 2010-30, *State of Missouri, Single Audit, Year Ended June 30, 2009*, issued in March 2010, finding 2009-12, DFAS management indicated they would discontinue the allocation of certain costs (primarily payments to Caring Communities partnerships) initially charged to the Promoting Safe and Stable Families program to various other federal programs through the Social Services Cost Pool. However, during the fourth quarter of state fiscal year 2010, the Fiscal and Administrative Manager incorrectly included these costs in the cost pool, and costs totaling approximately $2.5 million were allocated to four federal programs. We question the federal share of these overstatements, or $1,612,695.

- State fiscal year 2010 third quarter Social Services Cost Pool expenditures were allocated based on second quarter random moment time study results because the third quarter cost allocation spreadsheets were not updated with the third quarter time study results. This error resulted in understatements totaling approximately $411,000 for two federal programs and overstatements totaling approximately $411,000 for three federal programs. We question the federal share of the overstatements, or $284,182.

- Seven months of payments to performance-based contractors for Foster Care assistance payments were incorrectly entered or not entered into the cost allocation spreadsheets, resulting in understatements totaling approximately $2 million and overstatements totaling approximately $365,000. We question the federal share of the overstatements, or $256,654.

As noted above, the cost allocation errors resulted in both understatements and overstatements for various federal programs. We question the federal share of costs related to the overstatements because those costs were not allowable costs of the applicable federal programs. The understatements relate to allowable costs the DSS can allocate to applicable federal programs through future adjustments on cost allocation spreadsheets. Listed below is the federal share of questioned costs related to overstatements applicable to each federal program:

CFDA #	Program	Questioned Costs
93.558	Temporary Assistance for Needy Families	$ 832,764
93.658	Foster Care Title IV-E/ ARRA- Foster Care Title IV-E	1,096,236
93.659	Adoption Assistance	186,394
93.674	Chafee Foster Care Independence Program	15,388
93.778	Medical Assistance Program	38,137
Total		$ 2,168,919

Good internal controls require adequate procedures to ensure formulas and amounts entered into cost allocation spreadsheets are accurate and reliable. Inadequate supervisory reviews of the spreadsheets could hinder the ability to manage federal funds effectively and to comply with federal regulations.

WE RECOMMEND the DSS, through the DFAS, resolve the questioned costs with the grantor agency, and strengthen controls and procedures to ensure the accurate allocation of costs to federal programs. These procedures should include a detailed and documented supervisory review of cost allocation spreadsheets.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

2010-16.	**Child Care Eligibility and Payments**

Federal Agency:	Department of Health and Human Services
Federal Program:	93.575 Child Care and Development Block Grant 2009 - G0901MOCCDF and 2010 - G1001MOCCDF 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund 2009 - G0901MOCCDF and 2010 - G1001MOCCDF 93.713 ARRA – Child Care and Development Block Grant 2009 - 20091MOCCD7
State Agency:	Department of Social Services (DSS) - Children's Division (CD) and Family Support Division (FSD)
Questioned Costs:	$76,047

Controls over eligibility and provider payments are not sufficient to prevent and/or detect payments on behalf of ineligible clients or improper payments to child care providers. As a result, eligibility and payment documentation could not be located for many child care cases reviewed, overpayments were made to some providers, and payments were made on behalf of some ineligible clients for one ARRA Child Care initiative. During the year ended June 30, 2010, the DSS paid over 9,000 child care providers approximately $151 million for services provided to about 81,000 children.

The DSS provides funds to child care providers who serve eligible clients. Federal regulation 45 CFR, Section 98.20 provides that to be eligible for services the child must 1) be under 13 years old, or at the option of the DSS under age 19 and physically or mentally incapable of caring for himself/herself or under court supervision, 2) live with a family who meets certain income guidelines, and 3) have parents who are working or attending a job training or educational program. In addition, 45 CFR, Section 98.41 requires states to establish provider licensing requirements to protect the health and safety of children provided assistance, and Sections 210.025, 210.027, and 210.211, RSMo, require that providers be either licensed or registered based on the number of children under their care.

Parents/caregivers apply to FSD or CD case workers for participation in the program. Once approved, the parent/caregiver selects a child care provider and the DSS enters into an agreement with the provider for child care services. To comply with federal requirements, the DSS Income Maintenance manual requires that case workers set maximum authorized service units for the amount and type of care that best meets the family's need; maintain case file documentation, including the child care application or a

signed system-generated interview summary and copies of income verifications (including work hours) to support eligibility determinations; and limits the number of absences and holidays eligible for reimbursement. In addition, the manual and provider agreements require that providers submit a monthly invoice either through the DSS on-line invoicing system or by a manual invoice, and maintain detailed attendance records documenting daily arrival and departure times and containing parent/caregiver signature verifying the child received the services. Although all providers are required to retain attendance records for 5 years, the DSS only requires registered (license exempt) providers who submit manual invoices to submit attendance records for payment.

In May 2010, with additional funding from the ARRA, the DSS expanded child care assistance to additional children and families. Two new initiatives were established to provide child care assistance to eligible clients participating in the Workforce Investment Act Adult or Dislocated Worker programs and to eligible clients not receiving Temporary Assistance for Needy Families (TANF) benefits who are searching for employment. These initiatives will provide child care assistance through September 30, 2011, or when ARRA funding is spent, whichever is earliest. The DSS estimates it will spend a total of $17 million in ARRA funds for the two new Child Care initiatives. Through June 30, 2010, child care assistance payments totaling approximately $146,000 were made on behalf of 573 children of 329 clients for the two new Child Care initiatives.

A. Controls over eligibility and provider payments are not sufficient to prevent and/or detect payments made on behalf of ineligible clients or improper payments to child care providers. The DSS has not established procedures to review eligibility determinations and has discontinued on-site contract compliance reviews to monitor payments to providers. As a result, audits and reviews continue to identify significant child care payments made without sufficient supporting documentation.

To test compliance with program requirements, we sampled eligibility documentation for 60 children, and reviewed provider agreements and payment documentation supporting one payment for each of these children. Payments totaling approximately $186,000 were made to child care providers on behalf of these children during state fiscal year 2010. We noted the following:

- Eligibility documentation such as a signed child care application or system-generated interview summary and/or income record(s) for 13 of 60 (22 percent) cases reviewed could not be located by the DSS. For six of these cases, the DSS could not locate the eligibility file. Child care payments made on behalf of these children during the year ended June 30, 2010, totaled $41,736. In addition, child care payments for siblings of these children totaled $41,707 during the same period. We question the federal share, or $70,092 (84 percent).

- For child care payments, 30 of 60 (50 percent) payments reviewed were not supported by adequate documentation and/or were not in compliance

with DSS policies. Attendance records were not provided by some child care providers upon our request, some attendance records were not signed by the parent/caregiver and/or did not include daily arrival/departure times, and some provider invoices did not agree to the corresponding attendance records. In addition, documentation supporting some authorizations for payments at enhanced evening/weekend rates could not be located, some payments were not in compliance with DSS policies for absences and holidays, and some provider license/registration documentation could not be located. Of these 30 payments, 11 were for cases which also lacked eligibility documentation and were included in the above questioned costs. Payments for the remaining 19 cases totaled an additional $3,837. We question the federal share, or $3,223 (84 percent).

Similar errors were identified in the DSS recent Child Care program improper payment review. This internal review, which was required by federal regulations and sampled 276 cases with payments during federal fiscal year 2009, identified 43 percent of cases tested had improper authorizations for payment totaling approximately $35,000. The DSS report summarizing the results of the review indicated most of these improper authorizations were due to missing or insufficient documentation and estimates annual improper authorizations at $64 million.

The various errors noted above occurred because the DSS lacks sufficient controls to ensure eligibility determinations are accurate and payments are proper and adequately supported. There appear to be at least three significant factors contributing to the weak control system:

- There is no supervisory review of child care eligibility determinations. These determinations are made by numerous caseworkers in county offices around the state. Although the DSS has a system for monthly supervisory reviews of eligibility determinations for various other DSS assistance programs, this review system does not include the Child Care program.

- The DSS discontinued performing on-site contract compliance reviews of child care providers. These reviews, which monitored supporting documentation for payments to providers, were conducted by Division of Finance and Administrative Services contract compliance unit staff from February 2006 to October 2009, and the results of the reviews were referred to the CD for follow-up. Although the reviews often identified problems with provider invoices and attendance sheets, overpayments to providers, and other noncompliance with DSS policies, the DSS discontinued the reviews due to state budget limitations. The contract compliance unit reviewed 498 providers in the first 4 months of fiscal year 2010. Currently, DSS payment review procedures are limited to CD desk

reviews of manual invoices and attendance sheets submitted by registered providers, and follow-up to provider complaints received.

- Overall, management of the case records is poor. As noted above, the DSS could not locate 6 of 60 (10 percent) case files requested, and several other case files were missing documentation to support eligibility.

The lack of controls over eligibility determinations and payments to providers can result in provider overpayments and federal reimbursements for ineligible clients and/or unallowable costs. In addition, without complete and accurate case records, adequate documentation is not available to verify the eligibility of clients, support the appropriateness of child care payments, and provide an adequate audit trail. The DSS needs to review and strengthen policies and procedures to ensure child care payments are made on behalf of eligible clients, invoices agree to the corresponding attendance records, attendance records are complete and signed by the parent/caregiver, payments are in accordance with department policy, appropriate child care services are authorized, and providers are licensed or registered. These procedures should include sufficient monitoring of eligibility determinations and provider payments, and follow-up on errors identified.

Payments associated with known questioned costs represented approximately 25 percent of payments reviewed. If similar errors were made on the remaining population of child care payments, questioned costs could be significant.

B. Controls over eligibility for the newly established non-TANF client ARRA Child Care initiative are not sufficient to prevent and/or detect payments made on behalf of ineligible clients. As a result, 10 percent of payments during the first month of operation were for ineligible clients.

Previously, child care assistance for job search activities was only allowed for TANF clients. Through this new ARRA initiative, non-TANF clients engaged in job search activities may qualify for child care assistance for a maximum of 8 consecutive weeks, as outlined in the DSS Child Care State Plan approved by the U.S Department of Health and Human Services, Administration of Children and Families. Clients may not participate in this initiative if they are currently receiving or applying for TANF benefits.

To test compliance with the non-TANF eligibility requirement for this initiative, we reviewed the Family Assistance Management Information System (FAMIS) for all 82 clients receiving child care assistance under this initiative. This assistance totaled approximately $35,400 on behalf of 155 children during June 2010, the first month of payments. We noted 8 (10 percent) of these clients were receiving TANF benefits, although the initiative provides that clients receiving TANF benefits are not eligible. We question the federal share of the payments made on behalf of these clients, or $2,732 (100 percent).

The payments to child care providers for ineligible clients resulted from incorrect coding of client child care need in the FAMIS. The DSS established a new child care need code (NTA) to authorize child care assistance under this new initiative and provided written guidance to case workers regarding the new initiative and child care need code. However, controls were not established to ensure case workers entered the NTA code only for non-TANF clients.

Due to the significance of planned initiative expenditures and the error rate noted of payments made for ineligible clients, future questioned costs could be significant if internal control weaknesses are not corrected. The DSS needs to promptly improve controls to ensure payments under the non-TANF client ARRA Child Care initiative are made only for eligible clients in accordance with the Child Care State Plan. In addition, the DSS should review fiscal year 2011 payments already made under this initiative, and recoup any additional payments improperly made from ARRA funds.

WE RECOMMEND the DSS, through the CD and FSD, resolve the questioned costs with the grantor agency and:

A. Review and strengthen policies and procedures regarding child care eligibility determinations, provider payments, and case record documentation and retention. These procedures should include sufficient monitoring of eligibility determinations and provider payments, and follow-up on errors identified.

B. Improve controls to ensure payments under the non-TANF client ARRA Child Care initiative are made for eligible clients in accordance with the Child Care State Plan. In addition, the DSS should review fiscal year 2011 payments under this initiative, and recoup any additional payments improperly made from ARRA funds.

AUDITEE'S RESPONSE

We partially agree with the auditor's findings. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the findings.

2010-17. Performance Based Case Management Contracts

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2009 - G0901MOTANF and 2010 - G1002MOTANF
93.658 Foster Care - Title IV-E
2009 - G0901MO1401 and 2010 - G1001MO1401
93.659 Adoption Assistance
2009 - G0901MO1407 and 2010 - G1001MO1407

93.778 Medical Assistance Program
2009 - 0905MO5048 and 2010 - 1005MO5ADM
State Agency: Department of Social Services (DSS) - Children's Division (CD)

The DSS has not established procedures to ensure all payments to performance based case management contractors are properly allocated to federal programs. As a result, some contractor payments are allocated to federal programs based on unrealistic budgeted expenditure categories rather than actual expenditures.

The DSS contracts with ten performance based case management contractors, each a consortium of multiple local agencies, to provide case management and room and board for children in state custody. The performance based case management contracts were originally awarded in 2008 and have been renewed each year. Some contracts were amended in October 2009 due to decreased caseloads. Contractors are paid a monthly fixed price for 1) case management/administration, 2) room and board, and 3) residential treatment for a pre-established caseload. The DSS paid these contractors approximately $58 million during the year ended June 30, 2010, of which approximately $15 million was paid from federal funds.

While contractor costs associated with room and board and residential treatment are allocated to applicable federal programs based on actual costs incurred by the contractors, the costs associated with case management/administration are allocated based on the original budgets submitted by the contractors in their 2008 requests for proposal. Each contractor budget separates case management/administration costs into six categories and the CD allocates these costs to several federal programs. Case management services and resource development costs are allocated to the Foster Care administration and training programs, respectively. Treatment services, crisis fund expenses, and special expenses are allocated to the Social Services Block Grant (SSBG) program. Finally, general administration costs are allocated to the Social Services cost pool for distribution to several federal programs (Temporary Assistance for Needy Families, Foster Care, Adoption Assistance, Medical Assistance, and SSBG). Of $58 million paid to the contractors during the year ended June 30, 2010, approximately $27 million ($13 million federal funds) was for case management/ administration services.

Although contractors submit monthly reports of actual costs, the DSS does not use this information to allocate case management/administration costs to the specific federal programs as noted above. The DSS did not re-evaluate their cost allocation methodology during subsequent contract renewal periods and has not performed procedures to determine if budget-based allocations are representative of actual costs incurred. Our review of all state fiscal year 2010 monthly expenditure reports for three contractors noted the budgeted cost allocations did not appear representative of actual costs. Each contractor spent more than budgeted for some cost categories and less than budgeted for other cost categories. For example, our review of one contractor noted $333,904 was allocated to the Foster Care (training) program during state fiscal year 2010 for resource development costs, while the contractor reported actual expenditures for that activity totaling only $165,336. As a result, in state fiscal year 2010, $168,568 ($76,702 federal

share) more was allocated to the Foster Care program than actually spent by this contractor for that category. The DSS did not review or adjust the allocations for this contractor to ensure future allocations are more representative of actual costs.

A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received, pursuant to OMB Circular A-87, Attachment A, Section C. Costs charged to a federal program in excess of that program's allocable share would be questionable; however, such costs may be allocable to another federal program(s). As a result, questioned costs resulting from these allocation procedures are likely but were not determined. Without periodically analyzing actual cost data and allocating costs based on such data, the DSS cannot ensure the costs are allowable and allocable to the various federal programs.

WE RECOMMEND the DSS, through the CD, establish procedures to ensure all payments to performance based case management contractors are allocated to federal programs in accordance with federal regulations.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

2010-18. Foster Care Eligibility and Assistance Payments

Federal Agency:	Department of Health and Human Services
Federal Program:	93.658 Foster Care - Title IV-E 2009 - G0901MO1401 and 2010 - G1001MO1401 93.658 ARRA-Foster Care - Title IV-E 2009 - G0901MO1402 and 2010 - G1001MO1402
State Agency:	Department of Social Services (DSS) - Children's Division (CD)
Questioned Costs:	$8,192

Controls over eligibility and maintenance payments are not sufficient; and as a result, payments were made on behalf of ineligible children, and some payments were not allowable or not supported by adequate documentation. During the year ended June 30, 2010, the DSS made Foster Care maintenance payments totaling over $23 million for children in state custody. These payments were made on behalf of an average of 2,970 children each month.

The Foster Care program provides 24-hour substitute care for children under the jurisdiction of the state who need temporary placement and care outside their homes. To be eligible for benefits under the program, requirements outlined at 42 USC 672 must be met. Pursuant to 42 USC 675(4)(A), funds may be expended for Foster Care maintenance

payments to licensed foster parents and residential facilities on behalf of eligible children. These maintenance payments cover costs including food, clothing, shelter, daily supervision including child care, school supplies, personal incidentals, liability insurance, and certain transportation. The U.S. Department of Health and Human Services, Administration of Children and Families (ACF), Child Welfare Policy Manual provides that the costs of medical care are not allowable Foster Care expenses. In addition, payments must comply with OMB Circular A-87, Attachment A, which requires costs to be adequately documented.

To test compliance with these requirements, we sampled eligibility, expenditure, and foster parent/residential facility license documentation for 60 Foster Care children. We reviewed all state fiscal year 2010 payments made on behalf of these children, except for child care payments for which we reviewed one payment for each applicable child. Maintenance payments totaling approximately $348,600 were made on behalf of these children during fiscal year 2010. We noted the following:

A. For 2 of 60 (3 percent) cases reviewed, payments were made on behalf of children ineligible for Foster Care benefits due to inaccurate eligibility determinations made by the DSS Family and Children Electronic System (FACES). For these cases, DSS eligibility specialists entered various eligibility data in the FACES and determined the children were ineligible for benefits. However, based on this data, the FACES incorrectly concluded the children were eligible for Foster Care benefits and overrode the previous determination of the eligibility specialist. As a result, payments associated with these cases were incorrectly charged to the Foster Care program.

   In one case, the eligibility specialist determined the child was ineligible upon entering state custody in April 2009; however, the FACES incorrectly determined the child was eligible and began charging all related payments to the Foster Care program. In March 2010, when the eligibility specialist performed an eligibility re-determination for the case, the specialist discovered the error on the system and the unallowable costs charged to the Foster Care program, and corrected the eligibility status on FACES. In June 2010, the eligibility specialist initiated recoupment of federal funds; however, the costs associated with child care had not been recouped as of January 2011. Similarly, for another case in which the child entered state custody in September 2007, the FACES incorrectly determined the child was eligible. Eligibility specialist re-determinations in March 2008 and August 2009 concluded the child was not eligible; however, the eligibility specialist did not discover the error on the system or the unallowable costs. When we requested the case file, the eligibility supervisor discovered the error and unallowable costs, corrected the eligibility status on FACES, and initiated recoupment of federal funds.

   The FACES, which was fully implemented as of August 2010, is designed to validate eligibility decisions made by the eligibility specialists based on information entered by the eligibility specialists and case workers. Although

eligibility specialists perform initial eligibility decisions and enter those decisions on the system, the system can override those decisions and makes the final eligibility determination. The system reviews eligibility each time certain new information is entered or certain existing information is revised. DSS officials acknowledged system design issues have caused some inaccurate eligibility decisions and that staff have had to correct these decisions on the system. DSS officials also indicated they are currently investigating the situation to identify and correct the design problems. In the meantime, the DSS relies on several procedures to identify and correct similar inaccurate eligibility determinations: 1) eligibility specialists' review and follow up on FACES daily batch reports which identify system eligibility determinations, 2) supervisory review of eligibility specialist and system eligibility decisions on a test basis, and 3) eligibility re-determinations performed by eligibility specialists.

Fiscal year 2010 payments totaled $3,242 for these two ineligible children. We question the federal share, or $2,282 (70.38 percent). Subsequent to our review, the DSS recouped some of these payments (by reducing subsequent federal reimbursement requests) totaling $435 on the second case.

B. For 15 of 60 (25 percent) cases reviewed, 33 transportation reimbursements to foster parents were incorrectly recorded as maintenance payments, and reimbursed at the higher federal financial participation percentage (70.38 percent) for maintenance instead of the administrative percentage (50 percent). These reimbursements were for transportation to court hearings, case meetings, or routine medical appointments which are allowed only at the administrative reimbursement percentage. The DSS records all transportation payments claimed to the Foster Care program as maintenance payments. DSS officials indicated they were not aware certain transportation costs were reimbursable only at the administrative rate.

Foster Care program administrative, training, and maintenance costs are reimbursed at different federal financial participation percentages. The percentage for maintenance costs is the Federal Medical Assistance Percentage, which averaged 70.38 percent for Missouri in state fiscal year 2010. The percentage for administrative costs is 50 percent. Reasonable travel for transporting children for parental or sibling visitation or to attend the same school attended before placement in Foster Care are allowable maintenance costs per 42 USC 675(4). Sections 8.3B.1 and 8.1B of the ACF Policy Manual provide that foster parent travel to attend judicial reviews or case conferences/meetings, or to transport a child to a medical appointment are not allowable maintenance payments, but are allowable administrative costs.

For these 15 cases, transportation payments totaling $1,540 were incorrectly reimbursed at the higher maintenance percentage. We question $314 (20.38 percent), the federal share of the difference between the amount paid at the maintenance percentage and the administrative percentage.

C. For 17 of 60 (28 percent) cases reviewed, including 5 cases noted in Part B above, Foster Care maintenance payments were not allowable and/or not supported by adequate documentation. We noted the following:

- Sufficient documentation, such as invoices or other supporting documentation, could not be located for some payments for six cases. Invoices or other supporting documentation are required for certain payments, such as child care, clothing, and transportation.

- Payments were made to unlicensed foster parents for three cases.

  Payments were made to two foster parents for the same time period for one case.

- For two cases, payments were made to a residential treatment facility and a child care facility for time periods when the child was not in Foster Care.

- A payment for medical care was made for one case, although this expense is not allowed per federal regulation.

- Payments to child care providers for seven cases were not supported by adequate documentation and/or were not in compliance with DSS policies. Some provider invoices did not agree to attendance records, some attendance records did not include arrival/departure times, some payments were not in compliance with DSS policies for absences and holidays, and some payments were made at incorrect daily rates.

For these 17 cases, payments totaling $7,951 were unallowable and/or unsupported by adequate documentation. We question the federal share, or $5,596 (70.38 percent). Subsequent to our review, the DSS recouped some of these payments (by reducing subsequent federal reimbursement requests) totaling $979.

Failure to ensure Foster Care payments are made on behalf of eligible children, allowable, reimbursed at the appropriate federal percentage, and adequately supported can result in federal reimbursements for unallowable costs. Payments associated with known questioned costs represented over 3 percent of payments reviewed. If similar errors were made on the remaining population of Foster Care maintenance payments, questioned costs could be significant.

Conditions similar to A and C were noted in our prior audits of the Foster Care program.

WE RECOMMEND the DSS through the CD, resolve the questioned costs with the grantor agency, and:

A. Continue working to identify and correct FACES programming issues and strengthen controls over eligibility determinations to ensure payments are made on behalf of eligible children.

B. Implement controls to ensure transportation payments are reimbursed at the proper federal financial participation percentage.

C. Ensure all Foster Care payments are allowable and supported by adequate documentation.

AUDITEE'S RESPONSE

We agree with the auditor's findings. Our Corrective Action Plan includes our planned actions to address the findings.

2010-19. Residential Facility Training Reimbursements

Federal Agency:	Department of Health and Human Services
Federal Program:	93.658 Foster Care - Title IV-E 2009 - G0901MO1401 and 2010 - G1001MO1401
State Agency:	Department of Social Services (DSS) - Children's Division (CD)
Questioned Costs:	$19,467

The CD has not established sufficient procedures to review residential facility training reimbursements. As a result, reimbursements to these facilities were not always supported by sufficient documentation that training costs were allowable, and some reimbursed training costs appeared unallowable.

Residential facilities provide specialized care for children who need more structure and intervention than a foster home can provide. The DSS has contracts with 29 of the 125 residential facilities to reimburse part of the costs of training facility staff. Contracts with these facilities outline specific allowable and unallowable training activities as provided by federal regulations and guidelines. Facilities are required to submit a training report for each training activity claimed for reimbursement. The DSS reimbursed the residential facilities a percentage of their training costs claimed, based on an allocation methodology outlined in the contracts. During state fiscal year 2010, this percentage was approximately 67 percent in the first three quarters and 60 percent in the fourth quarter. Payments to the facilities for training totaled approximately $383,000 during fiscal year 2010.

In response to Report No. 2009-25, *State of Missouri, Single Audit, Year Ended June 30, 2008*, issued in March 2009, finding 2008-7, and a recent U.S. Department of Health and

Human Services review of training costs for residential facilities, the DSS revised the facility contracts to better clarify the types of allowable and unallowable activities and revised the training report form to require facilities to identify and link training costs to those activities allowed in the contract. However, the CD review procedures were not sufficient to prevent and/or detect some unsupported and/or unallowable reimbursements.

We reviewed selected training reports and supporting documentation for reimbursements made to seven residential facilities during fiscal year 2010. Of the $30,656 in reimbursements reviewed, payments totaling $25,957 (85 percent) were unsupported and/or unallowable, of which we question $19,467 claimed as the federal share.

Numerous training reports and supporting documentation were not sufficient to show the training and related costs were for allowable Foster Care training activities. Examples of these costs include salaries and benefits, travel expenses, conference registration fees, a laptop computer, books, and supplies. As noted in the prior audit, the DSS does not require facilities to submit invoices or other documentation supporting the training costs claimed. While some facilities typically attached supporting documentation such as invoices, receipts, programs or agendas, and attendance logs to the training reports, most facilities did not. Additionally, some facilities submitted an old version of the training report that did not require indication that the training activity complied with the contract. To be allowable under federal awards, costs must be adequately documented, pursuant to 2 CFR, Part 225, Appendix A, Section C.

In addition, some training activities reimbursed appeared unallowable. For example, one facility was reimbursed costs for training sessions on leadership and volunteer management and books on office politics and amateur radio, and another facility was reimbursed costs of a new employee orientation. Many of these costs are prohibited under the residential facility contract. Section 8.1h of the ACF Child Welfare Manual also indicates training activities must be closely related to one of the examples cited in 45 CFR, Section 1356.60; however, these training activities do not appear reimbursable under this guidance.

The payments reviewed contained no indication CD staff had requested additional information or documentation supporting the training costs claimed. Without sufficient review procedures and adequate supporting documentation, the CD cannot ensure residential facility training costs claimed are for allowable Foster Care activities. The CD should ensure training activities are in compliance with federal regulations, and supported by sufficient documentation.

WE RECOMMEND the DSS through the CD, strengthen residential facility training reimbursement review procedures to ensure training activities reimbursed are for allowable activities outlined in federal regulations and are adequately supported. In addition, the DSS should resolve the questioned costs with the grantor agency.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

2010-20.	**Vocational Rehabilitation Program**

Federal Agency:	Department of Education
Federal Program:	84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States 2009 - H126A090037 and 2010 - H126A100037
State Agency:	Department of Social Services (DSS) - Family Support Division (FSD) - Rehabilitation Services for the Blind (RSB) and Division of Finance and Administrative Services (DFAS)
Questioned Costs:	$46,035

The FSD improperly charged the Vocational Rehabilitation (VR) program for personnel costs totaling $58,494, of which we question the federal share of $46,035 (78.7 percent). For the fiscal year ended June 30, 2010, the DSS claimed $3,844,231 as the federal share of personnel costs, or 40 percent of the total federal share of VR program expenditures. Additional improvement in the policies and procedures for the allocation of personnel costs are needed.

Personnel costs for employees who work on multiple federal awards or cost objectives are to be allocated to the various programs according to the personnel activity reports prepared by those employees. Personnel costs consist of salaries, fringe benefits and indirect costs. The RSB is responsible for allocating the personnel costs to the various programs. The DFAS, based upon the allocations reported by the RSB, records the costs to the various programs in the financial accounting system.

- For the period January 1, 2010, to June 30, 2010, the RSB reported and the DFAS recorded personnel costs to the VR program for 13 employees whose personnel activity reports were correctly prepared but for whom the RSB used an incorrect allocation formula. The incorrect allocation formula appeared to be caused by inadvertent and undetected overwriting of some underlying formulas in the monthly spreadsheets used by RSB personnel to report the allocations. As a result, those personnel costs were not properly allocated and the VR grant was incorrectly charged $12,944 for work related to other programs. We question the federal share, or $10,187 (78.7 percent).

- For the period April 1, 2010, to June 30, 2010, the RSB reported and the DFAS recorded personnel costs, totaling $45,550, to the VR program for four employees who worked on multiple programs. Personnel activity reports were prepared by these employees; however, costs were not allocated according to the activity

reports. One employee who worked exclusively on another program was hired during this period but the RSB failed to include the related costs in the allocation process and all costs were improperly charged to the VR program. The other three employees were children's specialists. The federal oversight agency, U.S. Department of Education, Office of Special Education and Rehabilitative Services, Rehabilitation Services Administration (RSA), in a report issued in February 2010, had determined that children's specialists provide little, if any, services that are within the scope of the VR program and the related expenditures for services outside the scope of the VR program were unallowable under Section 111(a)(1) of the Rehabilitation Act of 1973, 34 CFR, Section 361.3, and OMB Circular A-87. After the RSA report was issued, the RSB revised the personnel activity reports for these employees to accurately record their time as working on other programs and RSB reported the related costs to DFAS as costs chargeable to the other programs. However, there appeared to be a breakdown in communication and when the DFAS raised concerns about which program should be charged for those costs, the RSB official who had prepared the allocation report incorrectly indicated they should be charged to the VR program. We question the federal share, or $35,848 (78.7 percent) for these personnel costs improperly charged to the VR program for this period.

- The FSD and RSB have established written policies and procedures for the allocation of personnel costs; however, the policies lacked sufficient detail, and as a result, the procedures did not ensure personnel costs are properly allocated to all programs.

The OMB Circular A-87, Attachment B, Section 8 requires the allocation of personnel costs for employees who work on multiple activities or cost objectives to be supported by personnel activity reports. Further, those reports must reflect an after-the-fact distribution of the actual activity of each employee, account for the total activity for which each employee is compensated, be prepared at least monthly, coincide with one or more pay periods, and be signed by the employee.

In response to similar findings in our prior two audit reports, the FSD has previously taken corrective action to implement procedures that have resulted in improved documentation of personnel costs for the VR program within the RSB. While substantial improvement has been made, further improvements are needed.

WE RECOMMEND the DSS through the FSD and DFAS resolve the questioned costs with the grantor agency. In addition, the FSD and RSB should develop comprehensive written policies and procedures to ensure personnel costs for employees who work on multiple federal awards or cost objectives are allocated in accordance with federal laws and OMB Circular A-87.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

2010-21.	**Unallowable Costs and Maintenance of Effort**

Federal Agency:	Department of Health and Human Services
Federal Program:	93.558 Temporary Assistance for Needy Families 2009 - G0901MOTANF and 2010 - G1002MOTANF
State Agency:	Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs:	$29,638,870

The DSS does not have adequate controls in place to ensure costs charged to the Temporary Assistance for Needy Families (TANF) program meet federal requirements. The DSS charged unallowable foster care, adoption assistance, and subsidized guardianship costs totaling over $29.6 million to the TANF program. The DSS included unallowable educational program costs as qualifying under the maintenance of effort (MOE) requirement for the TANF program and, as a result, DSS failed to meet the MOE funding requirements by at least $30.9 million. In addition, for the quarter ended September 30, 2010, the DSS charged unallowable scholarship programs costs totaling nearly $18.5 million directly to the TANF program.

The four purposes of the TANF program as stated in 45 CFR, Section 260.20 include: (1) provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives; (2) end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage; (3) prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and (4) encourage the formation and maintenance of two-parent families.

A. The DSS charged unallowable state foster care, adoption assistance, and subsidized guardianship costs to the TANF program. Federal regulation, 45 CFR, Section 263.11, includes a grandfather clause allowing states to continue to charge expenditures previously authorized under certain federal programs which are now obsolete. Such expenditures are referred to as prior approved program costs. The DSS identified the foster care, adoption assistance and subsidized guardianship costs as authorized under the IV-A Emergency Assistance (EA) Plan in effect on September 30, 1995. However, EA that may be charged as a prior approved program cost is limited by the 1995 IV-A EA plan, to a maximum duration of 365 days or less as necessary to alleviate the emergency condition, and must be authorized within a single 30-day period no less than 12 months after the beginning of the family's last EA authorization period.

The DSS started charging certain child welfare expenditures in state fiscal year 2006 including some foster care, adoption assistance, and subsidized guardianship under the TANF program. Expenditures charged do not appear to meet the criteria for emergency assistance. The foster care, adoption assistance, and guardianship expenditures can and often do extend beyond 12 months and do not necessarily correspond to an emergency or an emergency assistance authorization. While it is clear that some expenditures for some families within those categories would meet the requirements as a prior approved program cost, the DSS does not have a methodology to track which specific foster care, adoption assistance and guardianship expenditures meet the emergency assistance criteria and were authorized as required.

The foster care, adoption assistance, and subsidized guardianship costs charged included non-emergency assistance, and the costs charged for emergency assistance are not separately identified; therefore all costs are unallowable. We question all state fiscal year 2010 costs charged for foster care, adoption assistance, and subsidized guardianship and charged to the TANF program, totaling $29,638,870 (100 percent federal share).

B. The DSS included unallowable educational expenditures totaling approximately $50.7 million in the amounts reported for the annual MOE requirement. MOE is the minimum amount of funding the state must expend from other funding sources as a condition of receiving TANF funding each year. Qualifying activities provided to TANF eligible families may be included in MOE. In addition, qualifying activities provided to families who are not eligible for participation in the TANF program may be included in MOE only if those activities are closely related to the promotion of healthy marriages and responsible fatherhood. The MOE must be at least as much as the applicable percentage of the 1994 base year expenditures. The applicable threshold percentage of the base, which is the amount of non-federal funds the state spent in fiscal year 1994 on AFDC ($160.1 million), for each fiscal year is 80 percent ($128.1 million), or 75 percent ($120.1 million) if the state meets the work participation rate requirements for the fiscal year. This is termed “basic MOE” and the requirement is based on the federal fiscal year.

MOE expenditures must be made on behalf of eligible TANF families pursuant to 42 USC 609(a)(7)(B)(i)(IV). Eligible families are defined in 45 CFR, Section 263.2, as families who meet the income and resource standards and other eligibility criteria defined in the state TANF plan. For federal fiscal years 2006 through 2008 only, an exception was made whereby states could claim MOE for certain expenditures directed toward any family regardless of financial need or eligibility, if the expenditure was reasonably expected to accomplish TANF purposes 3 or 4, which relate to preventing and reducing out-of-wedlock pregnancies and encouraging the formation and maintenance of two-parent families. For federal fiscal year 2009 and forward, this policy has been revised and states are only allowed to claim specific activities for families who are not

TANF eligible if the expenditure is closely related to the promotion of healthy marriages and responsible fatherhood as defined in Administration for Children and Families (ACF) directive TANF-ACF-PI-2008-10 issued October 23, 2008.

We reviewed all sources of MOE claimed for federal fiscal year 2009 and noted three educational and three scholarship programs claimed do not appear to be allowable sources of MOE. These programs are operated by the Missouri Department of Elementary and Secondary Education and Missouri Department of Higher Education. The DSS began including these educational and scholarship programs in MOE in 2007.

- Three educational programs, Character Education, Parents as Teachers, and the Missouri Pre-School Program, appear to fall under the category of early childhood education programs which have been deemed by the ACF as meeting TANF purposes 3 and 4. However, in order for these educational program activities to be includable in MOE, the activities must be provided to TANF eligible families or, for families who are not eligible to participate in the TANF program, those programs must be closely related to the promotion of healthy marriages and responsible fatherhood. The DSS does not have a methodology to track which expenditures within these three programs benefit only TANF eligible families. The DSS has also not determined and documented how these three programs are closely related to the promotion of healthy marriages and responsible fatherhood for families not eligible for TANF participation. Therefore, the DSS is unable to substantiate which, if any, expenditures for these three educational programs are allowable sources of MOE. For these three programs, the DSS claimed unallowable costs totaling approximately $30.8 million in federal fiscal year 2009.

- The three scholarship programs claimed as MOE are A + Schools, Bright Flight Scholarships, and Ross-Barnett Scholarships. Scholarship programs have not been deemed as meeting TANF purposes 3 or 4 by the ACF. In addition, the DSS has not determined and documented how these programs meet TANF purposes 3 and 4 or the more restrictive criteria, promotion of healthy marriages and responsible fatherhood. Therefore, the DSS is unable to substantiate which, if any, expenditures for these three scholarship programs are allowable MOE costs. For these three programs, the DSS claimed unallowable costs totaling approximately $19.9 million in federal fiscal year 2009.

For federal fiscal year 2009, DSS reported MOE expenditures of $89.2 million, excluding the unallowable educational program costs of $50.7 million. The DSS has not yet received confirmation from the ACF regarding whether state TANF participants as a whole met the required work participation rate for federal fiscal year 2009 necessary to establish the lower 75 percent MOE threshold. Depending on which threshold is determined applicable, it appears allowable reported TANF

MOE expenditures are short of the MOE requirement by either $30.9 million or $38.9 million. For federal fiscal year 2008, the work participation rate requirement was not met, resulting in an 80 percent MOE threshold. Under 45 CFR, Section 263.8, the failure to meet the MOE requirement may result in a penalty, which is a dollar for dollar reduction in the TANF grant award for the subsequent year.

It appears there are other state costs that could have been included in the TANF MOE in lieu of the unallowable educational program costs. After we brought our concerns about failure to meet the TANF MOE requirement to the attention of DSS officials, several other programs were reported for the quarter ended September 30, 2010, that the DSS indicated qualify as MOE. In addition, the DSS shifted some educational program costs to direct costs of the TANF program. As reported in the following section, those educational program costs do not appear to be allowable direct costs of the program.

C. For the quarter ended September 30, 2010, DSS charged costs to the TANF program, totaling $18,493,665, related to the three scholarship programs: A+ Schools, Bright Flight Scholarships, and Ross-Barnett Scholarships. According to the TANF Funding Guide, the ACF indicates TANF expenditures may include expenditures for TANF eligible families that serve to meet any of the four purposes of the TANF program. For families that are not TANF eligible, the funded activities must serve to meet TANF purposes 3 or 4, which relate to preventing and reducing out-of-wedlock pregnancies and encouraging the formation and maintenance of two-parent families. The DSS reported the scholarship programs meet TANF purposes 3 and 4; however, the DSS has not determined and documented there is any correlation between those programs and any of the four TANF purposes.

DSS officials stated a federal ACF official suggested moving the scholarship program costs from MOE to the TANF program as direct costs, but no documentation was available to support the discussion or decision. The costs of the three scholarship programs are now directly reimbursed by the TANF program whereas before they were counted only towards the MOE requirement. These scholarship program costs charged to the TANF program, totaling $18,493,665 (100 percent federal share) in state fiscal year 2011 do not appear allowable.

D. The DSS control system has not been effective in ensuring the types of costs charged to the TANF program or recorded as TANF MOE meet all federal regulatory and grant requirements, resulting in unallowable costs and unqualified sources of MOE claimed against the federal TANF grant. Such a control system should include formal evaluations, periodic re-evaluations, and management review of the related federal regulations and expenditure categories to ensure expenditures charged to the TANF program or recorded as TANF MOE meet all federal regulatory and grant requirements.

WE RECOMMEND the DSS:

A. Ensure prior approved program costs charged to the TANF program comply with federal regulations. In addition, the DSS should resolve the questioned costs with the grantor agency.

B. Ensure expenditures claimed as MOE are allowable and resolve the potential penalty with the grantor agency.

C. Ensure program costs charged to the TANF program for state fiscal year 2011 comply with federal regulations.

D. Establish a formal control system to ensure the types of costs charged to the TANF program or recorded as TANF MOE meet all federal regulatory and grant requirements.

AUDITEE'S RESPONSE

We disagree with the auditor's findings. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement.

2010-22.	**Work Verification Activities**

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2009 - G0901MOTANF and 2010 - G1002MOTANF
State Agency: Department of Social Services - Family Support Division (FSD)

The FSD did not have adequate controls in place to ensure compliance with the Temporary Assistance for Needy Families (TANF) Work Verification Plan in effect for state fiscal year 2010 and, as a result, the FSD has less assurance the data used to calculate the work participation rate is accurate.

The FSD contracted with the Missouri Department of Economic Development - Division of Workforce Development (DWD) to perform many of the required TANF work activities functions. These duties included case management, enrollment and assistance to TANF recipients who are required to participate in eligible work activities, and reporting participant noncompliance and hours of participation to the FSD. The DWD contracted with regional workforce investment boards (WIBs) to provide those functions at the local level. The FSD provided approximately $18 million in federal TANF funding to the DWD, which in turn passed through approximately $17 million to the WIBs as subrecipients.

Under 45 CFR, Section 265.3, states are required to submit quarterly TANF Data Reports which provide information regarding TANF recipients and work activities. The U.S.

Department of Health and Human Services, Administration for Children and Families, uses the TANF Data Reports to calculate the state work participation rate each fiscal year. In addition, under 45 CFR Section 261.62, the FSD is required to have a Work Verification Plan which includes requirements to maintain adequate documentation, verification, and internal control procedures to ensure the accuracy of the data used in calculating work participation rates. In doing so, the FSD must have in place procedures to identify TANF recipients who are work-eligible, identify work activities that may count for work participation rate purposes, determine how to count and verify reported hours of work, and control internal data transmission and accuracy.

The FSD was not in compliance with certain work activity reporting requirements contained in the Work Verification Plan in effect for state fiscal year 2010. We obtained the April 2010 work verification report "Required to Serve" which included data on the status of each individual's compliance with the work participation requirements and number of hours of participation in the various work related activities. Of the 19,772 TANF recipients included in the report, 6,957 individuals had at least an hour of work activity reported. We judgmentally selected 25 individuals with reported work activity for testing. We noted 4 (16 percent) of the individuals tested for which the work participation hours reported were not in accordance with the Work Verification Plan. For one individual, the hours of participation were not supported by required documentation and some hours were based upon a projection the individual would perform certain activities; however, the individual had notified the WIB they had ceased participation in that activity. For another individual, the activities were reported as countable although the activity did not meet the criteria outlined in the Work Verification Plan. These two individuals were reported as compliant with the work activity requirements when they failed to meet those requirements. Another individual was correctly reported as non-compliant with the work requirements; however, 8 of the 9 hours reported were not supported by required documentation. For another individual, the hours of work activity were under reported, resulting in this individual being reported as non-compliant when the individual had actually met the work requirements. The net effect of the 4 errors was an overstatement of the work participation compliance rate by 4 percent for this group of 25 individuals.

The work participation data was recorded at the local level by subcontractors of the WIBs. The DWD indicated they had taken several actions to increase the accuracy of the work participation data at the local level, including revising policies and forms, generating and reviewing monthly reports, conducting desk reviews of files, providing training opportunities at the local level, and updating the computer applications and systems used to record the work verification hours. The DWD conducted periodic on-site monitoring visits of the WIBs which included case reviews to determine the WIBs and their subcontractors were adequately performing verification activities. We obtained a summary report from the DWD of the most recent round of monitoring visits conducted at the 14 regional WIBs. The DWD report identified several of the WIBs were not complying with the work verification requirements. The report also indicated many of the errors noted by the DWD were corrected on a case by case basis. However, based upon our test results, it appears DWD on-site monitoring procedures were not effective in

reducing non-compliance with work verification requirements at the local level. Neither the FSD nor the DWD had adequate controls in place to identify and ensure correction of the underlying problems at the local level. FSD officials indicated the FSD did not receive or review DWD monitoring reports, but relied upon the DWD to ensure the local agencies were complying with the work verification requirements. As of July 1, 2010, the FSD resumed administration of the TANF work activities that had been performed by the DWD and contracted directly with community organizations to perform the related activities at the local level. The FSD will be responsible for monitoring compliance with the Work Verification Plan.

The failure to maintain adequate internal controls to ensure accurate data is reported for measurement of work participation could result in a penalty, under 45 CFR, Section 261.65, of not less than 1 percent and not more than 5 percent of the annual grant amount.

WE RECOMMEND the FSD strengthen controls to ensure work participation activities are adequately documented, verified, and reported in accordance with the FSD Work Verification Plan.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

2010-23.	**Salary Certifications**

Federal Agency: Department of Health and Human Services
Federal Program: 93.563 Child Support Enforcement
2009 - G0904MO4004 and 2010 - G1004MO4004
State Agency: Department of Social Services (DSS) - Family Support Division (FSD) - Child Support Enforcement (CSE) and Division of Finance and Administrative Services (DFAS)
Questioned Costs: $83,289

The FSD did not always prepare required salary certifications for employees working solely on the CSE program. For the year ended June 30, 2010, the DSS claimed $26,027,059 as the federal share of personnel costs, or 56 percent of the total federal share of CSE program expenditures.

Salary certifications were not prepared for 15 of about 870 FSD employees whose personnel costs were charged 100 percent to the CSE program for the period of July 2009 to September 2009. The federal share of personnel costs charged to the CSE program for that quarter was $6,698,192, or 66 percent of total costs. The FSD used a report of employees whose personnel costs were charged to the program for the last payroll period in the first certification period, April 2009 through September 2009, to identify

employees for whom certifications were required. That report did not include 14 employees that either terminated or transferred from a child support position prior to the last payroll of the reporting period. In addition, one employee's position code was not included as a child support enforcement position for the report. Salary costs for these 15 employees were charged on the quarterly cost allocation plan; however, due to the incompleteness of the personnel report used to generate the list of employees for whom certifications were required, the employees were not certified. Personnel costs charged to the CSE grant for these 15 employees totaled $126,196, of which we question the federal share of costs totaling $83,289 (66 percent).

In response to a similar finding in our prior audit report, improvements were made to the certification procedures and for the second certification period, October 2009 through March 2010, all employees charged to the CSE program were properly certified. The FSD has developed written policies and procedures and implemented those procedures for the certification period of April 2010 to September 2010. The new procedures should ensure salary certifications are prepared as required in future periods.

The OMB Circular A-87 requires that charges for salaries and related salary costs of employees who work solely on a single federal award or cost objective be supported by periodic certifications that the employees worked solely on that program. These certifications are required to be prepared at least semi-annually and signed by either the employee or a supervisor having specific knowledge of the work performed by the employee. According to FSD officials, CSE employees work solely on the CSE program. Without accurate and complete certifications, the FSD has not fully substantiated the salary costs charged to the various federal programs.

WE RECOMMEND the DSS through the FSD and DFAS resolve the questioned costs with the grantor agency.

AUDITEE'S RESPONSE

We disagree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement.

2010-24.	**Section 1512 Reporting**

Federal Agency:	Department of Health and Human Services
Federal Program:	93.710 ARRA - Community Services Block Grant 2009 - 0901MOCOS2
State Agency:	Department of Social Services (DSS) - Family Support Division (FSD) and the Division of Finance and Administrative Services (DFAS)

The DSS does not have adequate controls and procedures in place to ensure Section 1512 reports are complete and accurate for the Community Services Block Grant (CSBG)

program. In addition, the DSS does not have a formal written plan in place for the Section 1512 reporting process. ARRA CSBG funds are passed through to subrecipients, consisting of 20 Community Action Agencies throughout the state. During state fiscal year 2010, the DSS disbursed approximately $21 million in ARRA funds to subrecipients.

Section 1512 of the ARRA requires comprehensive reporting for certain ARRA awards to promote transparency and accountability over the use of such funds. This section requires various data elements to be reported on a quarterly basis by prime recipients detailing the use of ARRA funds including the total grant award, the amount received and expended, and certain elements for vendor payments and subawards. Additionally, prime recipients are required to report on planned projects and activities, including the status of project completion and an estimate of direct jobs created or retained. Prime recipients may solicit information for some data elements from subrecipients and vendors to help meet Section 1512 reporting requirements. Additionally, in some cases, prime recipients may delegate certain direct reporting duties to their subrecipients, although the state of Missouri, as the prime recipient of these funds, has not delegated such responsibilities.

A. The DSS does not have adequate controls and procedures in place to ensure program information is accurately entered into the overall Section 1512 report or to provide assurance Section 1512 report information submitted by subrecipients of the CSBG program is complete and accurate.

On a quarterly basis, each subrecipient submits a completed reporting template to the CSBG program unit within FSD to provide program information required for Section 1512 reporting purposes, such as vendor activity, jobs created and retained, and expenditure data. Once information is received, the CSBG program unit compares expenditure information to SAM II and reviews the data for reasonableness. The reporting templates are then placed on a shared drive and DFAS personnel enter the data into the state's Section 1512 reporting system (STIM 360). DFAS personnel perform a review to ensure information entered agrees to information received from subrecipients; however, procedures performed were not sufficient. Our review of information submitted by four subrecipients during the quarter ended March 31, 2010, noted the following:

- Four vendors were reported by subrecipients as receiving payments exceeding $25,000; however, these vendors were not included by the DFAS in the overall Section 1512 report for the quarter. Payments to these vendors totaled approximately $222,000 during the quarter ended March 31, 2010.

- Two vendors were reported by subrecipients as receiving payments exceeding $25,000 during the quarter; however, the payments were not added to the cumulative amounts previously reported by the DFAS for these vendors. This resulted in an understatement totaling approximately $80,400 for subrecipient vendor payments to date.

DFAS personnel indicated these errors were the result of human error. Additionally, personnel indicated that enhanced procedures have been established since this reporting period to help prevent and detect future errors.

Some elements submitted by subrecipients, such as subaward identifying numbers, award amounts, and project descriptions, are consistent each quarter and are prepopulated in STIM 360 from prior quarters, requiring little oversight from DSS on a quarterly basis. For other elements, FSD and DFAS personnel review information submitted for reasonableness and compare expenditure data to SAM II; however, the FSD relies on the accuracy and completeness of much of the other information submitted by the subrecipients, such as jobs created or retained and vendor payments, for each quarterly report. The FSD conducts a site-visit for each subrecipient once every 3 years; however, state fiscal year 2010 reviews did not include a review of documentation supporting the data submitted by subrecipients and relied on for Section 1512 reporting. According to FSD personnel, they are currently working on a plan to include Section 1512 data elements as part of future on-site monitoring visits.

OMB Memorandum M09-21 states the DSS, as prime recipient, is ultimately responsible for the reporting of all data required by Section 1512 of the ARRA. Additionally, the prime recipients, as owners of the data submitted, have the principal responsibility for the quality of the information submitted. Without adequate and timely monitoring procedures in place over the data submitted by subrecipients, the DSS has less assurance the information included in the Section 1512 reports for the CSBG program is complete and accurate.

B. The DSS does not have a formal written plan in place to address the agency's Section 1512 reporting process for the CSBG program. The DSS does have some written reporting procedures outlining minimal steps to take up to the first 5 days of the reporting period and the DSS has a checklist documenting some overall guidelines and procedures to follow in preparing quarterly Section 1512 reports. However, the written procedures and the checklist do not document specific steps or an overall work plan to ensure the accuracy and completeness of Section 1512 reports, such as monitoring subrecipient submitted data through on-site visits or desk reviews, or by comparing expenditure information to SAM II. Additionally, although the written procedures and checklist provide some guidelines and procedures over the reporting process, there is no indication the checklist is actually being used.

A formal written plan would help ensure Section 1512 reports are complete and accurate. The plan should, at a minimum, document the flow of information, define the responsibilities of subrecipients and various program personnel, and include procedures for ensuring the accuracy and completeness of all Section 1512 reporting elements. Without a formal written plan in place, the DSS has less assurance the various reporting responsibilities, such as data collection and

verification, have been relayed to and understood by all parties of the reporting process.

WE RECOMMEND the DSS through the FSD and the DFAS:

A. Establish procedures over the CSBG program to ensure the accuracy and completeness of Section 1512 reports and ensure timely reviews of data submitted by the subrecipients for Section 1512 reporting.

B. Establish a formal written plan for Section 1512 reporting.

AUDITEE'S RESPONSE

A. We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.

B. We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

2010-25. Provider Eligibility and Improper Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
2009 - 0905MO5028 and 0905MO5048
2010 - 1005MO5MAP/XIX-MAP10 and
1005MO5ADM/XIX-ADM10
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA
2010 - 1005MOARRA
State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)
Questioned Costs: $122

Lack of adequate internal controls over Medicaid provider eligibility resulted in noncompliance with federal laws and regulations and improper payments to a provider totaling $164 related to the above reference program. The Medical Assistance Program, also known as Medicaid, is administered by the MHD.

The MHD has not established controls to detect expired Medicaid provider licenses or to prevent, detect, and correct payments to providers who were deceased prior to the date the reimbursement claim indicated medical services were provided. As a result, the MHD improperly paid $164 during the year ended June 30, 2010, for three claims submitted for one Medicaid provider who was deceased prior to the reported date of service. During our review of 25 claims paid to Medicaid providers during the year June 30, 2010, we

were unable to verify on the Missouri Division of Professional Registration (PR) website whether this provider was licensed as of the date the claim was paid. In addition, we noted the provider's license on file with the MHD expired in 2004, and there was no evidence the MHD had ensured this provider was licensed after the date of expiration. At our request, MHD personnel contacted PR personnel who indicated this provider was deceased, thus his license had been removed from the PR website following his death in December 2009, and his license would have expired on January 31, 2011. The MHD provided us documentation of all claims submitted for this provider after the date of his death. Five claims were submitted, with three claims paid and two claims denied (although denials were not due to the death of the provider). Therefore, we question the federal share of the three claims paid for which the reported dates of services were after the provider's date of death, or $122 (74.43 percent).

In addition, the MHD has not established controls to ensure providers continually meet federal requirements for disclosure of convictions of criminal offenses against Medicare, Medicaid, or the Title XX services program. According to MHD personnel, unless a provider submits revised disclosure information or the MHD is notified of exclusions by the U.S. Department of Health and Human Services, Office of Inspector General, the MHD is unaware of changes which may need to be disclosed.

In order to receive Medicaid payments, providers of medical services must be licensed in accordance with federal, state, and local laws and regulations as outlined in 42 CFR Sections 431.107 and 447.10 and Section 1902(a)(9) of the Social Security Act. In addition, providers must make disclosures to the state of convictions of criminal offenses against Medicare, Medicaid, or the title XX services program, as required by 42 CFR Part 455, Subpart B, Sections 455.100 through 455.106.

Without controls and procedures in place to identify deceased providers, detect expired licenses, and ensure disclosures required by federal requirements are current, the MHD cannot ensure all enrolled Medicaid providers remain eligible for participation in the Medicaid program and that improper payments will be detected and corrected in a timely manner. The improper medical payments associated with known questioned costs identified above represent payments made to 1 of 25 providers, or approximately 4 percent of Medicaid providers reviewed. It is unclear if similar improper payments have been made to the remaining population of Medicaid providers; however, additional questioned costs are possible.

WE RECOMMEND the MHD develop procedures to ensure providers meet required criteria to be eligible Medicaid providers, including periodically verifying provider licenses, obtaining updated provider disclosures, and ensuring timely detection of deceased providers, to aid in the prevention and correction of improper claims paid. In addition, the MHD should resolve the questioned costs with the grantor agency.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

Additional State Auditor's Reports:

The Missouri State Auditor's Office regularly issues management reports on various programs, agencies, divisions, and departments of the state of Missouri. Some of these management reports include issues relating to the administration of federal programs. The following reports relate to federal programs and were analyzed to determine if any issues noted in these reports were required to be reported in this Schedule of Findings and Questioned Costs in accordance with Section .510(a) of OMB Circular A-133.

Report Number	Report Name
2010-88	Higher Education/Higher Education Governance Structure and Coordination
2010-99	Insurance, Financial Institutions, and Professional Registration/Insurance
2010-122	Labor and Industrial Relations/Misclassified Worker Investigation Procedures
2010-161	Public Safety/Office of Adjutant General

All reports are available on the Missouri State Auditor's Office website: http://auditor.mo.gov.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

STATE OF MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all audit findings in the prior audit for the year ended June 30, 2009, and the findings from the prior audits for the years ended June 30, 2008 and 2007, except those that were listed as corrected, no longer valid, or not warranting further action. This section includes the Summary Schedule of Prior Audit Findings, which is prepared by the state's management.

Circular A-133 requires the auditor to follow-up on these prior audit findings; perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and report as a current year finding, when the auditor concludes the Summary Schedule of Prior Audit Findings materially misrepresents the status of any prior audit findings.

The disposition of the findings from the year ended June 30, 2008, is as follows:

Findings numbered 1, 3, 4, 7B, and 8C were corrected.

Findings numbered 2A, 2B, 5, 6, 7A, 8A, 8B, 9A, 9B, and 10 are included in the Summary Schedule of Prior Audit Findings.

For the year ended June 30, 2007, all findings were corrected, no longer valid, or did not warrant further action, except for finding number 12, which is included in the Summary Schedule of Prior Audit Findings.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2007-12. Subrecipients

Federal Agency: Department of Agriculture
Department of Health and Human Services

Federal Program: 10.561 State Administrative Matching Grants for Food Stamp Program
2005, 2006, and 2007 - IS251443
2006 and 2007 - IE251843 and IS252043
93.556 Promoting Safe and Stable Families
2006 - G0601MO00FP and 2007 - G0701MO00FP
93.558 Temporary Assistance for Needy Families
2006 - G0601MOTANF and 2007 - G0701MOTANF
93.566 Refugee and Entrant Assistance - State Administered Programs
2006 - G06AAMO7100, 2007 - G07AAMO7100,
2006 - G06AAMO7110, and 2007 - G07AAMO7110
93.568 Low-Income Home Energy Assistance
2006 - G06B1MOLIEA and 2007 - G07B1MOLIEA
93.575 Child Care and Development Block Grant
2006 - G0601MOCCDF and 2007 - G0701MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2006 - G0601MOCCDF and 2007 - G0701MOCCDF
93.658 Foster Care - Title IV-E
2006 - G0601MO1401 and 2007 - G0701MO1401
93.659 Adoption Assistance
2006 - G0601MO1407 and 2007 - G0701MO1407
93.667 Social Services Block Grant
2006 - G0601MOSOSR and 2007 - G0701MOSOSR
93.674 Chafee Foster Care Independent Living
2006 - G0601MO1420 and 2007 - G0701MO1420
93.778 Medical Assistance Program
2006 - 06-05MO5028 and 2007 - 07-05MO5028
2006 - 06-05MO5048 and 2007 - 07-05MO5048

State Agency: Department of Social Services (DSS) - Division of Budget and Finance (DBF)

The DSS did not consider certain entities, such as local community partnerships, to be subrecipients. Our review of expenditures noted payments to several entities which appeared to be subrecipients. However, the Schedule of Expenditures of Federal Awards (SEFA) prepared by the DBF reported payments to these entities for these programs as vendors, rather than "amounts provided to subrecipients", and these entities were not furnished applicable federal regulations and required to obtain an audit in accordance with OMB Circular A-133, when needed.

Recommendation:
The DSS-DBF classify appropriate entities as subrecipients and report funds provided to subrecipients correctly on the SEFA. The subrecipients should be appropriately notified of grant funding sources and regulations and should be required to obtain A-133 audits, where applicable.

Status of Finding:
The DSS developed a tool that we are using to determine whether contractors are vendors or subrecipients. The community partnerships were notified that they are now considered subrecipients and as such are expected to have an A-133 audit conducted for their fiscal year ending on or after June 30, 2011.

Contact Person: Roger Backes
Phone Number: (573) 751-2170

2008-2A. Capital Assets

Federal Agency: Department of Defense
Federal Program: 12.401 National Guard Military Operations and Maintenance Projects
2007 - DAHA23-07-2-1000 and 2008 - DAHA23-08-2-1000
State Agency: Department of Public Safety - Adjutant General (AG)

Some assets purchased during fiscal year 2008 were not properly accounted for in the AG's capital asset tracking system and were not assigned a property tag or capital asset number. In addition, the AG did not perform adequate periodic inventories to ensure capital assets were retained and used appropriately.

Recommendation:
The AG ensure all equipment is properly entered into the capital asset tracking system and assigned a property tag number. In addition, develop and implement a process to ensure capital assets are appropriately accounted for on the annual physical inventories. The inventories should be completed by someone without physical custody of the assets, or at a minimum, reviewed by someone independent.

Status of Finding:
The AG's fixed asset accountability process was revised in 2009. Additional AG staff has been and will continue to be assigned to assist with the reconciliation of fixed assets.

The state property manager, during the months of January - March, will provide a copy of the inventory record to each Hand Receipt Holder at the various off-site locations. The Hand Receipt Holder will sign the inventory record confirming that a physical inventory has been conducted and that all discrepancies have been annotated and return a copy of the inventory record to the State Property Manager. The State Property Manager will sign the inventory record acknowledging receipt and verify that the Hand Receipt Holder signed the document. All inventory records will be presented to the State Logistics

Manager who will also sign the inventory record confirming an inventory record has been received from Hand Receipt Holder and the State Property Manager has signed. A schedule has been established to verify a physical inventory at a minimum of 10 percent of the AG National Guard armories and federal/state agreement facilities to ensure assets are accounted for appropriately. The AG State Property Manager will conduct these inventories and the State Resource Logistics Manager will initial documents upon review and provide oversight.

Contact Person: Jill Delgado
Phone Number: (573) 638-9574

2008-2B. Capital Assets

Federal Agency: Department of Defense
Federal Program: 12.401 National Guard Military Operations and Maintenance Projects
2007 - DAHA23-07-2-1000 and 2008 - DAHA23-08-2-1000
State Agency: Department of Public Safety - Adjutant General (AG)

AG personnel did not complete reconciliation between the expenditure and capital asset records in the SAM II system.

Recommendation:
The AG ensure the capital asset reconciliation is completed to identify all capital assets and ensure the capital asset records are accurate.

Status of Finding:
Prior year fixed asset records continue to be researched and corrected. As of October 27, 2010, approximately 50 percent of outstanding fixed assets records for the federal fund have been reconciled. The previously stated revisions to existing policies have proven beneficial in the accountability of fixed assets and additional staff will continue to be assigned this duty until fixed asset accounts are reconciled.

Contact Person: Jill Delgado
Phone Number: (573) 638-9574

2008-5. Subrecipients

Federal Agency: Department of Agriculture
Department of Health and Human Services
Federal Program: 10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
2007 - IS251443, IE251843, and IS252043
2008 - IS251443, IS802643, and IS803643

93.556 Promoting Safe and Stable Families
2007 - G0701MO00FP and 2008 - G0801MOFPSS
93.558 Temporary Assistance for Needy Families
2007 - G0701MOTANF and 2008 - G0802MOTANF
93.566 Refugee and Entrant Assistance - State Administered Programs
2007 - G07AAMO7100 and G07AAMO7110
2008 - G08AAMO7100 and G08AAMO7110
93.568 Low-Income Home Energy Assistance
2007 - G07B1MOLIEA and 2008 - G08B1MOLIEA
93.575 Child Care and Development Block Grant
2007 - G0701MOCCDF and 2008 - G0801MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2007 - G0701MOCCDF and 2008 - G0801MOCCDF
93.658 Foster Care - Title IV-E
2007 - G0701MO1401 and 2008 - G0801MO1401
93.659 Adoption Assistance
2007 - G0701MO1407 and 2008 - G0801MO1407
93.667 Social Services Block Grant
2007 - G0701MOSOSR and 2008 - G0801MOSOSR
93.674 Chafee Foster Care Independence Program
2007 - G0701MO1420 and 2008 - G0801MO1420
93.778 Medical Assistance Program
2007 - 0705MO5028 and 0705MO5048
2008 - 0805MO5028 and 0805MO5048

State Agency: Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)

The DSS did not consider certain entities, such as local community partnerships, to be subrecipients. Our review of expenditures noted payments to several entities which appeared to be subrecipients. However, the Schedule of Expenditures of Federal Awards (SEFA) prepared by the DFAS reported the payments to these entities for these programs as payments to vendors, rather than "amounts provided to subrecipients", and these entities were not furnished applicable federal regulations and were not required to obtain A-133 audits, when needed.

Recommendation:

The DSS through the DFAS, classify appropriate entities as subrecipients and report funds provided to subrecipients correctly on the SEFA. The subrecipients should be appropriately notified of grant funding sources and regulations and should be required to obtain A-133 audits, where applicable.

Status of Finding:

The DSS developed a tool that we are using to determine whether contractors are vendors or subrecipients. The community partnerships were notified that they are now considered

subrecipients and as such are expected to have an A-133 audit conducted for their fiscal year ending on or after June 30, 2011.

Contact Person: Roger Backes
Phone Number: (573) 751-2170

2008-6. Foster Care - Court Contracts

Federal Agency: Department of Health and Human Services
Federal Program: 93.658 Foster Care - Title IV-E
2007 - G0701MO1401 and 2008 - G0801MO1401
State Agency: Department of Social Services (DSS) - Children's Division (CD)
Questioned Costs: $216,178

The DSS received federal reimbursement for administrative costs associated with services provided by juvenile officers and guardians ad litem, although such costs did not appear allowable in the Foster Care program. During the fiscal year 2008, the DSS claimed reimbursement of such costs totaling $432,356. We questioned the federal share of $216,178.

Recommendation:
The DSS through the CD, ensure Foster Care costs claimed for federal reimbursement are allowable Foster Care expenses. In addition, the DSS should resolve the questioned costs with the grantor agency.

Status of Finding:
The DSS-CD has ceased claiming Title IV-E on costs incurred under contracts with juvenile courts for guardian ad-litem services and for deputy juvenile officer services.

Status of Questioned Costs:
Questioned costs have not yet been resolved with the grantor agency.

Contact Person: Patrick Luebbering
Phone Number: (573) 751-4206

2008-7A. Foster Care - Residential Facilities

Federal Agency: Department of Health and Human Services
Federal Program: 93.658 Foster Care - Title IV-E
2007 - G0701MO1401 and 2008 - G0801MO1401
State Agency: Department of Social Services (DSS) - Children's Division (CD)
Questioned Costs: $9,511

Reimbursements to residential facilities for training expenses were not always supported by sufficient documentation that the expenditures were allowable, and some training costs reimbursed appeared unallowable. Of the $34,100 in reimbursements reviewed, payments totaling $12,875 were unallowable and/or unsupported, of which we questioned $9,511 claimed as the federal share.

Recommendation:
The DSS through the CD, continue to ensure training activities reimbursed are for allowable activities outlined in federal regulations. In addition, the DSS should resolve the questioned costs with the grantor agency.

Status of Finding:
Beginning July 1, 2008, a new contract was issued for training reimbursement. The division has considerably changed the review process for these invoices, requiring documentation from the agencies of how their requests for training reimbursement meet the federal definition. The CD believes, subsequently, those costs being reimbursed are appropriate.

Status of Questioned Costs:
Questioned costs have not yet been resolved with the grantor agency.

Contact Person: Patrick Luebbering
Phone Number: (573) 751-4206

2008-8A. Foster Care - Eligibility and Assistance Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.658 Foster Care - Title IV-E
2007 - G0701MO1401 and 2008 - G0801MO1401
State Agency: Department of Social Services (DSS) - Children's Division (CD)
Questioned Costs: $2,790

The DSS did not maintain sufficient documentation to support eligibility or did not comply with federal requirements for some cases. For one case reviewed, the DSS could not locate a court order indicating the removal of the child from the home was in the child's best interest. Payments relating to this case, totaling $4,484, were charged to the Foster Care program. We questioned the federal share of $2,790. In addition, for other cases reviewed, the DSS did not comply with federal requirements and file or join a petition to file for termination of parental rights (TPR) or document compelling reasons for not pursuing termination; or TPR was not initiated within the required timeframe.

Recommendation:
The DSS through the CD resolve the questioned costs with the grantor agency, and ensure Foster Care judicial determinations contain specific language required by federal regulations, and that petitions to terminate parental rights are filed for parents whose

children are in custody for 15 of the most recent 22 months or compelling reasons for not filing the petition are documented.

Status of Finding:
A Practice Alert was issued to all CD staff on July 15, 2009, informing staff that they must obtain a copy of the initial court order indicating that removal from the home was in the child's best interest and file the order in the case record. The Practice Alert also states that when TPR is required, CD staff must file or join a petition for TPR, or document compelling reasons for not pursing termination within required timeframes.

Status of Questioned Costs:
Questioned costs have not yet been resolved with the grantor agency.

Contact Person: Melody Yancey
Phone Number: (573) 522-5062

2008-8B. Foster Care - Eligibility and Assistance Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.658 Foster Care - Title IV-E
2007 - G0701MO1401 and 2008 - G0801MO1401
State Agency: Department of Social Services (DSS) - Children's Division (CD)
Questioned Costs: $1,747

Sufficient documentation, such as invoices or other supporting documentation, could not be located for some payments for some cases where payment documentation was required. In addition, for some cases, the benefit payments exceeded the annual clothing allowance, and for another case, the maintenance payments were incorrectly calculated. For these cases, payments totaling $2,807 were unallowable and/or unsupported by adequate documentation. We questioned the federal share of $1,747.

Recommendation:
The DSS through the CD resolve the questioned costs with the grantor agency, and ensure Foster Care payments are allowable and supported by adequate documentation.

Status of Finding:
Memo CD09-92 was issued to all staff on September 24, 2009, reminding staff that sufficient documentation must be attached to all payment requests. The Payment Handbook was also updated to include information on appropriate documentation.

Status of Questioned Costs:
Questioned costs have not yet been resolved with the grantor agency.

Contact Person: Melody Yancey
Phone Number: (573) 522-5062

2008-9A. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States 2007 - H126A0700372 and 2008 - H126A080037B
State Agency: Department of Social Services - Family Support Division (FSD) - Rehabilitation Services for the Blind (RSB)
Questioned Costs: $3,444,779

The FSD did not establish procedures to ensure adequate supporting documentation was prepared for personnel costs charged to the Vocational Rehabilitation (VR) grant. Personnel costs charged to the VR grant during state fiscal year 2008 for which the supporting documentation was inadequate or not prepared totaled $4,377,102 of which we questioned the federal share of costs totaling $3,444,779.

Recommendation:
The FSD resolve the questioned costs with the grantor agency. In addition, the FSD should develop written policies and procedures to ensure salary certifications are prepared for all employees who work solely on a single program and personnel activity reports are prepared for employees who work on multiple federal awards or cost objectives in accordance with OMB Circular A-87.

Status of Finding:
The FSD has modified the certification process for personnel who worked solely in a single grant program and implemented personnel activity reporting (time studies) for those who work in multiple grants. FSD now ensures that all staff claimed 100 percent to the VR grant are verified through the certification process, effective in March 2009. FSD also ensures that any staff employed in a position that is claimed 100 percent to a grant (VR OIB) at any time during the review period is included in the certification process. Written procedures have been provided to affected staff to ensure they are clear on the certification process. FSD ensures that staff allocation claims for those employees not claimed 100 percent working to a specific grant in the FSD-RSB program are based on the employee activity reports effective July 1, 2009.

Status of Questioned Costs:
This finding is the subject of continued discussion with the grantor agency, but no final resolution has been achieved as of the date of this report.

Contact Person: Mark Laird
Phone Number: (573) 751-4249

2008-9B. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States
2007 - H126A0700372 and 2008 - H126A080037B
State Agency: Department of Social Services - Family Support Division (FSD) - Rehabilitation Services for the Blind (RSB)

The FSD-RSB did not adequately document annual reviews of Individualized Plans for Employment (IPE) relating to the Vocational Rehabilitation (VR) grant.

Recommendation:
The FSD document annual reviews of IPE for VR recipients on the IPE forms as required by RSB policy.

Status of Finding:
RSB has emphasized to vocational rehabilitation counseling staff, their supervisors and the rehabilitation assistants who work on case file documents and through on-site training the need for clear documentation verifying the requirement of the review of each eligible individual's IPE as often as necessary, but at least once every twelve months to assess the individual's progress in achieving the identified employment outcome, with an emphasis on using the IPE document to verify the requirement has been met. RSB central office management staff has focused attention on meeting the requirement and the documentation that the requirement has been met during discussions with field offices regarding any authorized service requiring higher level approval prior to approval.

RSB is in the process of implementing an automated case management system, expected to be operational by mid FY 2011. The system will capture the IPE completion date and generate an alert to counseling staff in advance of the annual anniversary date.

Contact Person: Mark Laird
Phone Number: (573) 751-4249

2008-10. Medical Assistance Program

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
2007 - 0705MO5028 and 0705MO5048
2008 - 0805MO5028 and 0805MO5048
State Agency: Department of Social Services (DSS) - Family Support Division (FSD) and MO HealthNet Division (MHD)
Questioned Costs: $2,048

Various documentation detailing eligibility of recipients, payments to providers, and payment overrides could not be located related to the above referenced program.

A. Eligibility documentation could not be located by FSD for one Medicaid case file reviewed. Medical payments made on behalf of the client during the year ended June 30, 2008, totaled $3,297. We questioned the federal share of the total payments or $2,048.

B. Medicaid Eligibility Quality Control System documentation could not be located and/or was not adequate for some cases reviewed.

C. Medicaid payment override documentation could not be located for one case file reviewed.

D. Medicaid payment documentation could not be located by the MHD for one Program Integrity Unit's post payment case file reviewed.

Recommendation:
The DSS through the FSD and MHD ensure complete case files are maintained and/or documentation is adequate to ensure compliance with applicable federal requirements related to the Medicaid program. In addition, the FSD should resolve questioned costs with the grantor agency.

Status of Finding:
A&B. The FSD still does not agree that missing documentation, per se, would make costs questionable, and contends that, given eligibility determination information is maintained electronically in the Family Assistance Management Information System, the lack of a "hard case record" does not affect the eligibility. The agency is in the process of devising a memorandum to remind staff that it is good practice to maintain the hard case record for review purposes.

C. MHD's Participant Services Unit implemented new procedures for tracking, monitoring and retaining claim payment override documentation in December 2008.

D. MHD's Program Integrity Unit modified the procedures for the State Audit Sample and updated the tracking system in March 2009.

Status of Questioned Costs:
Questioned costs will be adjusted on the September 30, 2010, quarterly report.

Contact Person: Sandra Nelson and Lynn Hebenheimer
Phone Number: (573) 751-3124 and (573) 526-6806

2009-1. Untimely Teacher Loan Forgiveness Payments

Federal Agency: Department of Education
Federal Program: 84.032 Federal Family Education Loans - Guaranty Agencies
State Agency: Department of Higher Education (DHE)
Questioned Costs: $502,851

The DHE did not have adequate controls in place to ensure payments were made to lenders within the 45 days required by program regulations for teacher loan forgiveness (TLF) claims. During the year ended June 30, 2009, payments totaling approximately $2.25 million were made for 311 TLF claims. We questioned the federal share of 75 untimely payments, or $502,851.

Recommendation:
The DHE work with the loan servicer to establish adequate controls and monitoring procedures to ensure TLF payments are made in a timely manner in accordance with federal regulations. In addition, the DHE should resolve the questioned costs with the grantor agency.

Status of Finding:
The DHE's loan servicer implemented procedures to ensure that eligible TLF claims are paid within 45 days of receipt. In addition, the DHE updated its internal procedures and now reviews all approved TLF claims weekly to verify the lender was paid within 45 days.

Status of Questioned Costs:
The DHE disagreed with the questioned costs. To date, the U.S. Department of Education has not followed up with the DHE on this audit finding or required any action relating to the questioned costs.

Contact Person: Carla Hancock
Phone Number: (573) 522-1363

2009-2A. Benefit Payments

Federal Agency: Department of Labor
Federal Program: 17.225 Unemployment Insurance
17.225 ARRA - Unemployment Insurance
2008 - UI-16756-08-55-A-29
2009 - UI-18030-09-55-A-29
State Agency: Department of Labor and Industrial Relations (DLIR)
Questioned Costs: $300

Controls and procedures related to the computer system used to manage unemployment benefits were not adequate. Due to a programming error, the computer system did not

accurately calculate the maximum benefit amount for Third Tier benefits, and documentation was not maintained to demonstrate what was done to correct the errors. We questioned the federal share of $300 (100 percent) for the error noted during our review.

Recommendation:
The DLIR resolve questioned costs with the grantor agency, and work with Office of Administration Information Technology Services Division (ITSD) to reanalyze all the changes made recently to the programming to determine if there are other issues affecting payments to claimants. In addition, the DLIR should work with the ITSD to ensure programming changes are properly tested and accurate. Also, the DLIR should work with the ITSD to ensure documentation is maintained of corrections and changes made to computer programming, the claimants affected by the changes, and the dollar amount associated with the changes.

Status of Finding:
The Department has resolved the questioned costs with the U.S. Department of Labor (USDOL). The USDOL's Final Determination regarding this finding was issued September 23, 2010. In this determination, the USDOL found that the corrective action plan submitted should be sufficient to address the issues noted by the auditor. The actions planned included a reemphasis on testing and verification of programming changes prior to implementation and the development of a records retention methodology and process which includes documenting and maintaining an audit trail for changes made.

Status of Questioned Costs:
The questioned costs of $300 were allowed by the USDOL.

Contact Person: Spencer Clark
Phone Number: (573) 751-3366

2009-2B. Benefit Payments

Federal Agency: Department of Labor
Federal Program: 17.225 Unemployment Insurance
17.225 ARRA - Unemployment Insurance
2008 - UI-16756-08-55-A-29
2009 - UI-18030-09-55-A-29
State Agency: Department of Labor and Industrial Relations (DLIR)

Controls and procedures related to the computer system used to manage unemployment benefits were not adequate. For two accounts reviewed, we noted benefits from a previous level were initially exhausted, but due to identifying the claimants' failure to report wages earned, overpayments of benefits totaling $944 were detected. Since these overpayments were made from a level that was previously exhausted, when repaid or recouped, that previous level's benefits would no longer actually be exhausted. As a result

the potential existed that these benefits would not subsequently be paid to the claimants when owed.

Recommendation:
The DLIR ensure overpayments caused by the claimant's failure to report wages are properly reviewed and handled, and any benefits due to the claimant are paid.

Status of Finding:
In its Final Determination issued September 23, 2010, the U.S. Department of Labor indicated that it is unclear whether planned actions to address this finding will be sufficient to prevent the issues from recurring. However, since that time, the Office of Administration Information Technology Services Division developed a program to identify all claims that had a balance restored to a previous level of benefits. The necessary adjustments to these claims will be made as soon as workload allows.

Contact Person: Spencer Clark
Phone Number: (573) 751-3366

2009-2C. Benefit Payments

Federal Agency: Department of Labor
Federal Program: 17.225 Unemployment Insurance
17.225 ARRA - Unemployment Insurance
2008 - UI-16756-08-55-A-29
2009 - UI-18030-09-55-A-29
State Agency: Department of Labor and Industrial Relations (DLIR)
Questioned Costs: $1,980

A monthly report of overpayments, generated by the computer system, did not include some overpayments of Extended Benefits (EB). Our review noted an EB overpayment of $1,980 (which includes $150 overpayment of Federal Additional Compensation) made to one claimant was not identified and not included in the report. We questioned the federal share of $1,980 (100 percent).

Recommendation:
The DLIR resolve questioned costs with the grantor agency, and develop procedures to ensure all overpayments are included in the overpayment report so that overpayments can be investigated and collection can be pursued.

Status of Finding:
The DLIR has resolved the questioned costs with the U.S. Department of Labor (USDOL). The USDOL's Final Determination regarding this finding was issued September 23, 2010. In this determination, the USDOL found that the corrective action plan submitted should be sufficient to address the issues noted by the auditor. The DLIR has corrected the monthly report of overpayments on state EB caused by non-monetary

determinations. The DLIR worked with the Office of Administration Information Technology Services Division and identified all claims that were originally omitted from the report and has taken appropriate steps to investigate for possible overpayments and recovery. The DLIR considers this finding corrected and believes no further corrective action is needed.

Status of Questioned Costs:
The questioned costs of $1,980 were allowed by the USDOL.

Contact Person: Spencer Clark
Phone Number: (573) 751-3366

2009-3. Reporting

Federal Agency: Department of Labor
Federal Program: 17.225 Unemployment Insurance
17.225 ARRA - Unemployment Insurance
2008 - UI-16756-08-55-A-29
2009 - UI-18030-09-55-A-29
State Agency: Department of Labor and Industrial Relations (DLIR)

Due to inadequate procedures and a lack of oversight, reports necessary to comply with federal reporting requirements were not submitted timely. Available tracking reports were apparently not used to ensure compliance in filing reports timely.

Recommendation:
The DLIR improve procedures to ensure applicable reports are filed with the U.S. Department of Labor (USDOL) within the required timeframe. The DLIR should ensure adequate oversight over the reporting process and utilize the tracking reports to monitor the timeliness of reports.

Status of Finding:
In its Final Determination issued September 23, 2010, the USDOL indicated that this finding remains uncorrected. The DLIR reassigned staff and provided instruction on the timely filing of reports. In order to fully demonstrate that the issue has been addressed, the DLIR must submit a subsequent audit report that does not contain findings related to this issue.

Contact Person: Spencer Clark
Phone Number: (573) 751-3366

2009-4A. Subrecipient Monitoring

Federal Agency: Department of Energy
Federal Program: 81.042 Weatherization Assistance for Low-Income Persons
2008 - DE-FG-450R530683
81.042 ARRA - Weatherization Assistance for Low- Income Persons
2009 - DE-EE0000151
State Agency: Department of Natural Resources (DNR)

Improvements were needed in the monitoring of subrecipient activities to ensure expenditures by subrecipients were allowable. The DNR did not receive itemized listings or supporting documentation prior to reimbursing subrecipients for program expenditures. A computerized reporting system (MOWAP) was not yet operational. In addition, monitoring policies and procedures did not ensure a sufficient number and amount of expenditures were reviewed during monitoring visits and the documentation of the actual expenditures reviewed was inadequate.

Recommendation:
The DNR continue to work on the implementation of the MOWAP system and establish procedures for timely review of supporting documentation for expenditures reimbursed to subrecipients. In addition, the DNR should strengthen internal controls by establishing more comprehensive procedures for on-site monitoring of subrecipient expenditures including a consistent methodology for selecting representative samples of all significant types of subrecipient expenditures, and ensuring specific expenditures reviewed are adequately documented.

Status of Finding:
Corrective action taken and fully implemented. U.S. Department of Energy did not follow up on this finding.

Contact Person: Joe Gassner
Phone Number: (573) 751-7657

2009-4B. Subrecipient Monitoring

Federal Agency: Department of Energy
Federal Program: 81.042 Weatherization Assistance for Low-Income Persons
2008 - DE-FG-450R530683
81.042 ARRA - Weatherization Assistance for Low-Income Persons
2009 - DE-EE0000151
State Agency: Department of Natural Resources (DNR)

The DNR did not adequately document its review of subrecipient compliance with state purchasing laws or ensure identified noncompliance was corrected in a timely manner. In

addition, monitoring files contained no documentation regarding a review of subrecipient compliance with federal suspension and debarment requirements.

Recommendation:
The DNR ensure subrecipient monitoring includes a more thorough review of compliance with bidding procedures, and perform more timely follow-up procedures for known noncompliance. In addition, the DNR should ensure monitoring for subrecipient compliance with federal suspension and debarment regulations is performed and documented.

Status of Finding:
Corrective action taken and fully implemented. U.S. Department of Energy did not follow up on this finding.

Contact Person: Joe Gassner
Phone Number: (573) 751-7657

2009-4C. Subrecipient Monitoring

Federal Agency: Department of Energy
Federal Program: 81.042 Weatherization Assistance for Low-Income Persons
2008 - DE-FG-450R530683
81.042 ARRA - Weatherization Assistance for Low-Income Persons
2009 - DE-EE0000151
State Agency: Department of Natural Resources (DNR)

The DNR did not review subrecipient audit reports on a timely basis to ensure compliance with the Single Audit Act and OMB Circular A-133.

Recommendation:
The DNR adopt policies and procedures to ensure subrecipient audits are reviewed in a timely manner.

Status of Finding:
Corrective action taken and fully implemented. U.S. Department of Energy did not follow up on this finding.

Contact Person: Kendall Blythe
Phone Number: (573) 751-1348

2009-5. Reporting

Federal Agency: Department of Defense
Federal Program: 12.401 National Guard Military Operations and Maintenance Projects
2008 - DAHA23-08-2-1000 and 2009 - DAHA23-09-2-1000
State Agency: Department of Public Safety - Adjutant General (AG)

While the AG had a system in place to track fiscal year closeout reports and related due dates, AG personnel did not use this data to help ensure closeout reports were actually submitted to the federal government by the dates due or that requests for extensions were filed if necessary. As a result, several closeout reports and requests for extensions were not submitted timely.

Recommendation:
The AG establish procedures to ensure closeout reports are submitted by the date due or when necessary, and deadline extensions are obtained and met.

Status of Finding:
Extensions and closeout reports are now being accomplished in a timely manner.

Contact Person: Jill Delgado
Phone Number: (573) 638-9574

2009-6A. Capital Assets

Federal Agency: Department of Defense
Federal Program: 12.401 National Guard Military Operations and Maintenance Projects
2008 - DAHA23-08-2-1000 and 2009 - DAHA23-09-2-1000
State Agency: Department of Public Safety - Adjutant General (AG)

Some assets purchased during fiscal year 2009 were not properly accounted for in the AG's internal capital asset tracking system or the SAM II capital asset tracking system, and some assets did not receive a property tag and asset number. In addition, the AG did not perform physical inventories during fiscal year 2009 at any of the offsite locations housing the assets.

Recommendation:
The AG ensure all equipment is properly assigned a property tag number and entered into both the internal and SAM II capital asset tracking systems. In addition, the AG should ensure annual physical inventories are performed and continue to investigate the backlog of untagged capital assets.

Status of Finding:
The AG fixed asset accountability process was revised in 2009. Additional AG staff has been and will continue to be assigned to assist with the reconciliation of fixed assets.

The state property manager during the months of January - March, will provide a copy of the inventory record to each Hand Receipt Holder at the various off-site locations. The Hand Receipt Holder will sign the inventory record confirming that a physical inventory has been conducted and that all discrepancies have been annotated and return a copy of the inventory record to the State Property Manager. The State Property Manager will sign the inventory record acknowledging receipt and verify that the Hand Receipt Holder signed the document. All inventory records will be presented to the State Logistics Manager who will also sign the inventory record confirming an inventory record has been received from Hand Receipt Holder and the State Property Manager has signed. A schedule has been established to verify a physical inventory at a minimum of 10 percent of the AG National Guard armories and federal/state agreement facilities to ensure assets are accounted for appropriately. The AG State Property Manager will conduct these inventories and the State Resource Logistics Manager will initial documents upon review and provide oversight.

Contact Person: Jill Delgado
Phone Number: (573) 638-9574

2009-6B. Capital Assets

Federal Agency: Department of Defense
Federal Program: 12.401 National Guard Military Operations and Maintenance Projects
2008 - DAHA23-08-2-1000 and 2009 - DAHA23-09-2-1000
State Agency: Department of Public Safety - Adjutant General (AG)

AG personnel did not complete a reconciliation between the expenditure and capital asset records in the SAM II system. While a reconciliation was in progress, as of January 2010, approximately $1.2 million of the $3.8 million in capital asset expenditures from fiscal year 2002 through fiscal year 2009 was not reconciled.

Recommendation:
The AG ensure the capital asset reconciliation is completed to identify all capital assets and ensure the capital asset records are accurate.

Status of Finding:
Prior year fixed asset records continue to be researched and corrected. As of October 27, 2010 approximately 50 percent of outstanding fixed assets records for the federal fund have been reconciled. The previously stated revisions to existing policies have proven beneficial in the accountability of fixed assets and additional staff will continue to be assigned this duty until fixed asset accounts are reconciled.

Contact Person: Jill Delgado
Phone Number: (573) 638-9574

2009-7. Schedule of Expenditures of Federal Awards

Federal Agency: Department of Defense
Federal Program: 12.401 National Guard Military Operations and Maintenance Projects
2008 - DAHA23-08-2-1000 and 2009 - DAHA23-09-2-1000
State Agency: Department of Public Safety - Adjutant General (AG)

The AG did not have adequate procedures in place to prepare the Schedule of Expenditures of Federal Awards (SEFA) or to prevent and detect errors.

Recommendation:
The AG develop formal procedures to prepare a complete and accurate SEFA, including providing for appropriate supervisory reviews.

Status of Finding:
The AG has established internal procedures for the preparation of the SEFA schedule.

Contact Person: Jill Delgado
Phone Number: (573) 638-9574

2009-8. Veterans State Nursing Home Care Program

Federal Agency: Department of Veterans Affairs
Federal Program: 64.015 Veterans State Nursing Home Care
State Agency: Department of Public Safety - Missouri Veterans Commission (MVC)

Formal application and eligibility review policies and procedures of potential Veterans Nursing Homes (Homes) residents were in need of improvement. Prior to September 2008, eligibility reviews performed of potential residents were not documented, and therefore, the MVC could not demonstrate that its personnel verified resident eligibility prior to that time. Our review of the forms used to document eligibility reviews after September 2008 found Homes personnel were not always following the new policy. In addition, the MVC did not have written policies and procedures identifying acceptable documentation to verify the 180-day state residency requirement; therefore, the MVC could not effectively demonstrate compliance with the residency requirement.

Recommendation:
The MVC revise the Homes policies and procedures manual to reflect the use of the Pre-Admission Screening Form to document all eligibility reviews, including personnel required to perform the reviews, and formally establish acceptable proof of residency documentation. In addition, the Pre-Admission Screening Form should be updated to require all necessary reviewers' signatures, and acceptable proof of residency should be obtained for each applicant.

Status of Finding:
On May 1, 2010, the MVC implemented a policy and procedure to ensure all new applicants show that he/she lived in Missouri for 180 days and are eligible for placement in a Missouri Veterans Home. The policy includes specific documents which may be required to show proof of residency. The proof of residency is attached to the Waiting List Screening Tool. In addition, the policy and the Waiting List Screening Tool list the reviewers required to sign the screening tool to document their approval of the applicant's eligibility.

Contact Person: Omar Davis
Phone Number: (573) 522-4224

2009-9. Subrecipients

Federal Agency: Department of Agriculture
Department of Health and Human Services

Federal Program:
10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
2008 and 2009 - IS251443, IE251843 and IS252043
93.556 Promoting Safe and Stable Families
2008 - G0801MO00FP and 2009 - G0901MO00FP
93.558 Temporary Assistance for Needy Families
2007 - G0701MOTANF, 2008 - G0801MOTANF, and 2009 - G0901MOTANF
93.575 Child Care and Development Block Grant
2008 - G0801MOCCDF and 2009 - G0901MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2008 - G0801MOCCDF and 2009 - G0901MOCCDF
93.658 Foster Care - Title IV-E
2008 - G0801MO1401 and 2009 - G0901MO1401
93.659 Adoption Assistance
2008 - G0801MO1407 and 2009 - G0901MO1407
93.667 Social Services Block Grant
2008 - G0801MOSOSR and 2009 - G0901MOSOSR
93.674 Chafee Foster Care Independence Program
2008 - G0801MO1420 and 2009 - G0901MO1420
93.778 Medical Assistance Program
2008 - 0805MO5028 and 0805MO5048
2009 - 0905MO5028 and 0905MO5048

State Agency: Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)

As noted in previous reports, the DSS did not consider certain entities to be subrecipients. Our review of expenditures noted payments to several entities which appeared to be

subrecipients. However, the Schedule of Expenditures of Federal Awards (SEFA) prepared by the DFAS reported payments to these entities for these programs as vendors, rather than "amounts provided to subrecipients;" and these entities were not furnished applicable federal regulations and required to obtain an audit in accordance with OMB Circular A-133, when needed.

Recommendation:
The DSS through the DFAS, classify appropriate entities as subrecipients and report funds provided to subrecipients correctly on the SEFA. The subrecipients should be appropriately notified of grant funding sources and regulations and should be required to obtain OMB Circular A-133 audits, where applicable.

Status of Finding:
The DSS developed a tool that we are using to determine whether contractors are vendors or subrecipients. The community partnerships were notified that they are now considered subrecipients and as such are expected to have an A-133 audit conducted for their fiscal year ending on or after June 30, 2011.

Contact Person: Roger Backes
Phone Number: (573) 751-2170

2009-10. Drawdown Controls

Federal Agency: Department of Agriculture
Department of Education
Department of Health and Human Services

Federal Program:
10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
2008 and 2009 - IS251443, IE251843, and IS252043
10.561 ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
2009 - 2009ID250343
10.568 Emergency Food Assistance Program (Administrative Costs)
2008 - IY810543
84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States
2007, 2008, and 2009 - H126A040037
93.558 Temporary Assistance for Needy Families
2007 - G0701MOTANF, 2008 - G0801MOTANF, and 2009 - G0901MOTANF
93.563 Child Support Enforcement
2008 - G0804MO4004 and 2009 - G0904MO4004
93.563 ARRA- Child Support Enforcement
2009 - G0904MO4002

93.568 Low-Income Home Energy Assistance
2008 - G08B1MOLIEA and 2009 - G09B1MOLIEA
93.659 Adoption Assistance
2008 - G0801MO1407 and 2009 - G0901MO1407
93.659 ARRA - Adoption Assistance
2009 - G0901MO1403
93.667 Social Services Block Grant
2008 - G0801MOSOSR and 2009 - G0901MOSOSR
93.778 Medical Assistance Program
2008 - 0805MO5028 and 0805MO5048
2009 - 0905MO5028 and 0905MO5048
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA

State Agency: Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)

Controls over drawdowns were in need of improvement. The procedures did not prevent and/or detect accounting errors and supervisory reviews of drawdowns were not performed. As a result several drawdowns were incorrectly recorded in SAM II.

Recommendation:
The DSS through the DFAS, ensure drawdown records are properly reconciled, reconciliations are documented, and differences are investigated. In addition, the DFAS should implement documented supervisory reviews of drawdown procedures.

Status of Finding:
An audit file of the drawdown reconciliation is being maintained and supervisory review of drawdowns to the letter of credit disbursements are conducted quarterly.

Contact Person: Roger Backes
Phone Number: (573) 751-2170

2009-11. Schedule of Expenditures of Federal Awards

Federal Agency: Department of Agriculture
Department of Education
Department of Health and Human Services

Federal Program: 10.568 Emergency Food Assistance Program (Administrative Costs)
2008 - IY810543
10.569 Emergency Food Assistance Program (Food Commodities)
10.569 ARRA - Emergency Food Assistance Program (Food Commodities)
84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States
2007, 2008, and 2009 - H126A040037

93.563 Child Support Enforcement
2008 - G0804MO4004 and 2009 - G0904MO4004
93.563 ARRA - Child Support Enforcement
2009 - G0904MO4002
93.568 Low-Income Home Energy Assistance
2008 - G08B1MOLIEA and 2009 - G09B1MOLIEA
93.658 Foster Care - Title IV-E
2008 - G0801MO1401 and 2009 - G0901MO1401
93.658 ARRA - Foster Care - Title IV-E
2009 - G0901MO1402
93.659 Adoption Assistance
2008 - G0801MO1407 and 2009 - G0901MO1407
93.659 ARRA - Adoption Assistance
2009 - G0901MO1403
93.667 Social Services Block Grant
2008 - G0801MOSOSR and 2009 - G0901MOSOSR
93.778 Medical Assistance Program
2008 - 0805MO5028 and 0805MO5048
2009 - 0905MO5028 and 0905MO5048
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA

State Agency: Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)

DFAS controls and procedures over the preparation of the Schedule of Expenditures of Federal Awards (SEFA) were not sufficient, and as a result, errors on the SEFA were not prevented and/or detected.

Recommendation:
The DSS through the DFAS, implement procedures to ensure the SEFA is complete and accurate.

Status of Finding:
Written procedures have been implemented to ensure the SEFA is accurate and complete.

Contact Person: Roger Backes
Phone Number: (573) 751-2170

2009-12. Cost Allocation Procedures

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2007 - G0701MOTANF, 2008 - G0801MOTANF, and
2009 - G0901MOTANF

93.658 Foster Care - Title IV-E
2008 - G0801MO1401 and 2009 - G0901MO1401
93.659 Adoption Assistance
2008 - G0801MO1407 and 2009 - G0901MO1407
93.778 Medical Assistance Program
2008 - 0805MO5028 and 0805MO5048
2009 - 0905MO5028 and 0905MO5048

State Agency: Department of Social Services (DSS) - Division of Finance and Administration (DFAS)

Questioned Costs: $666,189

The DSS did not establish procedures to ensure all payments to Caring Communities partnerships were allowable and allocable to the various federal programs. Some of the costs associated with the partnerships were allocated through a cost pool based on the percentage of time worked by Children's Division employees on certain federal programs rather than based on actual services provided by the partnerships. As a result, we questioned $666,189, which was the federal portion of the costs allocated to these programs through the Social Services cost pool during the year ended June 30, 2009.

Recommendation:

The DSS, through the DFAS, resolve the questioned costs with the grantor agency, and establish procedures to ensure all payments to the Caring Communities partnerships are allowable and allocable to the various federal programs in accordance with OMB Circular A-87.

Status of Finding:

Reports for the four federal programs will be amended to remove the costs allocated from the Caring Communities contract. The decision to treat Caring Communities as subrecipients for future years will eliminate this issue for future periods.

Status of the Questioned Costs:

Questioned costs have not yet been resolved with the grantor agency.

Contact Person: Roger Backes
Phone Number: (573) 751-2170

2009-13. Procurement and Suspension and Debarment

Federal Agency: Department of Health and Human Services

Federal Program: 93.563 Child Support Enforcement
2008 - G0804MO4004 and 2009 - G0904MO4004
93.667 Social Services Block Grant
2008 - G0801MOSOSR and 2009 - G0901MOSOSR

State Agency: Department of Social Services (DSS)

The DSS did not ensure all entities paid more than $25,000 were not suspended or debarred, or otherwise excluded from receiving federal funds. For statewide contracts negotiated by the Office of Administration, the DSS did not ensure the vendor was not suspended or debarred before procuring goods and services with federal funds.

Recommendation:
The DSS implement procedures to ensure applicable purchases from statewide contracts are in compliance with federal suspension and debarment regulations.

Status of Finding:
The DSS has policies and procedures in place to ensure all contracts awarded under the procurement authority of DSS include suspension and debarment language and that appropriate certifications are in place before expenditures are made.

DSS performed a review of all contracts used by DSS, regardless of issuing authority, to ensure that vendors are not suspended or debarred from doing business with the federal government. This review was completed by October 1, 2010.

Additionally, as part of its annual contract renewal process, DSS will check the Excluded Parties List System or the file for certification documentation to ensure the vendor is in good standing before the contract is renewed.

Contact Person: Gina Jacobs
Phone Number: (573) 751-3870

2009-14A&B. Adoption Assistance - Eligibility and Assistance Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.659 Adoption Assistance
2008 - G0801MO1407 and 2009 - G0901MO1407
93.659 ARRA - Adoption Assistance
2009 - G0901MO1403
State Agency: Department of Social Services (DSS) - Children's Division (CD)
Questioned Costs: $41,357

Payments were made on behalf of ineligible children in two cases and many subsidy agreements appeared to have been backdated.

A. For 2 of 60 cases tested, payments were made on behalf of children ineligible for Adoption Assistance benefits because adoption subsidy agreements were not signed and in effect before or at the date of adoption. We questioned the federal share of $4,583.

B. For many additional cases, it appeared the subsidy agreements were not signed and in effect prior to or at the time of the adoption because the CD Director's

signature date was apparently backdated. We questioned the federal share of $36,774 related to ten cases tested.

Recommendation:
The DSS through the CD, resolve the questioned costs with the grantor agency and ensure all adoption subsidy agreements are signed prior to the adoption. In addition, the CD should pursue recoupment of the remaining overpayments.

Status of Finding:

A. The CD partially agrees with this finding. The CD maintains the children in question were eligible for state Adoption Assistance benefits. Because the agreements were not in place prior to the adoption, they could not be paid from Federal IV-E funds. When the CD was notified of this finding, the adoption assistance agreements were switched to state-only funded adoption assistance agreements, thereby preventing future payments from being made from federal funds. Past payments were recouped and assigned to state-only funding. As a corrective action, the CD has in place a IV-E eligibility unit charged with reviewing federal IV-E adoption subsidy eligibility as well as the date of the adoption finalization. When the start date of the adoption assistance agreement is later than the adoption finalization date, the agreements are to be charged to state-only funds.

B. The CD partially agrees. In May 2008, the matter of the possibility of backdating adoption assistance agreements consistent with the date of signature of the adoptive parents was addressed. Since May 2008, the CD has required staff to negotiate agreements 30 to 45 days prior to the required effective date to allow all parties to review and approve the agreement prior to finalization.

Status of the Questioned Costs:

A. Questioned costs of $6,776 ($4,583 federal share) were recouped during February 2010 and reflected on the March 31, 2010 quarterly report.

B. Questioned costs of $54,375 ($36,774 federal share) were adjusted on the September 30, 2010 quarterly report.

Contact Person: Amy Martin
Phone Number: (573) 526-8040

2009-14C. Adoption Assistance - Eligibility and Assistance Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.659 Adoption Assistance
2008 - G0801MO1407 and 2009 - G0901MO1407
93.659 ARRA - Adoption Assistance
2009 - G0901MO1403

State Agency: Department of Social Services (DSS) - Children's Division (CD)
Questioned Costs: $348

For 6 of 60 cases tested, adoption assistance payments were not allowable and/or not supported by adequate documentation. For two of the cases, a nonrecurring legal expense and a clothing expense were paid, although the expenses were not authorized in the subsidy agreements. In the remaining cases, child care attendance records could not be located or did not agree to provider invoices. We questioned the federal share of $348.

Recommendation:
The DSS through the CD, resolve the questioned costs with the grantor agency and ensure all payments are authorized in the subsidy agreements and supported by adequate documentation.

Status of Finding:
The CD partially agrees with this portion of the finding. The CD holds that the nonrecurring legal expenses were an eligible expense for the adoption assistance client, even though paid outside of the timeframe of the adoption assistance contract. Insofar as the identified clothing expense, the CD agrees the expense was erroneously paid out of adoption expenses, but maintains it was still an eligible foster care expense. The child care attendance record-keeping matters, if actually determined to be payment deficiencies, are a result of manual maintenance and possibly subject to human oversight.

Family and Children Electronic System (FACES) has been fully implemented as of July 31, 2010. The FACES resources and financial management system electronically identifies prior to payment that a billed/invoice service appears on the appropriate contract before allowing payment. For example, CLTH-clothing is not an allowable service on a subsidy agreement, therefore, if an invoice or payment request were submitted for clothing expenses for an adopted child, the system would disallow that payment. If an attempt was made to pay for that expense manually, the system requires a review of the contract and would disallow the payment. The checks and balances are in place to prevent a service that is not allowed from being paid in error.

Status of the Questioned Costs:
Questioned costs of $514 ($348 federal share) were adjusted on the September 30, 2010 quarterly report.

Contact Person: Amy Martin
Phone Number: (753) 526-8040

2009-15A. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States
2007, 2008 and 2009 - H126A0080037
State Agency: Department of Social Services (DSS) - Family Support Division (FSD) - Rehabilitation Services for the Blind (RSB) and Division of Finance and Administrative Services (DFAS)
Questioned Costs: $1,623,730

Adequate supporting documentation was not always prepared for personnel costs, which consisted of salaries and related fringe benefits and indirect costs, charged to the Vocational Rehabilitation (VR) program grant for approximately 160 employees. Personnel costs were charged solely to the VR grant for some employees who performed duties related to other programs. Personnel costs charged to the VR grant during state fiscal year 2009 for which the supporting documentation was inadequate or not prepared totaled $2,063,188, of which we questioned the federal share of costs totaling $1,623,730 (78.7 percent).

Recommendation:
The DSS through the FSD and DFAS resolve the questioned costs with the grantor agency. In addition, the FSD should develop written policies and procedures to ensure salary certifications are prepared for all employees who work solely on a single program and personnel activity reports are prepared for employees who work on multiple federal awards or cost objectives in accordance with OMB Circular A-87.

Status of Finding:
The FSD has modified the certification process for personnel who worked solely in a single grant program and implemented personnel activity reporting (time studies) for those who work in multiple grants. FSD now ensures that all staff claimed 100 percent to the VR grant are verified through the certification process, effective in March 2009. FSD also ensures that any staff employed in a position that is claimed 100 percent to a grant (VR OIB) at any time during the review period is included in the certification process. Written procedures have been provided to affected staff to ensure they are clear on the certification process. FSD ensures that staff allocation claims for those employees not claimed 100 percent working to a specific grant in the FSD-RSB program are based on the employee activity reports effective July 1, 2009.

Status of the Questioned Costs:
This finding is the subject of continued discussion with the grantor agency, but no final resolution has been achieved as of the date of this report.

Contact Person: Mark Laird
Phone Number: (573) 751-4249

2009-15B. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States
2007, 2008 and 2009 - H126A0080037
State Agency: Department of Social Services (DSS) - Family Support Division (FSD) - Rehabilitation Services for the Blind (RSB) and Division of Finance and Administrative Services

The FSD-RSB did not adequately document annual reviews of Individualized Plans for Employment (IPEs) for Vocational Rehabilitation (VR) recipients as required by federal regulations.

Recommendation:
The DSS through the FSD document annual reviews of IPE for VR recipients on the IPE forms as required by RSB policy.

Status of Finding:
RSB has emphasized to vocational rehabilitation counseling staff, their supervisors and the rehabilitation assistants who work on case file documents and through on-site training the need for clear documentation verifying the requirement of the review of each eligible individual's IPE as often as necessary, but at least once every 12 months to assess the individual's progress in achieving the identified employment outcome, with an emphasis on using the IPE document to verify the requirement has been met. RSB central office management staff has focused attention on meeting the requirement and the documentation that the requirement has been met during discussions with field offices regarding any authorized service requiring higher level approval prior to approval.

RSB is in the process of implementing an automated case management system, expected to be operational by mid part of FY 2011. The system will capture the IPE completion date and generate an alert to counseling staff in advance of the annual anniversary date.

Contact Person: Mark Laird
Phone Number: (573) 751-4249

2009-16. Child Support Enforcement - Reporting

Federal Agency: Department of Health and Human Services
Federal Program: 93.563 Child Support Enforcement
2008 - G0804MO4004 and 2009 - G0904MO4004
93.563 ARRA - Child Support Enforcement
2009 - G090404002

State Agency: Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS) and Family Support Division - Child Support Enforcement (CSE)

The DFAS did not have adequate controls in place to ensure compliance with federal reporting requirements for the CSE program. As a result, total expenditures and the resulting share of expenditures were not correctly reported on the OCSE-396A federal reports for two of the four quarterly reports submitted for the activity for the year ended June 30, 2009. The DFAS did not have written procedures in place to ensure the correct preparation of the federal reports and did not maintain sufficient documentation to support their calculations for key numbers on the reports. Supervisory reviews were inadequate.

Recommendation:
The DSS, through DFAS, develop written procedures for preparation of federal reports, retain documentation to support amounts reported, and ensure adequate supervisory reviews are performed prior to submission of those reports. In addition, the DFAS should submit necessary adjustments on the next federal report to fully correct for the identified errors.

Status of Finding:
Procedures for completion of the Child Support reports have been condensed and institutionalized as part of a desk manual. Discussions are held each quarter between staff and the supervisor regarding accuracy of the reporting prior to each submission. Adjustments were made on the December 31, 2009, and March 31, 2010, quarterly reports for the identified errors.

Contact Person: Roger Backes
Phone Number: (573) 751-2170

2009-17. Child Support Enforcement - Salary Certifications

Federal Agency: Department of Health and Human Services
Federal Program: 93.563 Child Support Enforcement
2008 - G0804MO4004 and 2009 - G0904MO4004
93.563 ARRA - Child Support Enforcement
2009 - G090404002
State Agency: Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS) and Family Support Division (FSD) - Child Support Enforcement (CSE)
Questioned Costs: $47,164

The FSD did not always prepare required salary certifications for employees working solely on the CSE program. For the year ended June 30, 2009, the DSS claimed $24,919,722 as the federal share of personnel costs, or 48 percent of the total federal

share of CSE program expenditures. We questioned the federal share of the salaries, fringe benefits, and indirect costs, totaling $47,164, for those employees excluded from the certification listing.

Recommendation:
The DSS through FSD, resolve the questioned costs with the grantor agency. In addition, the FSD should develop written policies and procedures to ensure salary certifications are prepared for all employees who work solely on a single program in accordance with OMB Circular A-87.

Status of Finding:
DSS disagrees with this finding. DSS conducts a salary certification every six months for individuals who work 100 percent on IV-D activities. This certification is on positions set up in the system and the staff in those positions at that time. As staff leave, the position is filled with different staff but the duties do not normally change. If there is a known change in duties, the FSD does look at whether the position is coded correctly. Therefore, the FSD believes that the current method used to certify based on the staff in those positions at that point in time serves to accurately reflect the job duties of that position over that period of time. The FSD and the DFAS have reviewed the certification process to ensure a periodic certification of all individual who work 100 percent on IV-D activities is conducted at least every six months.

DSS reviewed the entire process from beginning to end. Through this review of the process, DSS did make changes to include all employees under these positions over the six month period. This is done twice each year. Therefore, any employee who worked under a specific federal grant will be certified.

The basic process is as follows:

- A list of positions that are coded to a specific grant are provided to the DSS Human Resources (HR).
- HR provides a comprehensive list of any individuals (names) employed under the position codes.
- This list is sent to FSD.
- FSD then breaks the list out by program and location/supervisors.
- A list is then sent electronically to each supervisor/administrator to verify the individuals worked solely on the identified program.
- The supervisor/administrator then sends back an electronic message verifying that the individuals did work solely on the specified program.
- The information is then reviewed and approved by the Assistant Deputy Director in FSD.
- The information is then forwarded on to DFAS.

This is similar to the procedures set up after the 2006 audit. The only change to the procedure was to add every employee who worked under each position code at any time during the six months being reviewed. By adding to the list any employee who worked on the program at any time during the period, this provides a comprehensive list of any

individual claimed to the program. Therefore DSS is certifying both the position and all employees. While DSS made the change in response to the audit, as explained below, this change was not necessary to ensure a proper certification.

DSS/FSD still maintains that the certification process must be based on positions/position codes and not individual employees. Individual employees can and do change jobs/positions. However, each position is set up in the personnel system with job duties and codes tying them to the financial system. The job duties and codes remain the same until changed by central office. By using position codes to track personnel and performing a certification on these positions every six months to ensure that the duties are the same, DSS ensures that any employee who worked in that position was only working on a specific federal grant. Without position codes to track the positions that are coded to each federal grant, it would be impossible for DSS to track which individuals and positions are working on each program.

FSD does have written instructions/guidance for performing the salary certifications. The revised process was implemented for certifications for the period April - September 2010.

Status of the Questioned Costs:
The questioned costs have not yet been resolved with the grantor agency.

Contact Person: Patrick Luebbering
Phone Number: (573) 751-4206

2009-18. Medical Assistance Program

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
2008 - 0805MO5028 and 0805MO5048
2009 - 0905MO5028 and 0905MO5048
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA
State Agency: Department of Social Services (DSS) - Family Support Division (FSD) and MO HealthNet Division
Questioned Costs: $1,428

A redetermination was not conducted timely to determine the eligibility of a recipient related to the Medical Assistance program. The medical payments made on behalf of this client before the case was closed totaled $1,924 during the year ended June 30, 2009. We question the federal share of these payments or $1,428 (74.23 percent).

Recommendation:
The DSS through the FSD perform eligibility redeterminations when required to ensure compliance with applicable federal Medicaid program requirements. In addition, the FSD should resolve questioned costs with the grantor agency.

Status of Finding:
The FSD still considers timely eligibility reinvestigations a matter of priority and continues to strive for a 100 percent reinvestigation currency. As of May 2010, FSD was 99.4 percent current on reinvestigations.

Status of the Questioned Costs:
Questioned costs will be adjusted on the September 30, 2010, quarterly report.

Contact Person: Emily Rowe
Phone Number: (573) 526-0607

State of Missouri
Single Audit
Corrective Action Plan
Year Ended June 30, 2010

State Agency: Department of Elementary and Secondary Education

Audit Finding Number: 2010-1 Davis-Bacon Act

Name(s) of the contact person(s)
Responsible for corrective action: Andrea Beck

Anticipated completion date for corrective action: 6/30/2011

Corrective action planned is as follows:

The department has established procedures to identify funds expended by subrecipients which require prevailing wages to be paid and will monitor those subrecipients to ensure compliance with the Davis-Bacon Act.

State of Missouri
Single Audit
Corrective Action Plan
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State Agency: Department of Elementary and Secondary Education

Audit Finding Number: 2010-2 School Improvement Grants-A

Name(s) of the contact person(s) Responsible for corrective action: Andrea Beck

Anticipated completion date for corrective action: Implemented and unknown when questioned costs will be resolved.

Corrective action planned is as follows:

The department has implemented procedures to ensure the approved budget and budget amendments are adequately documented. The department will resolve the questioned costs with the grantor agency.

State of Missouri
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Corrective Action Plan
Year Ended June 30, 2010

State Agency: Department of Elementary and Secondary Education

Audit Finding Number: 2010-2B School Improvement Grants B

Name(s) of the contact person(s)
Responsible for corrective action: Andrea Beck

Anticipated completion date for corrective action: 6/30/2011

Corrective action planned is as follows:

The department is in the process of working with the Office of Administration – Information Technology Services Division to change the internal grant system to better track and account for payments to school districts.

State of Missouri
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Year Ended June 30, 2010

State Agency: Department of Elementary and Secondary Education

Audit Finding Number: 2010-3 Monitoring of the American Reinvestment and Recovery Act Funds

Name(s) of the contact person(s) Responsible for corrective action: Andrea Beck

Anticipated completion date for corrective action: N/A

Corrective action planned is as follows:

N/A

The agency does not agree with the audit findings or believes that corrective action is not required. Explanation and specific reasons are as follows:

The department does not agree that additional monitoring procedures be developed to monitor ARRA expenditures. In addition, the department does not agree the monitoring of ARRA funds should be performed on a different schedule than the regular federal funds. The Department of Education has not issued regulations or guidance to the states that require the ARRA fund monitoring be treated any different than the regular federal funds. The department's monitoring of the regular federal funds is adequate to ensure that federal funds are used for authorized purposes in compliance with laws, regulations, and the provisions of the grant agreements. The SAO agrees as there are no findings in the Single Audit related to our monitoring of regular funds. The department does not intend to treat the ARRA funds any differently than the regular funds, and in fact has received affirmation of this from two federal sources. They indicate that the ARRA programs are not different than regular grant funds and if our department has an adequate system to monitor subrecipients, it should work for ARRA funds. The department has provided the federal source information to the SAO.

State of Missouri
Single Audit
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Year Ended June 30, 2010

State Agency: Department of Elementary and Secondary Education

Audit Finding Number: 2010-4A Section 1512 Reporting-A

Name(s) of the contact person(s)
Responsible for corrective action: Andrea Beck

Anticipated completion date for corrective action: Completed

Corrective action planned is as follows:

The Department has added steps to our monitoring checklists to include review of Section 1512 data elements.

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Single Audit
Corrective Action Plan
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State Agency: Department of Elementary and Secondary Education

Audit Finding Number: 2010-4B Section 1512 Reporting B

Name(s) of the contact person(s)
Responsible for corrective action: Andrea Beck

Anticipated completion date for corrective action: Completed

Corrective action planned is as follows:

The Department is properly classifying subawards on the Section 1512 reports.

State of Missouri
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State Agency: Department of Elementary and Secondary Education

Audit Finding Number: 2010-4C Section 1512 Reporting C

Name(s) of the contact person(s)
Responsible for corrective action: Andrea Beck

Anticipated completion date for corrective action: Completed

Corrective action planned is as follows:

N/A

The agency does not agree with the audit findings or believes that corrective action is not required. Explanation and specific reasons are as follows:

The Department is using guidance from the Office of Administration and STIM 360 requirements as our plan for accurately submitting Section 1512 reporting data. Quarterly, the individuals responsible for Section 1512 reporting send reminders to the various program individuals noting the timeline for proper submission of Section 1512 data.

State of Missouri
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State Agency: Department of Health and Senior Services

Audit Finding Number: 2010-5 Food Instrument Compliance

Name(s) of the contact person(s)
Responsible for corrective action: Lyn Konstant, WIC Director

Anticipated completion date for corrective action: 4/15/2011

Corrective action planned is as follows:

Women, Infants and Children (WIC) program staff developed a report to identify instances in which voided checks are redeemed. WIC program staff are currently finalizing a formalized, written procedure to guide staff regarding report utilization. The report will be run on the fifth business day of each month. Based on information derived from the report, WIC State Technical Assistance staff will work with any local WIC providers that fail to destroy voided checks as required by Department of Health and Senior Services WIC program policy. WIC State Technical Assistance staff will develop corrective action plans for local WIC providers to ensure compliance with DHSS contract provisions and federal regulations.

State of Missouri
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Corrective Action Plan
Year Ended June 30, 2010

State Agency: Department of Health and Senior Services

Audit Finding Number: 2010-6 Eligibility Reassessments

Name(s) of the contact person(s) Responsible for corrective action: Celesta Hartgraves, DSDS Division Director and Connie Boeckman, DSDS Fiscal Officer

Anticipated completion date for corrective action: 5/19/2011

Corrective action planned is as follows:

The Department of Health and Senior Services hired additional hourly and intermittent employees to assist with reassessments for level of care of eligible clients during the transition to a contracted third party assessor. An Invitation for Bid was issued to privatize prescreening, level of care assessments, reassessments, authorizations, reauthorizations, care planning, and care plan changes for individuals eligible for Home and Community Based Services. The contract was awarded January 19, 2011. The contractor must be fully operational within 120 days of the contract award, so the implementation date is May 19, 2011. Electronic, on-line assessments and reassessments will be completed by the contractor beginning in May 2011. Reassessment for level of care of current clients will be scheduled for completion based upon the anniversary date of the last assessment. Client reassessments should be current by the end of the first year of operation of the third party assessor.

The agency does not agree with the audit findings or believes that corrective action is not required. Explanation and specific reasons are as follows:

The department acknowledges the importance of annual reassessment as called for by the State Auditor's recommendation, and has begun corrective action to ensure it occurs. However, the department disagrees with the questioned costs cited in the audit finding. A total of 11,384 client reassessments were completed during Fiscal Year 2010. Of those 11,384 reassessments, only 94 (less than one percent) resulted in the closing of a case due to client ineligibility for services due to level of care criteria. That information was provided to the State Auditor's Office. Nonetheless, the audit finding questions 100 percent of Home

and Community Based Services payments for clients included in the auditor's sample data who were not reassessed annually. The department asserts that the Fiscal Year 2010 reassessment data clearly demonstrate the questioned costs are overstated by the audit finding.

State of Missouri
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State Agency: Missouri Department of Higher Education (MDHE)

Audit Finding Number: 2010-7 Untimely Teacher Loan Forgiveness Payments

Name(s) of the contact person(s) Responsible for corrective action: Carla Hancock, Senior Associate, Fiscal Analysis

Anticipated completion date for corrective action: 11/1/2009

Corrective action planned is as follows:

The MDHE's loan servicer has implemented procedures to ensure that eligible Teacher Loan Forgiveness (TLF) claims are paid within 45 days of receipt. Procedures require staff to log claims into a database, which is queried to verify timely payment and to track outstanding claims. Procedures have also been added to notify finance staff of the payment deadline. The MDHE also updated its internal procedures and continues to verify all approved TLF claims are paid within 45 days.

The agency does not agree with the audit findings or believes that corrective action is not required. Explanation and specific reasons are as follows:

The MDHE disagrees with the auditor's questioned costs. Although some TLF payments were made more than 45 days after receipt, the claims met eligibility requirements necessary for payment. Federal regulations do not indicate that payments made after 45 days are disallowed.

State of Missouri
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State Agency: Missouri Department of Higher Education

Audit Finding Number: 2010-8 State Fiscal Stabilization Fund

Name(s) of the contact person(s)
Responsible for corrective action: Pam Evers,
Director of Administration

Anticipated completion date for corrective action: 4/29/2011

Corrective action planned is as follows:

Finding A- Although we did not have monitoring policies and procedures in place in FY10, they have now been established. The Office of Administration and the Department of Higher Education have a contract in place with a vendor that will carry out the plan for monitoring. Monitoring of the institutions will being in March 2011.
Finding B- We will communicate with all of the institutions the CFDA title and number, award name and number, award year, and the name of the federal agency by April 29, 2011.
Finding C- The processes and procedures now in place for monitoring will allow us to ensure that the data submitted by the institutions is accurate and complete.

State of Missouri
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State Agency: Department of Labor and Industrial Relations

Audit Finding Number: 2010-9 Benefit Payments

Name(s) of the contact person(s)
Responsible for corrective action: Carol Luecke

Anticipated completion date for corrective action: 3/1/2012

Corrective action planned is as follows:

A. DLIR staff currently identify on a daily list each claim that had previously exhausted benefits and now has a restored balance due to the establishment of subsequent overpayments. The State Auditor's review used this list to identify the eight accounts referred to in the review findings. Due to the limited number of personnel available with the level of expertise required to adjust these claims, processing and adjusting these identified claims has not been accomplished. These adjustments must be handled manually case-by-case. It is anticipated that some DLIR staff will be available to work these claims by June 2011 and anticipate completing this project by March 2012.

B. An overpayment occurred as the result of a reversed decision by the Labor and Industrial Commission (LIRC). During the entry of the overpayment, DLIR did not include the benefits from the EUC Tier I claim. Additional procedures will be added to the process of entering this type of overpayment to ensure all appropriate weeks of benefits are included in the overpayment. A next-day review will be required to verify accuracy of entries made on the overpayment. This additional procedure is being implemented immediately.

C. DLIR staff identified the issue of restitution for FAC overpayments not being offset from any type of unemployment benefits prior to the State review. DLIR staff are in the process of working with OA-ITSD to correct the programming. The programming is completed and is in the testing stage. Issues discovered during the testing must be corrected before placing into production. We anticipate this to be completed by April 2011.

State of Missouri
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State Agency: Department of Labor and Industrial Relations

Audit Finding Number: 2010-10 Reporting

Name(s) of the contact person(s)
Responsible for corrective action: Rebecca Voss

Anticipated completion date for corrective action: 3/31/2011

Corrective action planned is as follows:

In order to meet U.S. Department of Labor (US DOL) reporting requirements, the DLIR maintains time distribution and cost accounting systems, which were developed by the US DOL over 35 years ago. Numerous modifications have reduced the efficiency of the system. State consolidation efforts and the creation of a separate state fund for ARRA monies could not be programmed into the existing system; resulting in increased manual entry of expenditure transactions. The DLIR has worked with the Office of Administration, Information Technology Service Division (OA-ITSD) in identifying system needs with the goal of purchasing new software to perform the same functions more efficiently. This can be done in conjunction with the modernization of the Unemployment Insurance (UI) computer systems. Until key decisions regarding the UI system structure are completed, the Financial Management Section has reaffirmed its completion deadlines: (1) the review and resolution of errors in the timekeeping/time distribution system are to be completed by the 10th of the following month; (2) the review and reconciliation of cost reports to the State Treasurer's Office reports and to the state accounting system are to be completed by the 17th of the following month; and (3) ledgers are to be finalized by the 24th of the following month. Regarding the submission of 9130 reports, all report submissions or attempted submissions will be retained, all notifications from US DOL regarding system problems will be retained, and all retroactive grant awards resulting in zero expenditure quarterly reports will be documented. The dates of grant award notifications will be noted and the date when the US DOL sets ups the grant in the 9130 system will be logged in a tracking spreadsheet to indicate appropriate review and submission of all reports in the absence of a 9130 tracking system. The resubmission of ETA 2112 reports for the time periods which have been restated was completed on March 9, 2011. Documentation of the resubmission will be retained for the auditor's review.

State of Missouri
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State Agency: Department of Labor and Industrial Relations

Audit Finding Number: 2010-11 Schedule of Expenditures of Federal Awards

Name(s) of the contact person(s)
Responsible for corrective action: Rebecca Voss

Anticipated completion date for corrective action: 3/31/2011

Corrective action planned is as follows:

During the audit period DLIR was forced to assign Office of Administration, Information Services Division (OA-ITSD) staff to develop computer programs to issue benefit payments. As a result, these programmers were unable to complete the development of a computer program to review all benefits paid and account for those payments within one of fourteen possible benefit and funding source combinations. To complicate this process, The DLIR and OA-ITSD were also developing computer programs to address findings from the prior audit. The restatement of financial information for fourteen months of benefits paid during record unemployment was a massive undertaking and should not need to be repeated. Regarding accounting records and reports, the DLIR has already created accounting specialist positions and reassigned the trust fund and grants accounting responsibilities to the new positions; thereby, improving the skill sets of the staff responsible for the accounting records and reports. Financial Management staff are also completing the grants management training and certification process and have completed training in administrative requirements (OMB Circular A-102) and cost principles (OMB Circular A-87). Monthly completion deadlines have been reaffirmed for the Unemployment Insurance Trust Fund: (1) Bank reconciliations and correcting/adjusting entries are to be completed by the 14th day after the end of the month; (2) trust fund trial balances are to be completed by the 20th day of the following month; and (3) the ETA Report 2112 information is to be transmitted to the Division of Employment Security for submission to the U.S. Department of Labor (US DOL) by the 24th of the following month. Regarding the preparation of the Schedule of Expenditures of Federal Awards (SEFA), DLIR will pursue clarification from US DOL in a more timely fashion when there are accounting and reporting questions and will document all attempts to obtain information. The SEFA schedule information will be compiled within two weeks of finalizing the June grant and trust fund financial reports. Supervisory reviews are required and must be documented.

State of Missouri
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State Agency: Department of Mental Health

Audit Finding Number: 2010-12 MRDD Comprehensive Home and Community-Based Services Waiver

Name(s) of the contact person(s) Responsible for corrective action: Janet Gordon

Anticipated completion date for corrective action: Ongoing

Corrective action planned is as follows:

The Department of Mental Health (DMH) stopped billing Waiver services at the two facilities in August 2010. The DMH and Department of Social Services continue to have ongoing dialogue with the Centers for Medicare & Medicaid Services (CMS) to resolve this issue and ensure Waiver services and reimbursement requests for federal funds comply with CMS rules and guidelines.

State of Missouri
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State Agency: Department of Natural Resources

Audit Finding Number: 2010-13 Section 1512 Reporting

Name(s) of the contact person(s)
Responsible for corrective action: Lori Gordon

Anticipated completion date for corrective action: N/A

The agency does not agree with the audit findings or believes that corrective action is not required. Explanation and specific reasons are as follows:

We disagree with the auditor's finding. We assert our controls and procedures ensure Section 1512 report information submitted by subrecipients is complete and accurate. There were no instances noted of information being less than complete or accurate. We assert the WAP monitoring plan addresses 1512 reporting elements even though the term "1512" is not used in the monitoring plan. Any ARRA monitoring will inherently include reviews of 1512 reporting information. Two on-site fiscal/procedural monitoring visits are scheduled for each of the subgrantee agencies for the 2011 Fiscal Year. We performed two fiscal/procedural monitoring visits for the 2010 Fiscal Year. The fiscal/procedural monitoring visits include reviews of client files, compliance with applicable program rules, internal controls, inventories, assets, training, expenses, revenues, and payroll. Statistical work is also performed to ensure the subgrantee adequately serves their entire area. All of our subgrantee agencies receive A-133 Single Audits which are reviewed to ensure controls are in place and any findings are addressed and corrected. In addition to the fiscal/procedural monitoring, the Division of Energy (DE) conducts technical monitoring visits of each of the subgrantee agencies three times per year. These visits include file review, home visits to inspect work completed, assuring workers are certified to perform the work necessary, and reviewing all aspects of the home weatherization efforts.1512 reporting is required on a calendar quarter basis. The subgrantee agencies track and report the required information to the Division of Energy by the third business day of the month following the conclusion of the calendar quarter. DE then reviews the data submitted by the subrecipients to ensure hours worked and regular work weeks are included and the appropriate math calculations have been done, these numbers are then added to DNR's hours and used in the jobs field for 1512. The subrecipient

payable ledgers are then reviewed to capture any vendor payments made over $25,000; if so the vendors contact information and payment amount is recorded in STIM 360 where it becomes part of the 1512 report. While on-site conducting fiscal/procedural monitoring, Division of Energy staff (or contracted staff) review the subgrantee agencies' internal processes, policies and procedures to ensure sufficient safeguards and methodologies are in place to adequately track the required information. If or when errors are discovered during on-site fiscal/procedural monitoring, corrections to 1512 reporting can and will be made during the continuous correction period if it meets OMB's definition of a significant error or material omission. The continuous correction period is for correction information. The subgrantee agencies are required to submit Davis-Bacon compliant Certified Payrolls on a weekly basis for their crew labor. The subgrantee agencies that utilize subcontractors are required to collect Certified Payrolls from said contractors on a weekly basis and then forward those payrolls in to the Division. Division of Energy staff reviews each of these submissions to ensure they are properly completed. The Davis-Bacon Certified Payroll reviews coupled with the on-site technical and fiscal/procedural monitoring activities give the Division of Energy reasonable assurance that the 1512 reporting is accurate. The Department is following and exceeding the federal 1512 reporting requirements. We are conducting more fiscal and procedural monitoring than DOE requires for weatherization.

DNR response to Finding B: We disagree with the auditor's finding. We assert the procedures in place do constitute a written plan. While procedures, processes, and staff assignments may not be in the format desired, we assert it is still a written plan. In addition, the 1512 federal requirements do not stipulate that state agencies must have procedures in a written plan. It should also be noted that there were no instances noted of information being less than complete or accurate using the plan in place. As stated in the State Auditor's narrative report, "The DNR currently has a spreadsheet listing all programs requiring Section 1512 reporting which documents the various data elements required, the method and source of information, and the report preparer and reviewer." You further state that the spreadsheet does not document a formal plan for ensuring the accuracy and completeness of Section 1512 reports. We assert that is exactly what the department's spreadsheets illustrate. For every program, it shows who prepares the data, and four subsequent levels of review to ensure the accuracy and completeness of the reporting. From the inception of the American Recovery and Reinvestment Act (ARRA) of 2009, the OMB guidance documents for 1512 reporting requirements continued to evolve. The Division of Energy, Clean Water State Revolving Fund, and Drinking Water State Revolving Fund programs were challenged to develop processes that continued to meet the ever changing 1512 requirements. The department went to great lengths to educate all subrecipients at "Meet & Greet" and other functions held at various times throughout the award process. This education included the 1512 reporting requirements and how each subrecipient was to fulfill their obligation. DNR provided all subrecipients with all information needed to assist them with their obligations with the 1512 reporting. The Division of Administrative Support/Accounting Program (DAS/AP) held numerous trainings to ensure DNR staff/contract staff knew what was required with 1512 reporting, developed templates, and held workshops to demonstrate features and required fields in STIM 360. The DNR, SRF, and WAP personnel have been working with

each subrecipient each month to ensure the information is obtained. We believe our processes ensure thorough reviews are conducted given the 10 day window provided while capturing all of the data up to the quarter end date. Spreadsheets have been created to manage the information received from each subrecipient. DAS/AP creates several reports to assist program staff with the 1512 reporting. An all inclusive ARRA 1512 Report which provides revenues received, expenditures broken out into administrative cost, program distributions (PSD) and vendor payments. This report has quarterly and cumulative amounts; it calculates the number and amount of payments less than $25,000 and includes a breakdown of project expenditures as well as DNR vendor payments over $25,000. The Accounting Program also provides an ARRA Payroll Hours report to capture all DNR hours worked on the project that is added to the hours collected from the subrecipients. Information from these spreadsheets is used to update Stim 360 which is used to update the 1512 reports. Once program and divisions reviews are completed a department review is completed by DAS/AP. There is an accounting staff assigned to each grant. The accounting staff works with the programs to ensure that all data is captured and accurate. Once the accounting staffer has completed their review, the Accounting Program Director does the final review and submits the 1512 report to OA Commissioners Office for transfer to FederalReporting.gov.

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State Agency: Department of Public Safety-Office of the Adjutant General

Audit Finding Number: 2010-14 Capital Assets

Name(s) of the contact person(s)
Responsible for corrective action: Jill Delgado

Anticipated completion date for corrective action: 3/31/2011

Corrective action planned is as follows:

A. To ensure all equipment is properly entered into the capital asset tracking system and assigned a property tag number the OTAG has implemented revised asset accountability procedures. The revised procedures require a Property Control Record (AGMO form 250) be completed for the purchase of all capital/fixed assets. This form contains the purchase order number, total cost, type of equipment, description, model, serial number, acquisition date and location of the asset. The invoice or packing slip and AGMO form 250 are then forward thru appropriate channels for payment. The individual that processes invoices for payment (or individual assigned by program manager) assigns the tag number and enters it on the AGMO from 250. The Payment Voucher (PV) number is entered on the AGMO form 250 when the invoice is processed for payment. The original AGMO Form 250 and a copy of the invoice is forwarded to JFMO-SRS, to the attention of the Property manager for entry into OTAG property accountability database and SAMII. A Copy of the AGMO Form 250 and property tag is sent to the individual that purchased the item so the tag can be placed on the equipment. A Schedule has been established to conduct a physical inventory at a minimum of 10% of the OTAG National Guard armories and federal/state agreement facilities to ensure assets are accounted for appropriately. The JFMO-SR property manager will conduct these inventories.
B. Revised property accountability procedures have been implemented in which all new property is entered into the OTAG internal and SAMII accounting systems when purchased. Property currently being procured is accounted for as required. The property and procurement managers are continuing to work through the backlog of invoices and property control records to ensure all assets are accounted for and the OTAG and SAMII fixed asset records agree. I previously stated that it was our intent to accomplish this reconciliation by December 2009, the reduction in personnel made it impossible to meet this deadline, but the remaining backlog will continue to be a priority to correct. As of 01 March 2011 account 0101 has been balanced. The property and

procurement managers are currently reconciling the last three accounts which are fund 0190 equipment, improvements and tools.

C. To ensure capital asset expenditures are charged to appropriate object codes the OTAG has distributed additional guidance pertaining to proper document coding and an updated list of object codes and fixed assets types with description.

State of Missouri
Single Audit
Corrective Action Plan
Year Ended June 30, 2010

State Agency: Department of Social Services – Division of Finance and Administrative Services

Audit Finding Number: 2010-15 Cost Allocation Procedures

Name(s) of the contact person(s) Responsible for corrective action: Roger Backes

Anticipated completion date for corrective action: 6/30/2011

Corrective action planned is as follows:

The DSS partially agrees with the findings and recommendations. The Division of Finance and Administration (DFAS) acknowledges errors within the Cost Allocation spreadsheet but disagrees with the fiscal impact presented. The correct finding is the federal under-claim of $25,546 presented in the audit workpapers. Some of the questioned costs have been corrected on subsequent reports and we agree to resolve remaining amounts with the grantor agencies after correcting the cost allocation spreadsheets for both over and understatements. In regard to specific amounts identified, the Division does not agree with the amount totaling $618,000 for fraud investigation costs. This should have been an understatement totaling $618,313.40. We also believe the Division's policies and procedures appropriately address the allocation of costs to federal programs, except where recent changes have yet to be incorporated. Face to face supervisory review and handwritten notes are attached to grant reports as they go through the supervisory channels. We do not believe it is cost effective to document every internal discussion and will continue with the current review process. Desk manuals have also been updated and senior staff replaced at different intervals during the audit period have gained considerable expertise and are in the process of revising cumbersome spreadsheets to be more efficient and to have integrated checks incorporated.

State of Missouri
Single Audit
Corrective Action Plan
Year Ended June 30, 2010

State Agency: Department of Social Services, Children's Division

Audit Finding Number: 2010-16 Child Care Eligibility and Payments

Name(s) of the contact person(s) Responsible for corrective action: Becky Houf, Assistant to the Director;
Alicia Jenkins, Social Services Manager

Anticipated completion date for corrective action: 4/30/2011

Corrective action planned is as follows:

A. DSS partially agrees with this finding. Although there were paper documents missing from the case file, the eligibility determination is performed through the FAMIS system, which is the automated eligibility system. Therefore, the missing documents do not necessarily mean that the individuals were ineligible for Child Care. Additionally, the agency continues to review and strengthen its policies and procedures regarding child care eligibility determinations, provider payments and case record documentation and retention. This is evident in the number of memorandum and policy updates that have been made since 2009 and continues to date. However, the agency will review its resources for developing and implementing a case review process for both the eligibility and child care provider program components. After completing a thorough review, the agency will work with available resources to implement a review process to increase program accountability and transparency.

B. DSS partially agrees with this finding. The agency will send a memorandum to Family Support Division field staff to reinforce that the Non-TANF job search is not to be used for TANF recipients. Additionally, the agency will run a report for the period of May 1, 2010 through February 28, 2011 to determine which TANF recipients received the Non-TANF job search as a child care need. Based on the data, the Children's Division will coordinate with the Family Support Division to have identified cases corrected. Additionally, this report will be run monthly and will be made available to FSD management for correction until the Non-TANF Job Search program ends September 30, 2011 or until funding is no longer available, whichever occurs first.

State of Missouri
Single Audit
Corrective Action Plan
Year Ended June 30, 2010

State Agency: Department of Social Services – Children's Division

Audit Finding Number: 2010–17 Foster Care Performance Based Case Management Contracts

Name(s) of the contact person(s) Responsible for corrective action: Patrick Luebbering

Anticipated completion date for corrective action: 12/31/2011

Corrective action planned is as follows:

DSS partially agrees with this finding. The Department of Social Service (DSS) contracted with an actuary to establish a rate range to help guide DSS's bid evaluations and awards. Prospective contractors bid a rate to provide foster care case management services for the duration of the contract. Case management and administration components of the contract are services provided to DSS for abused and neglected children in the State's care and custody. DSS makes federal claims for the case management and administration components of the contract based on the rates paid for these services. The purposes of requesting the costs reports for the case management and administration components of the contract are to review the State's compliance with RSMo 210.112.4 (6) – requiring payments to foster care case management contractors to cover reasonable costs – and to help validate future rates. Although, the Department does not entirely agree with the finding, the agency will have a third party evaluate our reports and provide suggestions to improve our process. In addition, these contracts will be rebid for the fall of 2011. The new contracts will be bid on a competitive basis and the contractors will be required to certify that the rate bid will cover their actual costs.

State of Missouri
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Corrective Action Plan
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State Agency: Missouri Department of Social Services – Children's Division

Audit Finding Number: 2010-18 Foster Care Eligibility and Assistance Payments

Name(s) of the contact person(s) Responsible for corrective action: Sheila Tannehill, Stacy Wright, Dena Driver

Anticipated completion date for corrective action: 12/31/2011

Corrective action planned is as follows:

A. DSS agrees with this finding. As Children's Division Eligibility Staff continue to identify FACES systems issues, they are reported to the FACES helpdesk. In addition, the Eligibilitiy Daily Batch has been stopped. This change has reduced the number of incorrect determinations being made by the automated system .
B. DSS agrees with this finding. Currently, the Children's Division has three service codes TRAN (for FST meetings, court hearings and parent/sibling visits), TRED (Educational transportation), and TRMD (Medical transportation). All TRAN is currently being charged at the FMAP rate. To correct this issue, the Children's Division will charge all TRAN at the admin rate going forward.
C. DSS agrees with this finding. The FACES Financials Payment Handbook clearly states that all payments must be supported by adequate documentation. In addition, the Payment Handbook also provides clear instruction regarding document retention and filing. A reminder memo will be sent to all CD staff reiterating the policy for payment documentation, retention and filing.

State of Missouri
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Year Ended June 30, 2010

State Agency: Department of Social Services - Children's Division

Audit Finding Number: 2010-19 Foster Care-Residential Facility Training Reimbursements

Name(s) of the contact person(s) Responsible for corrective action: Matt Morris, Sheila Tannehill

Anticipated completion date for corrective action: 4/29/2011

Corrective action planned is as follows:

DSS partially agrees with this finding. Currently, DSS provides residential treatment facilities with ACF Title IV-E Training policy to guide claims for IV-E reimbursement. The facilities identify one of the allowable training topics, and associate it with the training they are requesting for reimbursement. CD will create procedures for all facilities that will result in consistent reporting of IV-E training reimbursement. Specifically, we will request additional narrative from residential treatment providers seeking reimbursement for IV-E allowable training in an effort to connect training topics/costs to federal policy. However, we disagree that all of the training activities noted in the finding, such as leadership training, are not allowable under Title IV-E.

State of Missouri
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Corrective Action Plan
Year Ended June 30, 2010

State Agency: Department of Social Services (DSS) – Family support Division (FSD) – Rehabilitation Services for the Blind (RSB)

Audit Finding Number: 2010–20 Vocational Rehabilitation Program

Name(s) of the contact person(s) Responsible for corrective action: Mark Laird, Deputy Director

Anticipated completion date for corrective action: 12/31/2011

Corrective action planned is as follows:

DSS partially agrees with the audit findings. The agency disagrees with the part of the first bullet point regarding questioned costs on the entire $10,187 of the federal 78.7 percent share of the salaries for 13 employees whose personnel activity reports were correctly prepared but for whom RSB used an incorrect allocation formula caused by undetected and inadvertent overwriting of some underlying formulas in the monthly spreadsheets used to report the allocations. RSB contends that even though there were changes to the formula, only $611 of the total questioned cost would have gone to other grants based on calculations of the overall percentages of the allocations to the three grants (VR- 94%, OBS- 5%, and ILR- 1%). The agency disagrees with the third bullet finding in that FSD/RSB contends that the established written policies and procedures for allocation of personnel costs do have sufficient detail to ensure personnel costs are properly allocated to all programs. However, the Family Support Division – RSB and the Division of Finance and Administrative Services will improve communications and meet on a regular basis to ensure that the procedures are understood and followed by all staff. DSS through the FSD and DFAS will resolve the questioned costs with the grantor agency.

State of Missouri
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Corrective Action Plan
Year Ended June 30, 2010

State Agency: Department of Social Services

Audit Finding Number: 2010-21 TANF- Unallowable Costs and Maintenance of Effort

Name(s) of the contact person(s) Responsible for corrective action: Roger Backes

Anticipated completion date for corrective action: 6/30/2011

The agency does not agree with the audit findings or believes that corrective action is not required. Explanation and specific reasons are as follows:

A. Regarding finding A, "The DSS charged unallowable state foster care, adoption assistance, and subsidized guardianship cost to the TANF program." The Department contends that these are allowable expenditures. These expenditures are for prior approved programs under the IV-A program which allowed Emergency Assistance for "Shelter care, foster family care, or residential group care for children separated from their parents, including food, clothing, and supervision unless the child has such assistance provided under Title IV-E and also including medical care unless the child is eligible for such care under Title XIX." The auditor is interpreting the following "Note" in the State's AFDC plan as limiting assistance to only 365 days. "NOTE: The above assistance is limited to a maximum duration of 365 days or less as necessary to alleviate the emergency condition, and must be authorized within a single 30-day period no less than 12 months after the beginning of the family's last EA authorization period." The agency has interpreted this note that these services must be authorized at least once every 12 months. For these children, their placements are reviewed at least once a year, and for many are reviewed twice a year.

B and C. Regarding findings B and C. College scholarships are claimable under TANF Goal 3 because studies have shown that higher educational achievement correlates with a reduced incidence of out-of-wedlock pregnancy; therefore, scholarships that allow youth to pursue higher education can be reasonably calculated to prevent and reduce such pregnancies. Additionally, the Administration for Children and Families (ACF) has clearly stated that college scholarships and funding for post-secondary and other educational programs meet a TANF goal. This position was reiterated as recently as February 5,

2008, with the release of the Final Rule: “We agree that expenditures for higher education are allowable uses of funds, even under the `interim final rule. In addition, under the final rule, participation in a baccalaureate or advanced degree program can count toward the work participation rate.” Studies have also indicated that educational attainment increases the likelihood that a person will become a supportive member of a two-parent household. Some states, therefore, have used Goal 4 to claim scholarship costs on behalf of married couples. Several other states, including New York, Massachusetts, and Georgia have claimed college scholarships under TANF Goal 3: 1) Massachusetts’s scholarship program, funded through TANF, provides financial assistance to students enrolled in and pursuing a program of higher education. This scholarship program covers a portion of the total cost of tuition as well as other costs associated with attending institutions of higher education, and was claimed under TANF Goal 3, to reduced incidence of out-of-wedlock pregnancy, incentivizing Massachusetts’s youth to pursue a higher education. 2) Georgia’s TANF funded scholarship program, Helping Outstanding Pupils Educationally (HOPE), offers additional educational opportunities for youth, as a reward to students who have maintained a “B” average, helping with tuition, books and fees. The HOPE program is claimed as MOE under purpose three. 3) New York has funded its Tuition Assistance Program (TAP) with TANF funds in the past to fund scholarships under purpose three, prevention of out-of-wedlock pregnancies. The Department of Elementary and Secondary Education (DESE) funding for Character Education, Parents as Teachers and Missouri Pre-School programs can be claimed under TANF Goal 3 because of the organization’s primary focus on early childhood education. Studies have shown that quality early childhood education correlates with higher educational achievement later in life. Furthermore, higher educational achievement has been shown to result in a reduced incidence of out-of-wedlock pregnancy; therefore, programs that provide an outlet for Michigan youth to receive early education can be reasonably calculated to prevent and reduce out-of-wedlock pregnancies in the future. In the April 14, 2005 memorandum TANF-ACF-PI-2005-1, which delineates “Program Instruction” for the use of TANF funds, the Administration for Children and Families (ACF) clearly states that early education programs, including pre-kindergarten, fulfill TANF Goal 3: “If, under State law, the educational activity is not part of the free public education system, then Federal TANF funds may be used for pre-school, school readiness or early childhood education programs. States may use Federal TANF funds to pay for pre-kindergarten, kindergarten or other educational costs under purpose 3 or purpose 4, if these activities are not part of a State’s general free education system. [Emphasis added]” None of the DESE services or programs described here are part of Missouri’s School Code or the general free education system. DSS will review its claim to ensure that costs associated with college scholarship programs and early childhood education programs are appropriately claimed to TANF or TANF MOE to comply with the DRA provision that MOE claims under Goal 3 or Goal 4 must be made on behalf of needy families.

D. Regarding finding D, the DSS had an effective control system in place and documented its findings in regard to programs which had a low, median, or high risk of meeting allowability as TANF and/or TANF MOE. The formal evaluations were initially conducted by upper level program and fiscal staff based on review of regulations and policy guidance available at the time. Those results were

then presented to senior management and ultimately those programs which clearly met TANF and MOE criteria (low risk) were claimed. Those evaluations were subsequently re-evaluated and recently peer reviewed by an outside contractor. During the audit review, only the summary reports reflecting the review team evaluations and brief descriptions regarding the allowability of each program were available. We disagree with the State Audit that the control system was ineffective and as previously stated disagree with audit finding regarding allowability for the programs claimed.

State of Missouri
Single Audit
Corrective Action Plan
Year Ended June 30, 2010

State Agency: Department of Social Services – Family Support Division

Audit Finding Number: 2010–22 Work Verification Activities

Name(s) of the contact person(s)
Responsible for corrective action: Sandy Nelson

Anticipated completion date for corrective action: 6/30/2012

Corrective action planned is as follows:

DSS partially agrees with this finding. Beginning October 1, 2010, the FSD resumed administration of the TANF work activities and contracted directly with Missouri Work Assistance (MWA) program service providers to implement the required TANF work activities functions. FSD created nine MWA Coordinator positions which provide technical assistance and monitoring to the MWA service providers. These Coordinators meet monthly with MWA service providers to examine case files and review data entries for work participation. Any non-compliance with the work verification requirements are noted and reviewed with the MWA service provider at that time. Should the MWA service provider fail to routinely meet the work verification requirements, FSD will require the contractor to submit a written corrective action plan to FSD which includes the actions proprosed to remedy the non-compliance. If improvement does not occur within 90 days, the contract with that service provider may be cancelled.

State of Missouri
Single Audit
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Year Ended June 30, 2010

State Agency: Department of Social Services (DSS) – Division of Finance and Administrative Services (DFAS) and Family Support Division (FSD)

Audit Finding Number: 2010-23 Child Support Enforcement – Salary Certification

Name(s) of the contact person(s) Responsible for corrective action: Patrick Luebbering

Anticipated completion date for corrective action: NA

The agency does not agree with the audit findings or believes that corrective action is not required. Explanation and specific reasons are as follows:

DSS disagrees with this finding. The Department of Social Services conducts a salary certification every six months for individuals who work 100% on IV-D activities. This certification is on positions set up in the system and the staff in those positions at that time. As staff leave, the position is filled with different staff but the duties do not normally change. If there is a known change in duties, the Division does look at whether the position is coded correctly. Therefore, the Division believes that the method used to certify based on the staff in those positions at that point in time serves to accurately reflect the job duties of that position over that period of time. However, the Family Support Division and the Division of Finance and Administrative Services have already revised our certifications and implemented written procedures to address this finding.

State of Missouri
Single Audit
Corrective Action Plan
Year Ended June 30, 2010

State Agency: Department of Social Services – Family Support Division and Division of Finance and Administrative Services

Audit Finding Number: 2010-24 Section 1512 Reporting

Name(s) of the contact person(s) Responsible for corrective action: Kimberley Sprenger

Anticipated completion date for corrective action: 10/31/2011

Corrective action planned is as follows:

DSS agrees with this finding. DSS has established enhanced procedures to help prevent and detect errors. B. DSS agrees with this finding. Since DSS has some written procedures for Section 1512 reporting, it will review those procedures to determine if updates are necessary.

State of Missouri
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Corrective Action Plan
Year Ended June 30, 2010

State Agency: Department of Social Services - MO HealthNet Division

Audit Finding Number: 2010-25 Medical Assistance Program Provider Eligibility and Improper Payments

Name(s) of the contact person(s) Responsible for corrective action: Mitchell Volkart, Linda Schatzer

Anticipated completion date for corrective action: 3/31/2012

Corrective action planned is as follows:

DSS partially agrees with this finding. Due to current system limitations, there is no direct link between the Bureau of Vital Statistics (BVS) or Professional Registration to the Provider Enrollment system. In addition to the system limitations, there is a lag time from the time of death to the time it takes for Date of Deaths to be filed with Bureau of Vital Records. This lag time is outside the control of the Department of Social Services.
Provider Enrollment will contact IT for a solution that will ultimately run deaths entered at BVS and compare it against the Provider Enrollment system. The process, if necessary, may be done manually until a fully integrated system can be in place. A similar solution will be explored with Professional Registration so that immediate license information can be attained and to facilitate a re-enrollment process. Updates to the MMIS system are costly and could serve as a stumbling block to full implementation. DSS will work with the grantee agency to resolve questioned costs.

MISSOURI

Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2010

On the Cover:

Missouri State Capitol at Dusk
Courtesy of Division of Tourism

This report can be viewed on the Internet at http://www.oa.mo.gov/acct/cafrfy2010/index.htm

STATE OF MISSOURI

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2010

JEREMIAH W. (JAY) NIXON

Governor

KELVIN L. SIMMONS
Commissioner
Office of Administration

MARK A. KAISER
Director
Division of Accounting

Prepared by
Office of Administration, Division of Accounting

STATE OF MISSOURI

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2010

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*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.*

Jeremiah W. (Jay) Nixon
Governor

Kelvin L. Simmons
Commissioner

State of Missouri
OFFICE OF ADMINISTRATION
Division of Accounting
570 Truman Building, 301 West High Street
Post Office Box 809
Jefferson City, Missouri 65102
(573) 751-2971
INTERNET: http://www.oa.mo.gov/acct
E-MAIL: acctmail@oa.mo.gov

Mark A. Kaiser
Director

January 25, 2011

The Honorable Jeremiah W. (Jay) Nixon
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, 2010. 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 his 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 of 1984, and the U.S. Office of Management and Budget Circular A-133, "Audit of State and Local Governments and Non-Profit Organizations."

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 department level. Expenditures cannot exceed the individual appropriation amount. Also, 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. Unexpended appropriations lapse at the end of each appropriation year, unless reappropriated to the following appropriation 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

According to the Missouri Economic Research and Information Center (MERIC), there has been improvement in the economy of the United States and Missouri over the past year. The national recession, which began in 2007, ended in summer 2009. Growth rebounded early in 2010, but has since slowed to slightly below average. There also continues to be economic concerns that make it more difficult to know what developments will occur in upcoming months.

Missouri's exports through the first two quarters of 2010 totaled $6.3 billion according to WISERTrade data. This amount represents a 35% increase over the $4.6 billion for the same period in 2009. A 41% increase in vehicle exports and a 71% gain in airplane and space exports resulted in an additional $467 million for the transportation equipment sector. A 27% gain in organic chemicals and a 58% increase in miscellaneous chemicals added $228 million more to the chemicals sector through the first half of this year.

MERIC also states that the largest foreign market for Missouri's exports continues to be Canada, which purchased $2 billion in goods and services during the first two quarters of 2010. Missouri's top two exporting sectors in the first half of 2010 continue to be transportation equipment ($1.51 billion) and chemicals ($1.30 billion). These two far exceed the next industry down the list which is machinery ($694 million). Food and kindred products ($583 million) is the next sector on the list and is the only other industry with over $500 million in exports. Computer and electronic products, electrical equipment, mineral and ores, and fabricated metal products represent the 5th through 8th place spots respectively, each totaling over $200 million in export sales. The chart below shows sectors with over $70 million in total exports for the two quarters of 2010.

Source: Missouri Economic Research and Information Center/Realty Trac

Missouri's personal income, which directly impacts individual income tax and sales tax, declined 1.4% during calendar year 2009. Personal income has shown a small amount of growth in 2010. Missouri's employment stood at 2.67 million in May 2010. The State's seasonally adjusted unemployment rate was 9.3% in May 2010 compared to 9.4% in May 2009.

Long-Term Financial Planning

Missouri funding priorities include education, health care, and economic development. The State will continue to focus on controlling the growth of mandatory programs through various cost-effective alternatives and streamlining government functions.

Missouri invested $1.45 billion in fiscal year 2010 and $1.60 billion in fiscal year 2011 in appropriations for road and bridge construction and maintenance, as part of a long range plan to improve the state's highway and bridge infrastructure using state gasoline tax revenues, sales tax revenues on motor vehicle sales, and federal matching/stimulus dollars.

State government identified cost savings in the renegotiation and consolidation of leases. Between January 2009 and July 2010, the amount of office space leased has been renegotiated or consolidated by the State to save more than $3.2 million in leasing contracts. The consolidation of state-owned vehicles has resulted in savings of approximately $400,000-$600,000 from the initial 10% reduction in the number of state-owned vehicles at each agency that were not replaced. This initial reduction includes consolidation of approximately 100 short-term-use vehicles in Jefferson City into the overall state vehicle pool, which will reduce administrative costs associated with managing multiple agency pools. Comparing FY09 to FY10, State employee mileage reimbursement was reduced by $960,000. New vehicle rental contracts were awarded in August 2010 resulting in rate reductions of 17%.

The MoBroadbandNow initiative was created to coordinate the State's efforts to aggressively compete to bring broadband funding to Missouri in response to the federal recovery bill passed in 2009. Between the U.S. Department of Agriculture (USDA) and National Telecommunications Information and Administration (NTIA), Missouri received $261 million for 19 projects. $177.7 million received was for loans, loan guarantees, and grants to businesses, nonprofits, and governments for projects in rural areas. The remaining $83.3 million received was for projects to enhance broadband access, public computing centers, and mapping and planning activities.

Relevant Financial Policies

Article X of the Missouri Constitution 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 each fiscal year 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 1% 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 1% 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. The State has refunded money to income taxpayers for fiscal years 1995 through 1999, but has not exceeded the revenue limit in fiscal years 2000 through 2010. The State does not expect the limit to be exceeded in fiscal year 2011.

Major Initiatives

Cost-effective alternatives and streamlining government functions will continue to be the focus on controlling the growth of mandatory programs.

Education. Despite economic challenges, education remains a top priority for Missouri. In-state undergraduate students at Missouri's four-year, public college and universities will not see tuition or academic fees increase in fiscal year 2011. In return, the State will maintain higher education funding at approximately 95% of fiscal year 2010 appropriations. The school funding formula for the Department of Elementary and Secondary Education has remained steady between fiscal year 2010 and fiscal year 2011.

The Missouri Department of Higher Education has been awarded a $4.9 million grant from the Broadband Technology Opportunities Program to establish or expand 23 public computer centers in geographic areas that serve vulnerable populations. MDHE will collaborate with seven community colleges to launch the expanded services.

Healthcare. Legislation has been signed to provide insurance coverage for autism therapies for Missouri children. This requires that health insurance companies provide coverage for the most effective known treatment for children with Autism Spectrum Disorders. The insurance companies must provide coverage of up to $40,000 a year, until age 18, for Applied Behavioral Analysis.

Economic Development. Several grants have been awarded that will help with job training in Missouri. $13.75 million in federal grants have been awarded to help train workers for jobs in health care and related high growth fields. Training for Tomorrow is a $12 million initiative to train Missourians for high-tech, high-demand careers. These grants will help Missouri community colleges create or expand training programs to serve additional students.

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,

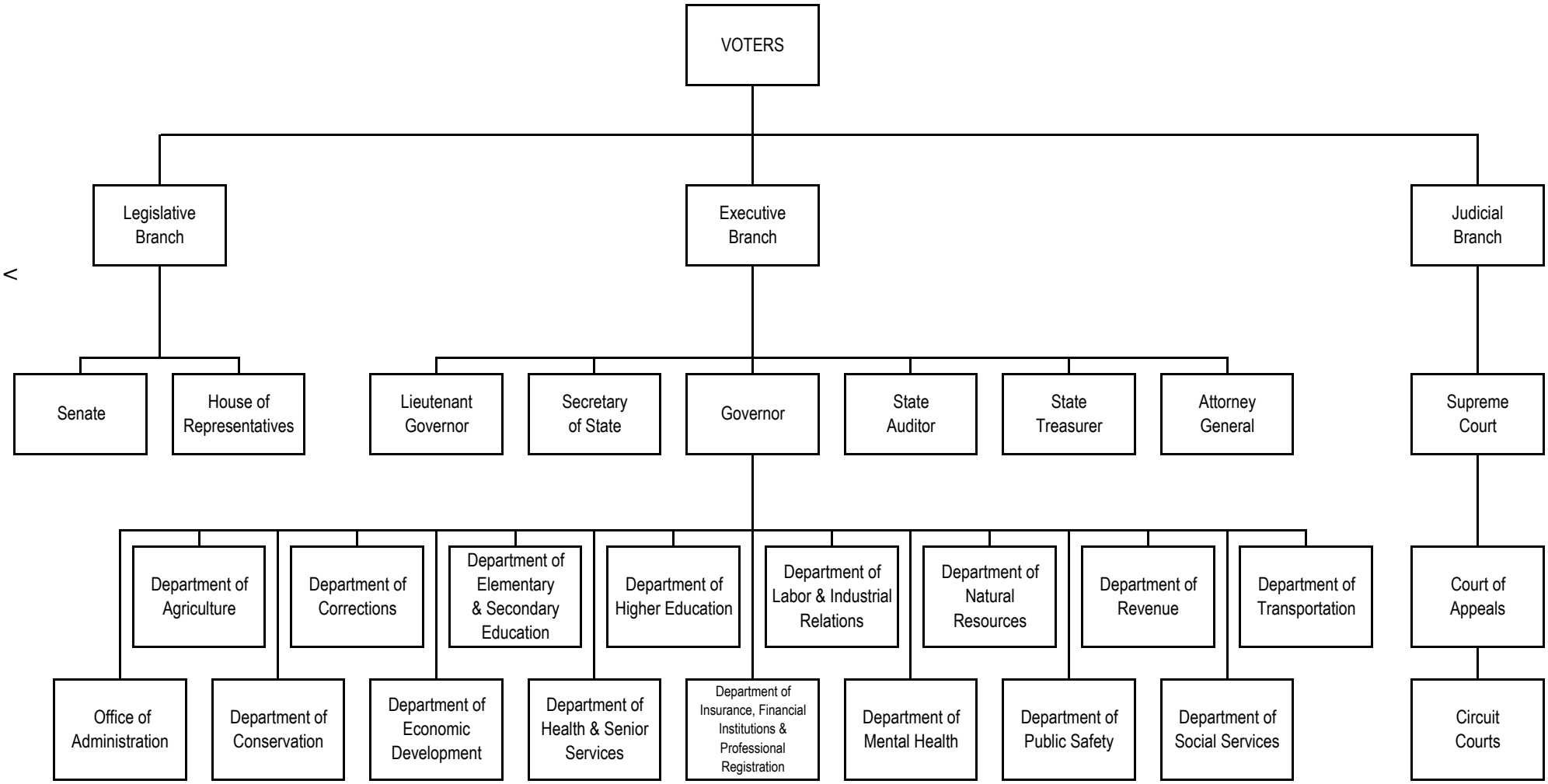
Mark A. Kaiser

Mark A. Kaiser
Director

STATE OF MISSOURI

ORGANIZATIONAL CHART

June 30, 2010



STATE OF MISSOURI
PRINCIPAL STATE OFFICIALS
as of June 30, 2010

EXECUTIVE

Jeremiah W. (Jay) Nixon
Governor

Peter Kinder
Lieutenant Governor

Robin Carnahan
Secretary of State

Susan Montee, JD, CPA
State Auditor

Clint Zweifel
State Treasurer

Chris Koster
Attorney General

LEGISLATIVE

Charlie Shields
President Pro Tem of the Senate

Ron Richard
Speaker of the House of Representatives

JUDICIAL

Laura Denvir Stith
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.*

THOMAS A. SCHWEICH
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly

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, 2010, which collectively comprise the state's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the state's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of certain entities that comprise the state of Missouri. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based on the reports of the other auditors. Those entities were:

1. The Missouri Department of Transportation and blended transportation corporations identified in Note 1A., 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 78 percent and 13 percent of the assets and revenues, respectively, of the governmental activities.

2. The State Lottery and the Petroleum Storage Tank Insurance Fund, which represent 35 percent of both the assets and revenues of the business-type activities.

3. The component units.

4. The pension (and other employee benefit) trust funds and the Missouri Department of Transportation Local Fund, which represent 94 percent and 97 percent of the assets and additions, respectively, of the fiduciary funds.

P.O. Box 869 • Jefferson City, MO 65102 • (573) 751-4213 • FAX (573) 751-7984

Except as discussed in the following paragraph, 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 of material misstatement. The financial statements of the Missouri Highway 63 Transportation Corporation and the Wentzville Parkway Transportation Corporation, blended component units; 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 Northwest Missouri State University, discretely presented component units; and the pension (and other employee benefit) trust funds were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

We were not allowed access to tax returns and related source documents for income taxes. Access was denied based on the Director 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 22 percent of governmental activity revenues and 25 percent of General Fund revenues are from this source. We were unable to satisfy ourselves by appropriate auditing procedures as to the income tax revenue beyond the amounts recorded.

In our opinion, based on our audit and the reports of other auditors, and except for the effects of such adjustments, if any, as might have been determined to be necessary had we been allowed access to tax returns and related source documents for income taxes, the financial statements referred to previously present fairly, in all material respects, the respective financial position 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 June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the state of Missouri implemented Governmental Accounting Standards Board Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*; Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*; Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*; and Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

In accordance with *Government Auditing Standards*, our report 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 that report is to describe the scope of our testing of internal control over financial reporting and compliance and the

results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the state's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, and except for the effects, if any, of the matters discussed in paragraph four, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The information in the introductory section and statistical section, as listed in the table of contents, has not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Thomas A. Schweich
State Auditor

January 25, 2011

*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 (State's) financial activities for the fiscal year ended June 30, 2010. 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 Assets.* Assets of the State of Missouri exceeded liabilities at the close of fiscal year 2010 by $28.5 billion. Of the $28.5 billion, "unrestricted net assets" is reported as a negative $1.8 billion, offset by $4.4 billion in "restricted net assets". A positive balance in unrestricted net assets would represent the amount available to be used to meet a government's ongoing operations.

- *Changes in Net Assets.* The State's total net assets decreased by $67.0 million in fiscal year 2010. Net assets for business-type activities decreased by $435.7 million.

- *Excess of Revenues over (under) Expenses.* During fiscal year 2010, the State's total revenues of $26.6 billion were $67.0 million less than total expenses (excluding transfers) of $26.7 billion. Of these expenses, $16.0 billion were covered by program revenues. General revenues, generated primarily from various taxes, totaled $10.6 billion.

Fund-Level:

- *Governmental Funds – Fund Balance.* At the close of fiscal year 2010, the State's governmental fund assets exceeded liabilities by $4.9 billion, an increase of $638.7 million or 15.0% from the prior year. The increase was primarily due to an increase in cash and cash equivalents and investments of $479.8 million. This was primarily due to a $745.1 million increase in the Missouri Road Fund. The increase in cash and cash equivalents and investments for this fund was due to proceeds from bond issuances.

- *General Fund – Fund Balance.* At the end of the current fiscal year, the State's General Fund reported a balance of $1.2 billion.

Additional information regarding individual funds begins on Page 9.

Debt Issued and Outstanding:

- The primary government's total long-term obligations related to bonds payable increased $887.0 million or 24.0% over the prior year. The outstanding bonds payable represents 56.6% of financial assets (cash, receivables, and investments) and 11.9% of total assets. The net increase in bonds payable resulted from an increase of $1,085,000,000 due to issuances of State Road Bonds which offset bond payments of $197,995,000. 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% or more must be refunded to the taxpayers each year. During fiscal year 2010, 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 Assets* presents information on all of the State's assets and liabilities, with the difference between the two reported as *net assets.* Increases or decreases in net assets may serve as a useful indicator of the State's financial position.

The *Statement of Activities* presents information showing how the State's net assets changed during the most recent fiscal year. All changes in net assets 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, transportation and law enforcement, 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. 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, and permanent funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets:

The State's total net assets decreased $67.0 million or 0.2% during fiscal year 2010. This decrease resulted primarily from an increase in long-term and other liabilities of $1.9 billion. The major contributing factors were an increase in other bonds payable of $958.2 million, an increase in other postemployment benefits obligation of $107.3 million, and an increase in contingent liabilities of $99.4 million. Net assets invested in capital assets net of related debt and restricted net assets, which do not represent resources available to pay day-to-day operating expenses, increased by $510.8 million or 1.7%. The net assets invested in capital assets net of related debt and restricted net assets increase was primarily due to an increase in capital assets of $535.0 million.

Invested in capital assets net of related debt, such as bonds payable or capital lease obligations, is the largest component of the State's net assets at $25.9 billion or 90.8%. These assets include land, infrastructure, buildings, and equipment which are not easily converted to cash or readily available to pay state debts as they come due.

Restricted net assets of the primary government totaled $4.4 billion or 15.6% of total net assets vs. 12.4% from the prior year. Net assets are restricted for several reasons including constitutional, legal, enabling legislation or external requirements. Examples of restricted net assets 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 Assets.

STATEMENT OF NET ASSETS

(In Thousands of Dollars)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009*	2010	2009*	2010	2009*
ASSETS:						
Current and Other Assets	$ 7,964,964	$ 6,793,329	$ 539,174	$ 426,274	$ 8,504,138	$ 7,219,603
Capital Assets, Net	30,105,756	29,570,764	48,599	48,652	30,154,355	29,619,416
Total Assets	38,070,720	36,364,093	587,773	474,926	38,658,493	36,839,019
LIABILITIES:						
Other Liabilities	1,875,603	1,601,584	38,047	201,463	1,913,650	1,803,047
Long-Term Liabilities	7,301,962	6,238,073	931,286	219,300	8,233,248	6,457,373
Total Liabilities	9,177,565	7,839,657	969,333	420,763	10,146,898	8,260,420
NET ASSETS:						
Invested in Capital Assets, Net of Related Debt	25,853,521	26,247,223	48,483	48,442	25,902,004	26,295,665
Restricted	4,440,699	3,537,444	7,949	6,771	4,448,648	3,544,215
Unrestricted	(1,401,065)	(1,260,231)	(437,992)	(1,050)	(1,839,057)	(1,261,281)
Total Net Assets	$ 28,893,155	$ 28,524,436	$ (381,560)	$ 54,163	$ 28,511,595	$ 28,578,599

*Fiscal year 2009 amounts have been restated.

Changes in Net Assets:

The schedule below reflects how the State's net assets changed during the year. The State collected program revenues of $16.0 billion and general revenues of $10.6 billion for total revenues of $26.6 billion during fiscal year 2010. Expenses for the State during fiscal year 2010 were $26.7 billion. As a result of the deficient revenues to cover expenses, the total net assets of the State decreased $67.0 million, net of contributions and transfers.

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	
	2010	2009*	2010	2009*	2010	2009*
REVENUES:						
Program Revenues:						
Charges for Services	$ 2,204,602	$ 2,059,037	$ 1,040,846	$ 1,041,446	$ 3,245,448	$ 3,100,483
Operating Grants and Contributions	9,484,134	8,317,356	1,823,728	967,324	11,307,862	9,284,680
Capital Grants and Contributions	1,454,029	966,394	---	---	1,454,029	966,394
General Revenues:						
Sales and Use Taxes	2,573,368	2,635,068	---	---	2,573,368	2,635,068
Income Taxes	5,203,345	5,547,542	---	---	5,203,345	5,547,542
Unemployment and Other Taxes	1,489,579	1,449,567	---	---	1,489,579	1,449,567
Other Revenues	1,329,262	568,881	2,533	10,152	1,331,795	579,033
Total Revenues	23,738,319	21,543,845	2,867,107	2,018,922	26,605,426	23,562,767
EXPENSES:						
General Government	1,128,729	1,182,233	---	---	1,128,729	1,182,233
Education	6,813,858	6,589,358	---	---	6,813,858	6,589,358
Natural and Economic Resources	1,052,996	1,043,449	---	---	1,052,996	1,043,449
Transportation and Law Enforcement	2,726,626	2,375,104	---	---	2,726,626	2,375,104
Human Services	11,711,030	10,898,796	---	---	11,711,030	10,898,796
State Lottery	---	---	724,914	726,106	724,914	726,106
Unemployment Compensation	---	---	2,216,078	1,292,531	2,216,078	1,292,531
Petroleum Storage Tank	---	---	13,925	17,186	13,925	17,186
State Fair Fees	---	---	3,843	4,303	3,843	4,303
State Parks and DNR	---	---	9,106	14,211	9,106	14,211
Historic Preservation	---	---	1,145	714	1,145	714
Veterans' Homes	---	---	70,818	62,378	70,818	62,378
Surplus Property	---	---	2,541	1,759	2,541	1,759
Revenue Information	---	---	1,513	5,345	1,513	5,345
All Other Expenses	195,308	210,342	---	---	195,308	210,342
Total Expenses	23,628,547	22,299,282	3,043,883	2,124,533	26,672,430	24,423,815
Increase (Decrease) in Net Assets before Contributions & Transfers	109,772	(755,437)	(176,776)	(105,611)	(67,004)	(861,048)
Transfers	258,947	257,441	(258,947)	(257,441)	---	---
Change in Net Assets	368,719	(497,996)	(435,723)	(363,052)	(67,004)	(861,048)
Net Assets - July 1	28,524,436	29,022,432	54,163	417,215	28,578,599	29,439,647
Net Assets - June 30	$ 28,893,155	$ 28,524,436	$ (381,560)	$ 54,163	$ 28,511,595	$ 28,578,599

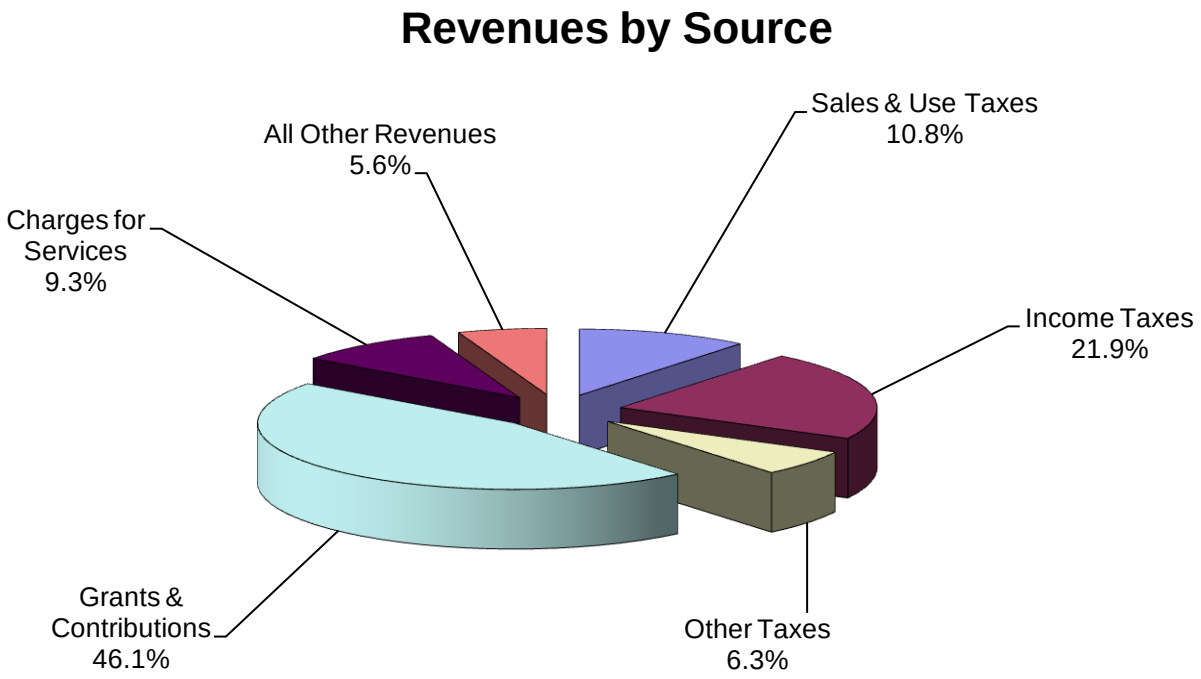
*Fiscal year 2009 amounts have been restated.

Governmental Activities

The net assets of governmental activities increased $368.7 million in fiscal year 2010. Revenues for the governmental activities totaled $23.7 billion, while expenses totaled $23.6 billion in 2010.

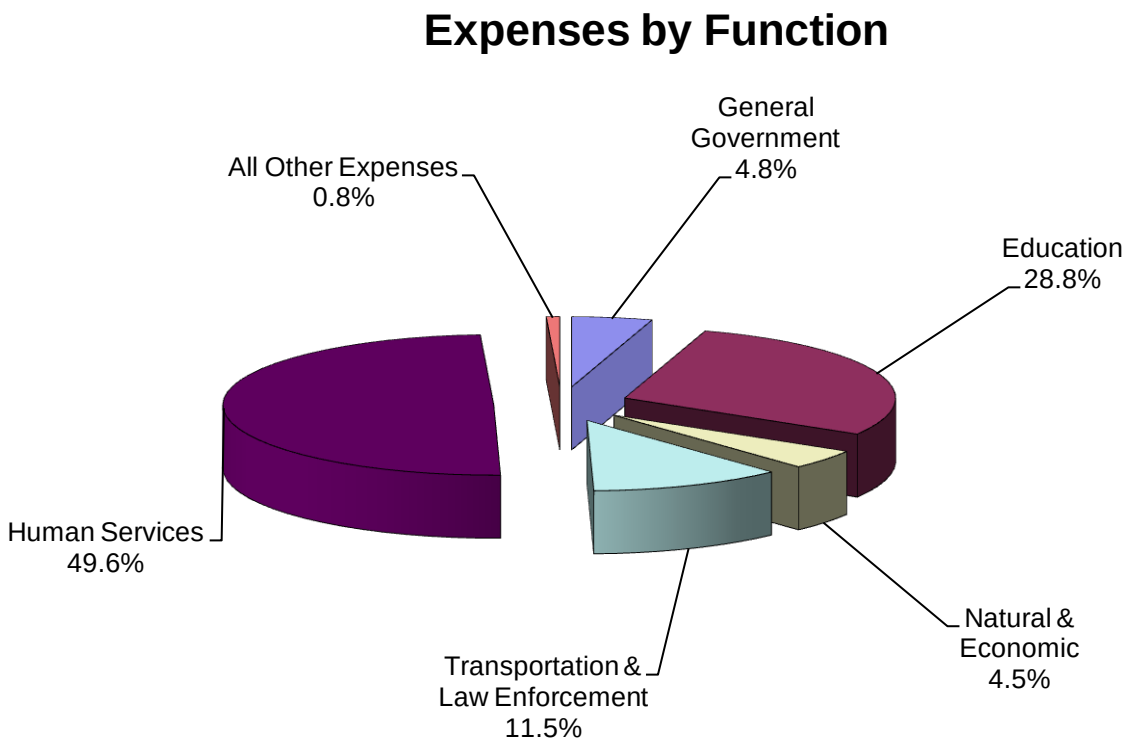
General and program revenues of governmental activities increased $2.2 billion during the fiscal year. The increase in revenue was due primarily to an increase of $1.7 billion in grants and contributions, related to funding received as part of the American Recovery and Reinvestment Act of 2009.

As shown in the Revenues by Source chart below, approximately 39.0% 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 9.3% and various other revenues provided 5.6% of the remaining governmental activity revenue sources.



The State's governmental activities program expenses increased $1.3 billion during fiscal year 2010. General Government expenses decreased $53.5 million while Education, Natural and Economic Resources, Transportation and Law Enforcement, Human Services, and Other Expenses increased $1.4 billion.

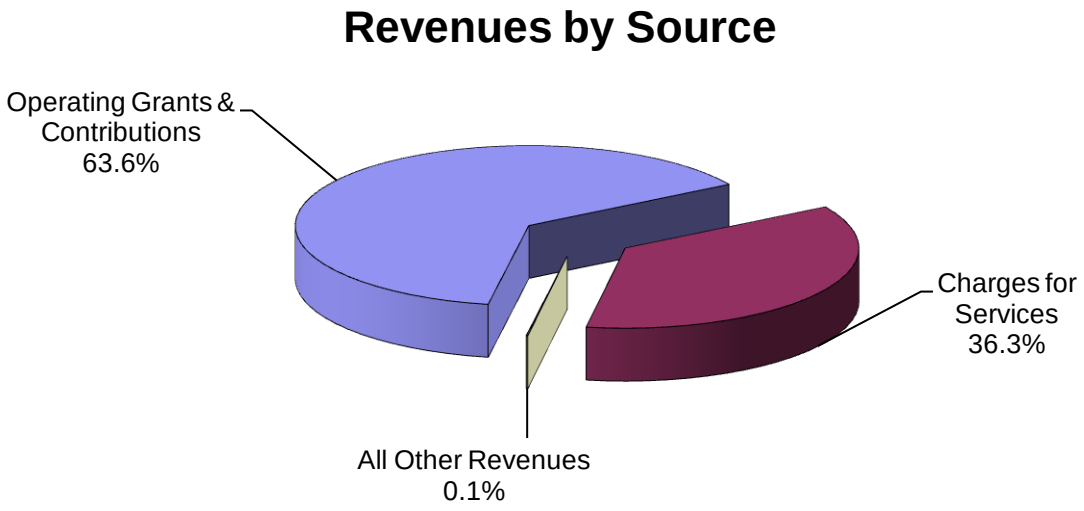
As shown in the Expenses by Function chart below, expense for Human Services makes up the largest portion – 49.6% – of total governmental activities expenses.



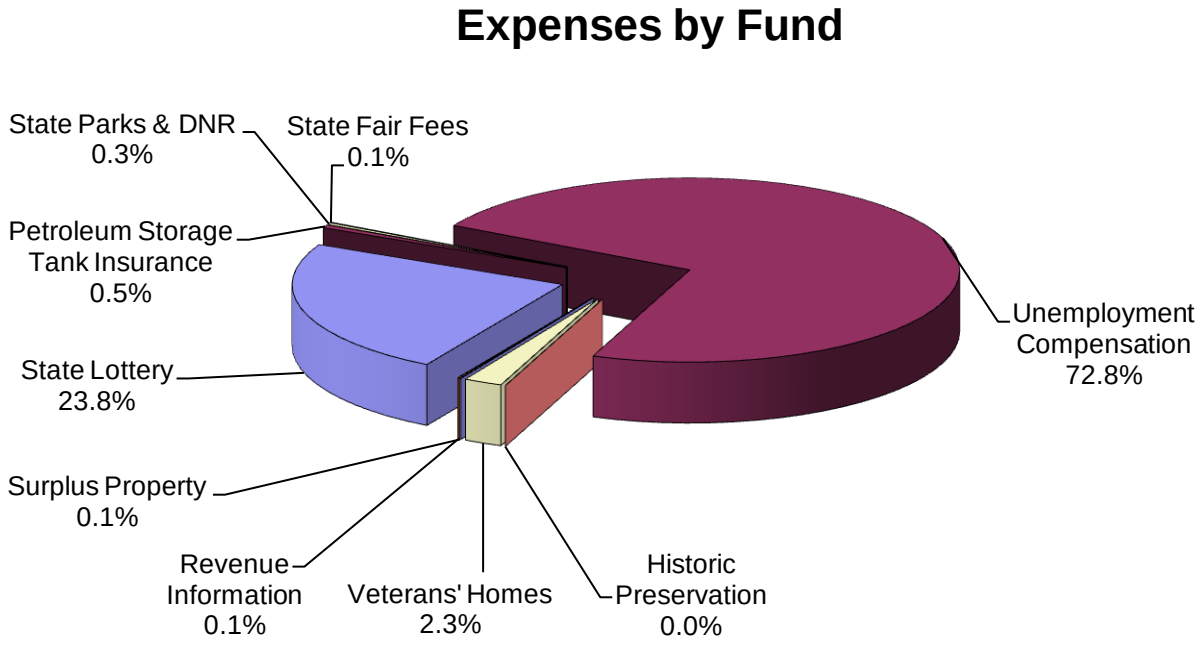
Business-Type Activities

Net assets of the State's business-type activities decreased $435.7 million in fiscal year 2010. Business-type revenues increased by $848.2 million during the current fiscal year. Program expenses of business-type activities increased $919.4 million from fiscal year 2009 to 2010.

Revenues of business-type activities totaled $2.9 billion. As shown in the Revenues by Source chart below, 36.3% of the revenues came from charges for services. Operating grants and contributions provided 63.6% of the total revenue and all other revenues provided 0.1%.



Expenses of business-type activities totaled $3.0 billion. As shown in the Expenses by Fund chart below, the Unemployment Compensation makes up the largest portion with 72.8% of total business-type expenses. State Lottery comes in second at 23.8%, followed by veterans' homes at 2.3%, petroleum storage tank at 0.5%, state parks and DNR at 0.3%, revenue information at 0.1%, surplus property at 0.1%, state fair fees at 0.1%, and historic preservation at 0%.



FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS

Governmental Funds:

At the end of fiscal year 2010, the State's governmental funds reported combined ending fund balances of $4.9 billion. Approximately 63.9% is unreserved and available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: 1) for budget reserve, 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	Transportation and Law Enforcement	Missouri Road Fund	Non-Major	Total
Unreserved	$ 645,567	$ 241,064	$ 342,817	$ 207,169	$ 1,345,389	$ 341,387	$ 3,123,393
Reserved	556,528	58	921,376	6,761	118,543	159,352	1,762,618
Total	$ 1,202,095	$ 241,122	$ 1,264,193	$ 213,930	$ 1,463,932	$ 500,739	$ 4,886,011

The General Fund is the chief operating fund of the State. At the end of fiscal year 2010, the State's General Fund reported a total fund balance of $1.2 billion. The net decrease in fund balance during fiscal year 2010 was $103.8 million. A contributing factor in this was that a portion of the master lease debt was transferred from the General Fund to the internal service funds. Revenues of the General Fund totaled $18.4 billion in fiscal year 2010, an increase of $1.8 billion from fiscal year 2009. The most significant increase in revenues was a $2.3 billion for contributions and intergovernmental. Expenditures of the General Fund totaled $15.9 billion in fiscal year 2010, an increase of $1.7 billion from fiscal year 2009. The major contributing factors to this was an increase in expenditures for human services of $789.1 million, an increase of $639.6 million for education, and an increase of $298.2 million in transportation and law enforcement. The increases in revenues and expenditures were partially due to funding received from the American Recovery and Reinvestment Act of 2009.

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 decreased by $102.3 million. Revenues of the public education funds totaled $1.3 billion in fiscal year 2010, a decrease of $0.5 million from fiscal year 2009. The major factor that contributed to this was a decrease of $13.4 million in miscellaneous revenues. Expenditures for the Public Education Fund totaled $4.2 billion for the fiscal year, a decrease of $411.3 million from fiscal year 2009. The decrease was primarily due to a reduction in education expenditures of $415.3 million, which was offset by a decrease in transfers in of $466.2 million.

The Conservation and Environmental Protection Fund provides for the preservation of the State's wildlife and environment. The fund balance increased by $23.3 million due to an increase of $18.3 million in contributions and intergovernmental revenues and an increase of $4.4 million in penalties and unclaimed property during the fiscal year. An increase of $20.6 million in expenditures, combined with the increase in revenues, caused fund balance to increase at a smaller rate than in previous fiscal years.

The Transportation and Law Enforcement Fund provides transportation services, road construction and maintenance, and the enforcement of vehicle laws and traffic safety. The fund balance decreased by $8.0 million in fiscal year 2010. The major contributing factor was a decrease in licenses, fees, and permits revenue of $22.5 million.

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. The fund balance increased by $846.6 million in fiscal year 2010. Debt issuance was the primary factor that contributed to the fund balance increase. Revenues of the Missouri Road Fund increased during fiscal year 2010 by $378.1 million primarily due to an increase of $238.7 million in miscellaneous revenues, related to bond proceeds, and an increase of $148.0 million in contributions and intergovernmental revenues.

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 assets increased by $1.1 million. Operating revenues increased by $2.9 million during the fiscal year which was partially offset by an increase in transfers out of $1.2 million. The increase in operating revenues was mainly due to a rise in ticket sales from fiscal year 2009 of $3.4 million. The rise in ticket sales contributed to the increase in transfers out.

The Unemployment Compensation Fund's net assets decreased by $438.9 million due to the increased number of unemployment claims resulting from the current national economic condition. Missouri borrowed $536.2 million from the federal government during fiscal year 2010 to continue to pay unemployment benefits.

The Petroleum Storage Tank Insurance Fund's net assets decreased by $0.3 million. Operating expenses decreased by $3.3 million primarily due to decreased program expenses. However, operating revenues also decreased by $1.9 million. Licenses, fees, and permits revenue was the major contributing factor in the decrease of operating revenues.

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 and increases to estimated appropriations, which occur during the fiscal year.

Budgeted appropriations for fiscal year 2010 from the General Fund were $24.5 billion original budget and $25.0 billion final budget. Actual spending was $23.4 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.

Budgeted revenues/transfers in for fiscal year 2010, for the General Fund, were $23.8 billion original budget and $24.0 billion final budget. Actual revenue/transfers in was $23.3 billion. The increase of $4.7 billion in actual revenues/transfers in occurred due to funds received from the American Recovery and Reinvestment Act of 2009. Revenues/transfers in still did not meet the final projection for the fiscal year.

Refer to the *Notes to RSI*, Budgetary Reporting, on page 102 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, 2010, was $30.2 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, and infrastructure.

Capital Assets of the State include (in thousands):

	Governmental Activities	Business-Type Activities	Total
Construction in Progress	$ 527,535	$ 8,878	$ 536,413
Software in Progress	30,985	---	30,985
Infrastructure in Progress	2,729,897	---	2,729,897
Land	2,869,843	8,946	2,878,789
Permanent Easements	1,461	---	1,461
Land Improvements	161,607	7,493	169,100
Temporary Easements	6,495	50	6,545
Buildings and Improvements	2,919,896	28,386	2,948,282
Equipment	1,185,006	44,363	1,229,369
Software	36,532	1,676	38,208
Infrastructure	43,589,497	---	43,589,497
Subtotal	54,058,754	99,792	54,158,546
Less Accumulated Depreciation/Amortization	(23,952,998)	(51,193)	(24,004,191)
Total Capital Assets, Net	$ 30,105,756	$ 48,599	$ 30,154,355

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

Debt Administration:

At the end of fiscal year 2010, the primary government had total general obligation and other bonded debt outstanding of $4.6 billion. Of this amount, $528.9 million comprises debt backed by the full faith and credit of the government.

Principal amounts retired in fiscal year 2010 were $71,165,000 for general obligation bonds and $126,830,000 for other bonds.

The State of Missouri is proud to be one of only eight states to maintain a Triple-A credit rating 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):

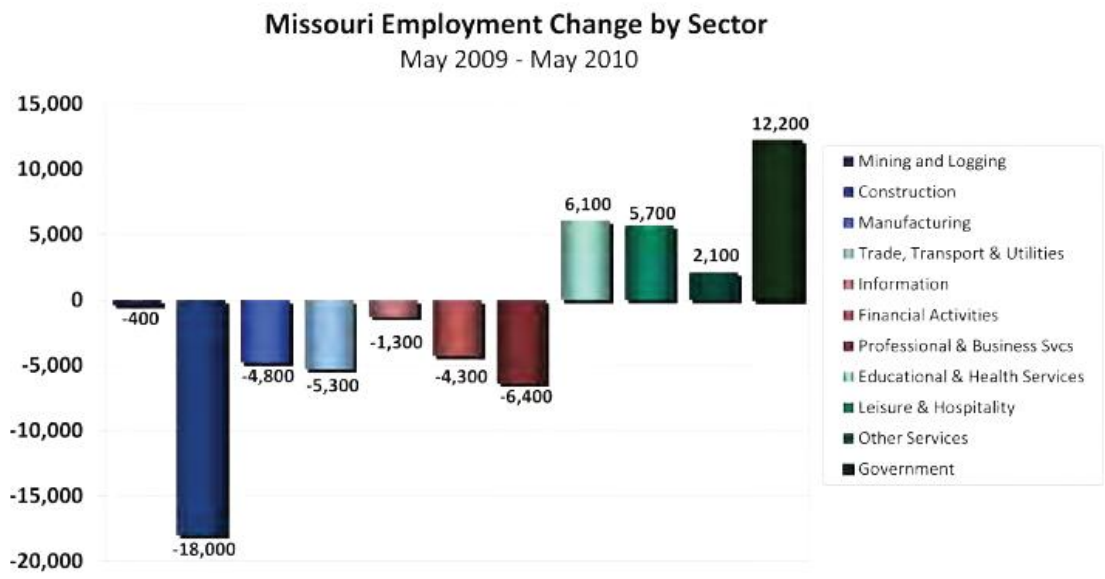
	Governmental Activities	Component Units	Total
General Obligation Bonds	$ 528,910	$ ---	$ 528,910
Other Bonds	4,060,855	1,683,313	5,744,168
Total	$ 4,589,765	$ 1,683,313	$ 6,273,078

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

The State of Missouri completed fiscal year 2010 with a balanced budget. Net general revenue collections decreased 9.1% from fiscal year 2009 ending with an amount of $6.8 billion. The fiscal year 2011 budget, as appropriated in May 2010, would require growth of 2.3% from fiscal year 2010 in general revenue collections to support spending. Expenditure restrictions and Federal budget stabilization funds will result in a balanced 2011 budget.

As a major manufacturing, financial, and agricultural state, Missouri's economic health is tied closely to that of the nation. The national economy has been in a recession since December 2007. Growth rebounded in early 2010, but has since slowed to slightly below average. Missouri's unemployment rate decreased 0.4% in fiscal year 2010. The June 2010 unemployment rate was 9.3% compared to the June 2009 unemployment rate of 9.7%. The national unemployment rate was 9.6% in June 2010. The graph below shows the growth and decline in employment by employment sector.



Source: 2010 Missouri Economic Report

Employment change by industry identifies the types of jobs being created and lost in the state. Comparing May 2010 to May 2009, four industry groupings have had employment increases in Missouri. Construction employment declined by 18,000 while professional and business services declined by 6,400 over the period. The government sector had the largest growth over the year, partly from the influx of temporary census workers. The education and health service industry also increased by 6,100 over the year.

The current economic environment presents Missouri with unusual circumstances and challenges. The past year has been marked by improvement in the Missouri economy. Consumer sentiment indices have shown some improvement, but consumers are expected to remain cautious with spending as the economic recovery will likely be slow. However, numerous risks endanger the economy still today. The winding down of stimulus domestically and the slow job growth for Missouri, are just a few risks the State is dealing with. Without a sustained employment turnaround, general revenue growth will remain tepid. Despite these concerns, the State's financial position continues to be strong. Missouri has set aside a portion of the American Recovery and Reinvestment Act of 2009 to ensure a balanced budget in fiscal year 2011.

Missouri Department of Transportation (MoDOT) is working to cope with the significant drop in funding by dramatically decreasing the number of projects. During fiscal year 2010, MoDOT approved a five year Highway Construction Program, this program contains construction projects averaging only $500 million per year. The current economy has resulted in a favorable bidding environment for construction projects. As of September 1, 2010, MoDOT has awarded 50 fiscal year 2011 projects at a cost of $96.9 million. These were estimated at a cost of $107.3 million, a 9.7% savings.

Despite funding challenges, the State is working to stimulate the economy, increase efficiency, and decrease costs. In fiscal year 2010, Missouri passed House Bill 1 in a special session that creates a new membership tier for the Missouri State Employees' Retirement System (MOSERS) and Missouri Patrol Employees' Retirement System (MPERS) for employees hired on or after January 1, 2011. For those employees, the new tier requires a 4% employee contribution while increasing the retirement age and vesting period. Special session House Bill 2, the Manufacturing Jobs Act, was also passed which allows qualified automotive manufacturing facilities or supplies that bring next-generation production lines to the State to retain withholding taxes. Senate Bills 1007 and 842 are estimated to save nearly $19 million a year by allowing the Department of Health and Senior Services to contract for assessments for in-home services. Finally, House Bill 1868 combines the State Water Patrol and the State Highway Patrol into one agency. The merger will save the State $3 million a year in administrative savings without reducing the number of uniformed water patrol officers or highway patrol troopers.

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 ASSETS
June 30, 2010
(In Thousands of Dollars)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Cash and Cash Equivalents (Note 3)	$ 1,058,996	$ 175,771	$ 1,234,767	$ 342,647
Investments (Note 3)	2,838,403	111,282	2,949,685	1,432,574
Invested Securities Lending Collateral (Note 3)	244,288	14,635	258,923	111,673
Receivables, Net (Note 14)	3,570,273	204,541	3,774,814	533,763
Internal Balances	23,246	(23,246)	---	---
Inventories	87,074	1,415	88,489	44,283
Deposits and Prepaid Expenses	143	158	301	34,484
Restricted Assets:				
Cash and Cash Equivalents (Note 3)	29,010	---	29,010	231,191
Investments (Note 3)	59,945	54,618	114,563	962,612
Receivables, Net	---	---	---	15,325
Deferred Costs and Other Assets	53,586	---	53,586	41,142
Capital Assets (Note 5):				
Non-Depreciable	6,159,721	17,824	6,177,545	510,706
Depreciable, Net	23,946,035	30,775	23,976,810	3,705,657
Total Assets	38,070,720	587,773	38,658,493	7,966,057
Liabilities				
Bank Overdraft (Notes 3 and 10)	2	---	2	---
Payables (Note 14)	1,384,190	22,908	1,407,098	504,135
Securities Lending Obligation (Note 3)	244,288	14,635	258,923	111,673
Unearned Revenue (Note 1)	144,453	504	144,957	111,945
Escheat/Unclaimed Property	102,670	---	102,670	---
Long-Term Liabilities (Note 11):				
Due Within One Year	651,527	70,325	721,852	338,379
Due in More Than One Year	6,650,435	860,961	7,511,396	1,532,473
Total Liabilities	9,177,565	969,333	10,146,898	2,598,605
Net Assets				
Invested in Capital Assets, Net of Related Debt	25,853,521	48,483	25,902,004	2,609,283
Restricted for:				
Budget Reserve	527,594	---	527,594	---
Debt Service	355,572	---	355,572	---
Grants	464,908	---	464,908	---
Enabling Legislation (Note 1)	1,876,118	---	1,876,118	---
Loans Receivable	921,311	---	921,311	---
Permanent Trusts:				
Expendable	101	---	101	---
Non-Expendable	38,020	---	38,020	---
College and Universities:				
Expendable	---	---	---	406,761
Non-Expendable	---	---	---	713,363
External Parties	257,075	7,949	265,024	106,816
Unrestricted	(1,401,065)	(437,992)	(1,839,057)	1,531,229
Total Net Assets	$ 28,893,155	$ (381,560)	$ 28,511,595	$ 5,367,452

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, 2010
(In Thousands of Dollars)

		Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			
					Primary Government			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Units
Primary Government:								
Governmental Activities:								
General Government	$ 1,128,729	$ 608,169	$ 89,836	$ 3	$ (430,721)	$ ---	$ (430,721)	$ ---
Education	6,813,858	35,516	1,377,006	---	(5,401,336)	---	(5,401,336)	---
Natural and Economic Resources	1,052,996	191,774	476,755	1	(384,466)	---	(384,466)	---
Transportation and Law Enforcement	2,726,626	960,948	263,486	1,453,927	(48,265)	---	(48,265)	---
Human Services	11,711,030	391,421	7,277,051	98	(4,042,460)	---	(4,042,460)	---
Interest on Debt (Excluding Direct Expense)	195,308	16,774	---	---	(178,534)	---	(178,534)	---
Total Governmental Activities	23,628,547	2,204,602	9,484,134	1,454,029	(10,485,782)	---	(10,485,782)	---
Business-Type Activities:								
State Lottery	724,914	984,187	---	---	---	259,273	259,273	---
Unemployment Compensation	2,216,078	---	1,777,044	---	---	(439,034)	(439,034)	---
Petroleum Storage Tank Insurance	13,925	12,869	---	---	---	(1,056)	(1,056)	---
State Fair Fees	3,843	3,737	136	---	---	30	30	---
State Parks and DNR	9,106	9,916	1,577	---	---	2,387	2,387	---
Historic Preservation	1,145	127	---	---	---	(1,018)	(1,018)	---
Missouri Veterans' Homes	70,818	26,527	44,530	---	---	239	239	---
Surplus Property	2,541	2,210	441	---	---	110	110	---
Revenue Information	1,513	1,273	---	---	---	(240)	(240)	---
Total Business-Type Activities	3,043,883	1,040,846	1,823,728	---	---	(179,309)	(179,309)	---
Total Primary Government	$ 26,672,430	$ 3,245,448	$ 11,307,862	$ 1,454,029	(10,485,782)	(179,309)	(10,665,091)	---
Component Units:								
College and Universities	$ 3,423,184	$ 2,114,404	$ 1,535,694	$ 108,661	---	---	---	335,575
Non-Major Component Units	9,258	8,122	---	---	---	---	---	(1,136)
Total Component Units	$ 3,432,442	$ 2,122,526	$ 1,535,694	$ 108,661	---	---	---	334,439
General Revenues:								
Taxes:								
Sales and Use					2,573,368	---	2,573,368	---
Individual Income					4,842,458	---	4,842,458	---
Corporate Income					360,887	---	360,887	---
County Foreign Insurance					171,556	---	171,556	---
Alcoholic Beverage					27,667	---	27,667	---
Corporate Franchise					82,210	---	82,210	---
Inheritance					233	---	233	---
Miscellaneous Taxes					1,207,913	---	1,207,913	---
Grants and Contributions not Restricted to Specific Programs					1,301,497	---	1,301,497	12,747
Unrestricted Investment Earnings					27,765	2,533	30,298	119,455
Transfers					258,947	(258,947)	---	---
Total General Revenues, Extraordinary Items, and Transfers					10,854,501	(256,414)	10,598,087	132,202
Change in Net Assets					368,719	(435,723)	(67,004)	466,641
Net Assets - Beginning					28,524,436	54,163	28,578,599	4,900,811
Net Assets - Ending					$ 28,893,155	$ (381,560)	$ 28,511,595	$ 5,367,452

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.

See the General Fund Combining Statements presented as part of Supplementary Information for listings of all funds included in the General 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.

Transportation and Law Enforcement – Provides transportation services, road construction and maintenance, and the enforcement of vehicle laws and traffic safety.

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. This also includes the following blended component units: Missouri Highway 179 Transportation Corporation, Missouri Highway 63 Transportation Corporation, and the Wentzville Parkway Transportation Corporation.

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, 2010
(In Thousands of Dollars)

	General Fund	Public Education	Conservation and Environmental Protection	Transportation and Law Enforcement	Missouri Road Fund	Non-Major Funds	Totals June 30, 2010
ASSETS							
Cash and Cash Equivalents (Note 3)	$ 525,071	$ 35,903	$ 62,588	$ 20,429	$ 225,847	$ 85,910	$ 955,748
Investments (Note 3)	762,963	129,279	259,670	45,756	1,058,986	402,762	2,659,416
Invested Securities Lending Collateral (Note 3)	123,320	13,221	16,464	4,082	49,645	32,432	239,164
Accounts Receivable, Net	2,010,350	129,643	43,102	162,554	223,465	28,935	2,598,049
Interest Receivable	1,695	469	1,284	97	1,706	634	5,885
Due from Other Funds (Note 15)	---	21,834	---	---	---	---	21,834
Due from Component Units (Note 15)	---	---	968	---	---	---	968
Inventories	22,080	58	504	4,397	43,711	278	71,028
Advance to Component Units (Note 15)	---	---	4,662	---	---	---	4,662
Loans Receivable	---	---	918,723	2,364	---	224	921,311
Restricted Assets:							
Cash and Cash Equivalents (Note 3)	---	---	---	---	27,027	---	27,027
Investments (Note 3)	---	---	---	---	59,645	---	59,645
Total Assets	$ 3,445,479	$ 330,407	$ 1,307,965	$ 239,679	$ 1,690,032	$ 551,175	$ 7,564,737
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	$ 1,015,353	$ 41,324	$ 3,334	$ 8,546	$ 133,267	$ 8,123	$ 1,209,947
Accrued Payroll	60,001	395	4,637	5,929	17,299	3,678	91,939
Due to Other Funds (Note 15)	14,917	22	365	371	328	656	16,659
Securities Lending Obligation (Note 3)	123,320	13,221	16,464	4,082	49,645	32,432	239,164
Deferred Revenue (Note 1)	927,081	34,323	18,972	6,821	21,788	5,547	1,014,532
Arbitrage Liability	42	---	---	---	---	---	42
Escheat/Unclaimed Property	102,670	---	---	---	---	---	102,670
Advance from Component Units (Note 15)	---	---	---	---	3,773	---	3,773
Total Liabilities	2,243,384	89,285	43,772	25,749	226,100	50,436	2,678,726
Fund Balances:							
Reserved for:							
Budget Reserve	527,594	---	---	---	---	---	527,594
Inventories	22,080	58	504	4,397	43,711	278	71,028
Forfeited Assets	2,214	---	2,149	---	---	---	4,363
Taxes	4,640	---	---	---	---	---	4,640
Debt Service	---	---	---	---	74,832	120,830	195,662
Loans Receivable	---	---	918,723	2,364	---	224	921,311
Trust Principal	---	---	---	---	---	38,020	38,020
Unreserved, Reported In:							
General Fund	645,567	---	---	---	---	---	645,567
Special Revenue Funds	---	241,064	342,817	207,169	---	306,898	1,097,948
Capital Projects Funds	---	---	---	---	1,345,389	34,388	1,379,777
Permanent Funds	---	---	---	---	---	101	101
Total Fund Balances	1,202,095	241,122	1,264,193	213,930	1,463,932	500,739	4,886,011
Total Liabilities and Fund Balances	$ 3,445,479	$ 330,407	$ 1,307,965	$ 239,679	$ 1,690,032	$ 551,175	$ 7,564,737

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 ASSETS
June 30, 2010
(In Thousands of Dollars)

Total Fund Balances - Governmental Funds		$ 4,886,011
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental funds are not financial resources and they are not reported in the funds. These assets consist of (Note 5):		
Construction in Progress	417,407	
Software in Progress	27,064	
Infrastructure in Progress	2,729,897	
Land	2,862,121	
Permanent Easements	1,461	
Land Improvements	158,493	
Temporary Easements	6,495	
Buildings and Improvements	2,443,989	
Equipment	1,094,482	
Software	34,988	
Infrastructure	43,589,497	
Accumulated Depreciation/Amortization	(23,699,307)	
		29,666,587
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds (Note 1).		893,855
Bonds issued by the State have associated costs that are paid from current available financial resources in the funds. However, these costs are deferred on the Statement of Net Assets.		53,586
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of (Notes 11 and 12):		
Due to Other Entities	(32,839)	
General Obligation and Other Bonds Payable	(4,589,765)	
Unamortized Bond Premium	(147,512)	
Accrued Interest on Bonds	(40,444)	
Obligation under Lease Purchases	(180,362)	
Pollution Remediation	(10,018)	
Compensated Absences	(178,187)	
Claims Liability	(38,940)	
Contingent Liabilities	(1,498,864)	
Net Other Postemployment Benefit Obligation	(329,958)	
Net Pension Obligation	(114,301)	
		(7,161,190)
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 Assets.		554,306
Net Assets of Governmental Activities		$ 28,893,155

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, 2010
(In Thousands of Dollars)

	General Fund	Public Education	Conservation and Environmental Protection	Transportation and Law Enforcement	Missouri Road Fund	Non-Major Funds	Eliminations	Totals June 30, 2010
Revenues:								
Taxes	$ 6,649,438	$ 1,111,369	$ 168,460	$ 735,162	$ 103,225	$ 222,570	$ ---	$ 8,990,224
Licenses, Fees, and Permits	80,776	149	77,564	192,712	98,805	185,228	---	635,234
Sales	554	---	6,931	25	---	1,456	---	8,966
Leases and Rentals	6	---	70	13	---	845	---	934
Services	245,659	---	---	---	---	141	---	245,800
Contributions and Intergovernmental	11,067,140	98,895	80,444	43	981,809	31,638	---	12,259,969
Investment Earnings:								
Net Increase (Decrease) in the Fair Value of Investments	(1,895)	(685)	(1,003)	(62)	3,091	2,289	---	1,735
Interest	20,830	3,879	7,283	839	5,137	6,984	---	44,952
Penalties and Unclaimed Properties	33,560	2,513	4,503	442	---	19,281	---	60,299
Cost Reimbursement/ Miscellaneous	311,170	50,149	5,150	887	390,926	180,058	---	938,340
Total Revenues	18,407,238	1,266,269	349,402	930,061	1,582,993	650,490	---	23,186,453
Expenditures:								
Current:								
General Government	640,622	2,977	2,181	201,171	---	42,417	---	889,368
Education	2,660,510	4,136,607	51	1	---	10,387	---	6,807,556
Natural and Economic Resources	401,624	13,953	312,419	---	---	216,755	---	944,751
Transportation and Law Enforcement	734,077	220	839	199,211	853,563	54,171	---	1,842,081
Human Services	11,384,467	17,323	1,051	3	---	200,423	---	11,603,267
Capital Outlay:								
General Government	---	---	---	---	---	5	---	5
Transportation and Law Enforcement	---	---	---	---	1,405,700	3,857	---	1,409,557
Human Services	---	---	---	---	---	4	---	4
Debt Service:								
Principal	57,328	---	540	63	77,149	92,227	---	227,307
Interest	44,288	---	---	38	61,353	103,749	---	209,428
Bond Issuance Costs	---	---	---	---	7,936	165	---	8,101
Arbitrage	374	---	---	---	---	---	---	374
Total Expenditures	15,923,290	4,171,080	317,081	400,487	2,405,701	724,160	---	23,941,799
Excess Revenues (Expenditures)	2,483,948	(2,904,811)	32,321	529,574	(822,708)	(73,670)	---	(755,346)
Other Financing Sources (Uses):								
Proceeds from Capital Leases	3,391	---	---	---	3,284	---	---	6,675
Debt Issuance	---	---	---	---	1,085,000	---	---	1,085,000
Bond Premium	---	---	---	---	30,631	---	---	30,631
Proceeds from Sale of Capital Asset	375	---	57	5,200	7,249	53	---	12,934
Transfers In (Note 16)	81,471	2,817,681	---	---	543,157	187,078	(3,369,577)	259,810
Transfers Out (Note 16)	(2,671,511)	(15,189)	(8,849)	(544,076)	---	(130,690)	3,369,577	(738)
Total Other Financing Sources (Uses)	(2,586,274)	2,802,492	(8,792)	(538,876)	1,669,321	56,441	---	1,394,312
Net Change in Fund Balances	(102,326)	(102,319)	23,529	(9,302)	846,613	(17,229)	---	638,966
Fund Balances - Beginning (Note 17)	1,305,903	343,423	1,240,855	221,900	617,319	517,924	---	4,247,324
Increase (Decrease) in Reserve for Inventory	(1,482)	18	(191)	1,332	---	44	---	(279)
Fund Balances - Ending	$ 1,202,095	$ 241,122	$ 1,264,193	$ 213,930	$ 1,463,932	$ 500,739	$ ---	$ 4,886,011

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, 2010
(In Thousands of Dollars)

Net Change in Fund Balances - Total Governmental Funds		$	638,966
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.			(279)
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 $1,568,143 exceeds depreciation/amortization of $1,003,178 in the current period.			564,965
The net effect of the donation of capital assets increased net assets.			2,276
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.			250,985
Proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. In governmental funds, repayment of principal is an expenditure, but the repayment reduces long-term liabilities in the Combined Statement of Net Assets (Notes 11 and 12):			
Bonds Issued	(1,085,000)		
Bond Premiums, Issuance, and Refunding Costs	(22,530)		
Bond Principal Payments	197,995		
Capital Leases Issued	(6,675)		
Capital Lease Payments	29,312		
			(886,898)
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds (Notes 11 and 12):			
Amortization of Bond Premiums, Issuance, and Refunding Costs	13,302		
Increase in Accrued Interest	(4,627)		
Increase in Due to Other Entities	(5,598)		
Decrease in Pollution Remediation	31		
Decrease in Compensated Absences	1,984		
Increase in Contingent Liabilities	(99,390)		
Decrease in Claims Liability	26,704		
Increase in Net Other Postemployment Benefit Obligation	(107,328)		
Increase in Net Pension Obligation	(2,784)		
			(177,706)
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.			(23,590)
Change in Net Assets of Governmental Activities		$	368,719

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 ASSETS
PROPRIETARY FUNDS
June 30, 2010
(In Thousands of Dollars)

	Business-Type Activities - Enterprise Funds						
	Major Funds					Totals	Governmental Activities - Internal Service Funds
	State Lottery	Unemployment Compensation	Petroleum Storage Tank Insurance	Non-Major Funds	Eliminations	June 30, 2010	
ASSETS							
Current Assets:							
Cash and Cash Equivalents (Note 3)	$ 22,158	$ 127,910	$ 16,052	$ 9,651	$ ---	$ 175,771	$ 103,248
Investments (Note 3)	10,554	---	62,561	38,167	---	111,282	145,166
Invested Securities Lending Collateral (Note 3)	1,663	---	8,057	4,915	---	14,635	5,124
Accounts Receivable, Net	44,557	156,747	1,902	552	---	203,758	38,847
Interest Receivable	25	---	105	21	---	151	551
Due from Other Funds (Note 15)	---	---	---	171	(1)	170	17,150
Inventories	---	---	---	1,415	---	1,415	16,046
Prepaid Items	158	---	---	---	---	158	143
Loans Receivable	---	---	---	632	---	632	---
Total Current Assets	79,115	284,657	88,677	55,524	(1)	507,972	326,275
Non-Current Assets:							
Investments	---	---	---	---	---	---	33,821
Restricted:							
Cash and Cash Equivalents (Note 3)	---	---	---	---	---	---	1,983
Investments (Note 3)	54,618	---	---	---	---	54,618	300
Capital Assets (Note 5):							
Construction in Progress	132	---	---	8,746	---	8,878	110,128
Software in Progress	---	---	---	---	---	---	3,921
Land	353	---	---	8,593	---	8,946	7,722
Land Improvements	---	---	---	7,493	---	7,493	3,114
Temporary Easements	---	---	---	50	---	50	---
Buildings	4,807	---	---	23,579	---	28,386	475,907
Equipment	7,166	---	197	37,000	---	44,363	90,524
Software	1,669	---	---	7	---	1,676	1,544
Less Accumulated Depreciation/Amortization	(10,669)	---	(174)	(40,350)	---	(51,193)	(253,691)
Total Non-Current Assets	58,076	---	23	45,118	---	103,217	475,273
Total Assets	137,191	284,657	88,700	100,642	(1)	611,189	801,548
LIABILITIES							
Current Liabilities:							
Bank Overdraft (Note 3)	---	---	---	---	---	---	2
Accounts Payable	2,715	16,891	22	1,071	---	20,699	35,942
Accrued Payroll	287	---	67	1,855	---	2,209	2,103
Due to Other Funds (Note 15)	21,868	---	3	152	(1)	22,022	473
Securities Lending Obligation (Note 3)	1,663	---	8,057	4,915	---	14,635	5,124
Unearned Revenue (Note 1)	---	---	504	---	---	504	23,776
Claims Liability (Note 11)	---	---	15,000	---	---	15,000	73,231
Grand Prize Winner Liability (Note 11)	52,256	---	---	---	---	52,256	---
Obligations under Lease Purchase (Note 11)	---	---	---	50	---	50	3,011
Compensated Absences (Note 11)	598	---	61	2,360	---	3,019	3,929
Total Current Liabilities	79,387	16,891	23,714	10,403	(1)	130,394	147,591
Non-Current Liabilities:							
Loans Payable	---	722,117	---	---	---	722,117	---
Claims Liability (Note 11)	---	---	91,816	---	---	91,816	62,692
Grand Prize Winner Liability (Note 11)	46,662	---	---	---	---	46,662	---
Obligations under Lease Purchase (Note 11)	---	---	---	66	---	66	37,009
Compensated Absences (Note 11)	45	---	73	182	---	300	1,344
Total Non-Current Liabilities	46,707	722,117	91,889	248	---	860,961	101,045
Total Liabilities	126,094	739,008	115,603	10,651	(1)	991,355	248,636
NET ASSETS							
Invested in Capital Assets, Net of Related Debt	3,458	---	23	45,002	---	48,483	399,149
Restricted for:							
Revenue Bonds	---	---	---	---	---	---	1,002
Other Purposes	7,949	---	---	---	---	7,949	1,281
Unrestricted	(310)	(454,351)	(26,926)	44,989	---	(436,598)	151,480
Total Net Assets	$ 11,097	$ (454,351)	$ (26,903)	$ 89,991	$ ---	$ (380,166)	$ 552,912

Total Net Assets Reported Above	$ (380,166)
Consolidation Adjustment of Internal Service Activities Related to Enterprise Funds	(1,394)
Net Assets of Business-Type Activities	$ (381,560)

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 ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2010
(In Thousands of Dollars)

	Business-Type Activities - Enterprise Funds					
	Major Funds				Totals	Governmental Activities - Internal Service Funds
	State Lottery	Unemployment Compensation	Petroleum Storage Tank Insurance	Non-Major Funds	June 30, 2010	
Operating Revenues:						
Employer Contributions	$ ---	$ 583,333	$ ---	$ ---	$ 583,333	$ 484,061
Employee Contributions	---	---	---	---	---	208,256
Medicare Part D Subsidy	---	---	---	---	---	3,538
Licenses, Fees, and Permits	---	---	12,868	7,681	20,549	25,440
Sales	971,865	---	---	4,262	976,127	31,405
Leases and Rentals	---	---	---	3,343	3,343	85,261
Charges for Services	---	---	---	26,177	26,177	103,540
Cost Reimbursement/Miscellaneous	50	---	1	888	939	6,895
Total Operating Revenues	971,915	583,333	12,869	42,351	1,610,468	948,396
Operating Expenses:						
Cost of Goods Sold	16,107	---	---	2,076	18,183	21,524
Personal Service	9,946	---	1,551	62,884	74,381	70,988
Operations	61,750	---	4,142	12,810	78,702	189,811
Prizes Expense	628,058	---	---	---	628,058	---
Inventories	---	---	---	5,847	5,847	2,586
Specific Programs	---	---	8,066	1,324	9,390	7,325
Insurance Benefits	---	---	---	---	---	655,011
Unemployment Benefits	---	2,216,078	---	---	2,216,078	---
Depreciation/Amortization	1,003	---	8	3,509	4,520	21,891
Other Charges	8,010	---	---	533	8,543	2,038
Total Operating Expenses	724,874	2,216,078	13,767	88,983	3,043,702	971,174
Operating Income (Loss)	247,041	(1,632,745)	(898)	(46,632)	(1,433,234)	(22,778)
Non-Operating Revenues (Expenses):						
Contributions and Intergovernmental	---	1,193,711	(153)	46,561	1,240,119	450
Interest Expense	---	---	---	(6)	(6)	(192)
Investment Earnings:						
Net Increase (Decrease) in the Fair Value of Investments	1,113	---	(104)	(50)	959	---
Interest	310	169	899	196	1,574	4,424
Penalties and Unclaimed Properties	---	---	---	1	1	1
Disposal of Capital Assets	4	---	---	233	237	(3,776)
Miscellaneous Revenues	12,272	---	---	---	12,272	---
Total Non-Operating Revenues (Expenses)	13,699	1,193,880	642	46,935	1,255,156	907
Income (Loss) Before Transfers	260,740	(438,865)	(256)	303	(178,078)	(21,871)
Capital Contributions (Note 16)	---	---	---	---	---	76
Transfers In (Note 16)	46	---	---	749	795	257
Transfers Out (Note 16)	(259,722)	---	---	(20)	(259,742)	(750)
Change in Net Assets	1,064	(438,865)	(256)	1,032	(437,025)	(22,288)
Total Net Assets - Beginning (Note 17)	10,033	(15,486)	(26,647)	88,959	56,859	575,200
Total Net Assets - Ending	$ 11,097	$ (454,351)	$ (26,903)	$ 89,991	$ (380,166)	$ 552,912

Total Net Change in Net Assets Reported Above	$ (437,025)
Consolidation Adjustment of Internal Services Activities Related to Enterprise Funds	1,302
Change in Net Assets of Business-Type Activities	$ (435,723)

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, 2010
(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, 2010	Governmental Activities - Internal Service Funds
Cash Flows from Operating Activities:						
Receipts from Internal Customers and Users	$ ---	$ 7,936	$ ---	$ 440	$ 8,376	$ 703,094
Receipts from External Customers and Users	965,465	544,316	12,859	41,038	1,563,678	236,758
Payments to Suppliers	(77,881)	---	(4,135)	(20,781)	(102,797)	(209,521)
Payments to Employees	(9,953)	---	(1,430)	(62,840)	(74,223)	(70,693)
Payments Made for Program Expense	(632,366)	(1,670,819)	(13,938)	(1,324)	(2,318,447)	(654,892)
Other Receipts (Payments)	(7,960)	---	1	355	(7,604)	4,857
Net Cash Provided (Used) by Operating Activities	237,305	(1,118,567)	(6,643)	(43,112)	(931,017)	9,603
Cash Flows from Non-Capital Financing Activities:						
Loans Made to Outside Entities	---	---	---	(112)	(112)	---
Due to/from Other Funds	4,691	---	1	(11)	4,681	7,572
Contributions and Intergovernmental	---	1,193,711	(153)	46,108	1,239,666	450
Transfers to/from Other Funds	(259,722)	---	---	729	(258,993)	(493)
Other Receipts (Expenses)	12,272	---	---	---	12,272	---
Net Cash Provided (Used) by Non-Capital Financing Activities	(242,759)	1,193,711	(152)	46,714	997,514	7,529
Cash Flows from Capital and Related Financing Activities:						
Interest Expense	---	---	---	(6)	(6)	(192)
Purchases and Construction of Capital Assets	(933)	---	(12)	(2,933)	(3,878)	(5,716)
Capital Lease Downpayment/Obligations	---	---	---	(94)	(94)	(6,617)
Disposal of Capital Assets	---	---	---	147	147	15,393
Net Cash Provided (Used) by Capital and Related Financing Activities	(933)	---	(12)	(2,886)	(3,831)	2,868
Cash Flows from Investing Activities:						
Proceeds from Sales and Investment Maturities	5,332	---	7,815	1,349	14,496	740,065
Purchase of Investments	---	---	---	(255)	(255)	(748,879)
Interest and Dividends Received	375	169	1,100	238	1,882	4,361
Investment Fees	---	---	---	---	---	(31)
Penalties and Other Receipts	---	---	---	1	1	1
Net Cash Provided (Used) by Investing Activities	5,707	169	8,915	1,333	16,124	(4,483)
Net Increase (Decrease) in Cash	(680)	75,313	2,108	2,049	78,790	15,517
Cash and Cash Equivalents, Beginning of Year	22,838	52,597	13,944	7,602	96,981	89,712
Cash and Cash Equivalents, End of Year	$ 22,158	$ 127,910	$ 16,052	$ 9,651	$ 175,771	$ 105,229
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	$ 247,041	$ (1,632,745)	$ (898)	$ (46,632)	$ (1,433,234)	$ (22,778)
Depreciation/Amortization Expense	1,003	---	8	3,509	4,520	21,891
Changes in Assets and Liabilities:						
Accounts Receivable	(6,400)	(31,081)	2	15	(37,464)	(4,306)
Inventories	---	---	---	(362)	(362)	1,268
Prepaid Items	(10)	---	---	---	(10)	(10)
Accounts Payable	(14)	(176,858)	7	314	(176,551)	3,142
Accrued Payroll	(1)	---	44	(28)	15	162
Loans Payable	---	722,117	---	---	722,117	---
Unearned Revenue	---	---	(11)	---	(11)	2,657
Grand Prize Winner Liability	(4,308)	---	---	---	(4,308)	---
Claims Liability	---	---	(5,872)	---	(5,872)	7,444
Compensated Absences	(6)	---	77	72	143	133
Net Cash Provided (Used) by Operating Activities	$ 237,305	$ (1,118,567)	$ (6,643)	$ (43,112)	$ (931,017)	$ 9,603
Non-Cash Financing and Investing Activities:						
Capital Lease Issuance	$ ---	$ ---	$ ---	$ ---	$ ---	$ 3,018
Capital Asset Donations	46	---	---	453	499	222
Increase (Decrease) in Fair Value of Investments	1,113	---	(104)	(50)	959	---
Net Non-Cash Financing and Investing Activities	$ 1,159	$ ---	$ (104)	$ 403	$ 1,458	$ 3,240

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 ASSETS
June 30, 2010
(In Thousands of Dollars)

	Pension (and Other Employee Benefit) Trust Funds	Private-Purpose Trust Funds	Agency Funds
ASSETS			
Cash and Cash Equivalents (Note 3)	$ 634,288	$ 3,404	$ 52,023
Investments at Fair Value (Note 3):			
U.S. Government Securities	928,946	5,052	3,872
U.S. Agency Sponsored Securities	32,913	3,487	64,636
Repurchase	---	6	369,804
Stocks	1,265,946	56	133
Bonds	188,228	---	176
International Equities	818,030	---	---
Mutual and Index Funds	1,370,079	---	91
Venture Capital Limited Partnership	3,564,279	---	---
Other Investments	761,544	4,868	1,885
Invested Securities Lending Collateral (Note 3)	237,295	1,727	294
Receivables:			
Accounts Receivable	67,592	---	231,761
Interest Receivable	87,201	7	37
Inventories	---	2	---
Prepaid Expenses	56	---	---
Capital Assets:			
Land	351	---	---
Buildings	4,134	---	---
Equipment	4,879	85	---
Software	---	9	---
Accumulated Depreciation/Amortization	(2,896)	(53)	---
Total Capital Assets, Net	6,468	41	---
Total Assets	9,962,865	18,650	$ 724,712
LIABILITIES			
Accounts Payable	142,231	797	31
Accrued Payroll	---	20	---
Due to Other Entities	---	---	689,140
Due to Individuals	---	---	35,247
Securities Lending Obligation (Note 3)	248,310	1,727	294
Unearned Revenue	3,655	2	---
Claims Liability	9,802	---	---
Compensated Absences	525	36	---
Total Liabilities	404,523	2,582	$ 724,712
Net Assets Held in Trust for Benefits and Other Purposes	$ 9,558,342	$ 16,068	

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

STATE OF MISSOURI
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For the Fiscal Year Ended June 30, 2010
(In Thousands of Dollars)

	Pension (and Other Employee Benefit) Trust Funds	Private-Purpose Trust Funds
Additions:		
Contributions:		
Employer	$ 495,718	$ ---
Plan Member	112,728	---
Other	28,840	---
Investment Earnings:		
Increase (Decrease) in Appreciation of Assets	1,142,336	15
Interest and Dividends	99,933	55
Securities Lending Income	1,732	---
Total Investment Earnings	1,244,001	70
Less Investment Expenses:		
Investment Activity Expense	(107,542)	---
Securities Lending Expense	(550)	---
Total Investment Expense	(108,092)	---
Net Investment Earnings	1,135,909	70
Unclaimed Property	---	43,647
Cost Reimbursement/Miscellaneous	680	12,185
Total Additions	1,773,875	55,902
Deductions:		
Benefits	890,487	---
Administrative Expenses	18,719	2,460
Program Distributions	62,071	45,161
Service Transfer Payments	463	---
Depreciation/Amortization	330	25
Total Deductions	972,070	47,646
Change in Net Assets	801,805	8,256
Net Assets held in Trust - Beginning of Year	8,756,537	7,812
Net Assets held in Trust - End of Year	$ 9,558,342	$ 16,068

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 ASSETS
COMPONENT UNITS
June 30, 2010
(In Thousands of Dollars)

	College and Universities	Non-Major	Totals June 30, 2010
ASSETS			
Current Assets:			
Cash and Cash Equivalents (Note 3)	$ 325,779	$ 16,868	$ 342,647
Investments (Note 3)	183,164	15,204	198,368
Invested Securities Lending Collateral (Note 3)	111,557	116	111,673
Receivables, Net	316,935	13,319	330,254
Inventories	44,282	1	44,283
Restricted Assets:			
Cash and Cash Equivalents (Note 3)	205,139	---	205,139
Investments (Note 3)	44,778	---	44,778
Receivables, Net	13,471	---	13,471
Deposits and Prepaid Expenses	29,683	387	30,070
Deferred Costs and Other Assets	338	---	338
Total Current Assets	1,275,126	45,895	1,321,021
Non-Current Assets:			
Investments (Note 3)	1,234,206	---	1,234,206
Receivables, Net	93,505	106,231	199,736
Advance to Primary Government (Note 15)	---	3,773	3,773
Restricted Assets:			
Cash and Cash Equivalents (Note 3)	6,425	19,627	26,052
Investments (Note 3)	905,614	12,220	917,834
Receivables, Net	1,854	---	1,854
Deposits and Prepaid Expenses	4,414	---	4,414
Deferred Costs and Other Assets	40,540	264	40,804
Capital Assets, Net of Accumulated Depreciation/Amortization (Note 5)	4,167,837	48,526	4,216,363
Total Non-Current Assets	6,454,395	190,641	6,645,036
Total Assets	7,729,521	236,536	7,966,057
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	333,330	533	333,863
Due to Primary Government (Note 15)	---	968	968
Securities Lending Obligation (Note 3)	111,557	116	111,673
Unearned Revenue (Note 1)	107,464	---	107,464
Deposits	54,883	---	54,883
Claims Liability (Note 21)	38,386	---	38,386
Compensated Absences	19,678	23	19,701
Other Postemployment Obligations, Net	66	---	66
Capital Lease Obligations (Note 6)	3,182	---	3,182
Bonds and Notes Payable (Note 12)	276,789	255	277,044
Total Current Liabilities	945,335	1,895	947,230
Non-Current Liabilities:			
Accounts Payable and Accrued Liabilities	104,472	---	104,472
Advance from Primary Government (Note 15)	---	4,662	4,662
Unearned Revenue (Note 1)	3,538	943	4,481
Deposits and Reserves	373	4,914	5,287
Claims Liability (Note 21)	40,497	---	40,497
Compensated Absences	9,782	---	9,782
Other Postemployment Obligations, Net	2,481	---	2,481
Capital Lease Obligations (Note 6)	45,878	---	45,878
Bonds and Notes Payable (Note 12)	1,394,485	39,350	1,433,835
Total Non-Current Liabilities	1,601,506	49,869	1,651,375
Total Liabilities	2,546,841	51,764	2,598,605
NET ASSETS			
Invested in Capital Assets, Net	2,591,362	17,921	2,609,283
Restricted for:			
Expendable	406,761	---	406,761
Non-Expendable	713,363	---	713,363
Other Purposes	---	106,816	106,816
Unrestricted	1,471,194	60,035	1,531,229
Total Net Assets	$ 5,182,680	$ 184,772	$ 5,367,452

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

STATE OF MISSOURI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS/STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the Fiscal Year Ended June 30, 2010
(In Thousands of Dollars)

	College and Universities	Non-Major	Totals June 30, 2010	Adjustments	Statement of Activities
Revenues:					
Operating Revenues:					
Licenses, Fees, and Permits	$ ---	$ 4,096	$ 4,096	$ ---	$ 4,096
Student Tuition and Fees (Net of Scholarship Allow.)	772,303	---	772,303	---	772,303
Sales and Services of Educational Departments	41,715	---	41,715	---	41,715
Auxiliary Enterprises	1,228,781	---	1,228,781	---	1,228,781
Leases and Rentals	---	2,769	2,769	---	2,769
Cost Reimbursement/Miscellaneous	70,391	1,257	71,648	1,214	72,862
Total Charges for Services					2,122,526
Federal Appropriations, Grants, and Contracts	228,834	---	228,834	181,242	410,076
State Grants and Contracts	93,436	---	93,436	857,985	951,421
Private Gifts, Grants, and Contracts	77,078	---	77,078	68,565	145,643
Additions to Endowments	---	---	---	28,554	28,554
Total Operating Grants and Contributions					1,535,694
Interest Revenue	1,032	2,345	3,377	(3,377)	---
Total Operating Revenues	2,513,570	10,467	2,524,037	1,134,183	
Expenses:					
Operating Expenses:					
Personal Service	2,134,679	1,523	2,136,202	---	2,136,202
Operations	---	2,781	2,781	---	2,781
Specific Programs	---	2,954	2,954	---	2,954
Scholarships and Fellowships	135,407	---	135,407	---	135,407
Utilities	28,208	---	28,208	---	28,208
Supplies and Other Services	848,550	3	848,553	---	848,553
Contracted Services	22,971	---	22,971	---	22,971
Interest Expense	224,229	---	224,229	607	224,836
Depreciation/Amortization	---	1,233	1,233	---	1,233
Miscellaneous	28,176	87	28,263	1,034	29,297
Total Operating Expenses	3,422,220	8,581	3,430,801	1,641	3,432,442
Operating Income (Loss)	(908,650)	1,886	(906,764)	1,132,542	
Non-Operating Revenues (Expenses):					
Federal Appropriations, Grants, and Contracts	181,242	---	181,242	(181,242)	---
State Appropriations, Grants, and Contracts	857,985	---	857,985	(857,985)	---
Private Gifts, Grants, and Contracts	68,565	---	68,565	(68,565)	---
Contributions and Intergovernmental	---	12,747	12,747	---	(12,747)
Total Unrestricted Grants and Contributions					(12,747)
Investment Earnings:					
Increase (Decrease) in the Fair Value of Investments	---	(712)	(712)	---	(712)
Investment and Endowment Income (Loss)	182,690	---	182,690	---	182,690
Interest	(67,628)	1,728	(65,900)	3,377	(62,523)
Interest and Bond Related Expenses	---	(607)	(607)	607	---
Gain (Loss) on Sale of Capital Assets	(964)	---	(964)	964	---
Miscellaneous Revenues	1,214	---	1,214	(1,214)	---
Miscellaneous Expenses	---	(70)	(70)	70	---
Total Unrestricted Investment Earnings					119,455
Total Non-Operating Revenues (Expenses)	1,223,104	13,086	1,236,190	(1,103,988)	
Income Before Other Revenues (Expenses) Or Gains (Losses)	314,454	14,972	329,426	28,554	
State Capital Appropriations	108,661	---	108,661	---	108,661
Total Capital Grants and Contributions					108,661
Additions to Endowments	28,554	---	28,554	(28,554)	---
Change in Net Assets	451,669	14,972	466,641	---	441,147
Net Assets - Beginning of Year (Note 17)	4,731,011	169,800	4,900,811	---	4,900,811
Net Assets - End of Year	$ 5,182,680	$ 184,772	$ 5,367,452	$ ---	$ 5,367,452

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.*

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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 State has elected not to follow the Financial Accounting Standards Board's pronouncements issued after November 30, 1989 for proprietary activities.

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.

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:

Board of Fund Commissioners – The Board was created by state law and is comprised of the Governor, Lieutenant Governor, Attorney General, State Auditor, 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 Examiners – The Board was created by state law and is charged with the licensure and regulation of the practice of private investigators in Missouri. The five member board shall consist of three private investigators and two public members, appointed by the Governor. Separate financial statements are not required for the Board.

Board of Unemployment Fund Financing – The Board was created by state law to provide a method of providing funds for the payment of unemployment benefits and maintaining an adequate fund balance in the Unemployment Compensation Fund. The Board is comprised of the Governor, Lieutenant Governor, Attorney General, the Director of the Department of Labor and Industrial Relations, and the Commissioner of Administration. Separate financial statements are not required for the Board.

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. Separate financial statements are not required for the Board.

Missouri Investment Trust-Board of Trustees - The Board is responsible for establishing investment policies, strategies, and goals for the Missouri Investment Trust, and has the fiduciary duty to manage the policy and investment decisions necessary for the success of the Missouri Investment Trust. The seven member board of trustees consists of the State Treasurer, the Commissioner of Administration, one member appointed by the speaker of the House of Representatives, one member appointed by the president pro-tem of the Senate, and three members selected by the Governor. Separate financial statements are not required for the Board. As of December 31, 2009, the Missouri Investment Trust has reconveyed all trust assets to the contributing entities.

Missouri Propane Gas Commission - The Commission is responsible for developing comprehensive plans and programs for the prevention, control, and abatement of propane-related accidents in Missouri. The Commission is authorized to regulate the inspection of and provide specifications for propane. The nine member commission is appointed by the Governor with members from various propane-related industries, the Departments of Agriculture and Natural Resources, and one public member.

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. Separate financial statements are not required for the Commission.

Capital Projects Funds:

Missouri Highway 63 Transportation Corporation, and Wentzville Parkway Transportation Corporation - These are reported as a part of the Missouri Road Fund. These transportation corporations are not-for-profit corporations organized under the Missouri Transportation Corporation Act. The corporations were formed to facilitate the construction of highway projects. When the purpose for which each corporation was formed has been complied with and all obligations of the corporation have been paid, the Board of the corporation shall, with the approval of the Missouri Highways and Transportation Commission, dissolve the corporation. Additional information may be requested from:

Missouri Department of Transportation
Resource Management
P.O. Box 270
Jefferson City, Missouri 65102

Note 1 - Significant Accounting Policies (cont.)

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, maintain certain required reserves, and pay the costs of operations. Copies of the Board of Public Buildings' financial statements may be requested from:

Office of Administration
Division of Accounting
P.O. Box 809
Jefferson City, Missouri 65102

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 two members of the Plan appointed by the Conservation Commission, the Chief Financial Officer, the Human Resources Division Chief, and the Internal Auditor. 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
Controller's Division
P.O. Box 270
Jefferson City, Missouri 65102

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. Furthermore, the Plan administers the State's Deferred Compensation Plan through the MOSERS Board of Trustees. Copies of the System's financial statements may be requested from:

Missouri State Employees' Retirement System
P.O. Box 209
907 Wildwood Drive
Jefferson City, Missouri 65102-0209

Note 1 - Significant Accounting Policies (cont.)

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 and 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
Controller's 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, disability, and life insurance 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. Copies of the System's financial statements may be requested from:

Missouri State Employees' Retirement System
P.O. Box 209
907 Wildwood Drive
Jefferson City, Missouri 65102-0209

Note 1 - Significant Accounting Policies (cont.)

Missouri Department of Transportation and Highway Patrol Employees' Retirement System - The System provides retirement, death, and disability benefits to qualified employees of the Missouri Highways and Transportation Commission (includes employees of the Department of Transportation) and both uniformed and non-uniformed members of the State Highway Patrol. 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 State Highway Patrol, one member of the Senate, one member of the House, one member elected by MoDOT employees, one member elected by Highway Patrol employees, one retired member elected by retired MoDOT employees, and one retired member elected by retired 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 assets 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 ING, 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 until further notice. Copies of financial statements for both Plans may be requested from:

Plan Administrator
c/o MOSERS
P.O. Box 209
907 Wildwood Drive
Jefferson City, Missouri 65102-0209

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.

Note 1 - Significant Accounting Policies (cont.)

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
207 Young Hall
820 Chestnut Street
Jefferson City, Missouri 65101

Linn State Technical College
1 Technology Drive
Linn, Missouri 65051

Missouri Southern State University
3950 East Newman Road
Joplin, Missouri 64801-1595

Missouri State University
901 South National, Room 119
Springfield, Missouri 65897

Missouri Western State University
4525 Downs Drive
St. Joseph, Missouri 64507

Northwest Missouri State University
105 Administration Building
800 University Drive
Maryville, Missouri 64468-6001

Southeast Missouri State University
One University Plaza, Mail Stop 3200
Cape Girardeau, Missouri 63701

Truman State University
McClain Hall, Room 105
100 East Normal
Kirksville, Missouri 63501

University of Central Missouri
316 Administration Building
Warrensburg, Missouri 64093

University of Missouri System
1000 West Nifong, Building 7, Suite 300
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 65101

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. The Missouri Highways and Transportation Commission determines which applicants are extended loans from the Missouri Transportation Finance Corporation. Copies of the Corporation's financial statements may be requested from:

Missouri Department of Transportation
Highway Building, 2nd Floor
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.

Note 1 – Significant Accounting Policies (cont.)

Missouri Housing Development Commission – makes, purchases, and insures mortgage loans which are used to develop new or rehabilitate low and moderate income housing.

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.

Lake of the Ozarks Community Bridge Corporation – organized to pay for the acquisition and construction of a toll bridge across the Lake of the Ozarks.

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.

Missouri Access to Higher Education Trust Board – responsible for administering the funds of the Higher Education Trust.

Missouri Health Insurance Pool – organized to provide health care coverage for residents who are unable to obtain individual health coverage.

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.

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 Assets 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 Assets** presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets.

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.

The difference between fund assets and liabilities is reported as "Net Assets" on the government-wide, proprietary, and fiduciary fund statements and "Fund Balance" on the governmental fund financial statements.

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 and liabilities associated with the operation of these funds are included on the Statement of Net Assets. 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 assets. 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 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.

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.

Transportation and Law Enforcement - provides transportation services, road construction and maintenance, and the enforcement of vehicle laws and traffic safety.

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.

Note 1 – Significant Accounting Policies (cont.)

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.

Unemployment Compensation – accounts for contributions, payments, and federal loans 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.

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 federal and state grants, debt proceeds, gifts and contributions, state appropriations, investments, and endowments. Assets and liabilities are accounted for on the Statement of Net Assets. Revenues, expenses, gains, and losses are reported on the Statement of Revenues, Expenses, and Changes in Net Assets.

Non-Major

Non-Major Component Units account for moneys from bond proceeds, loans, contributions, gifts, and grants. Assets and liabilities are accounted for on the Statement of Net Assets. Revenues, expenses, gains, and losses are reported on the Statement of Revenues, Expenses, and Changes in Net Assets.

Note 1 - Significant Accounting Policies (cont.)

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 three months 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. Cash balances of most state funds are pooled and invested by the State Treasurer (see *Note 3)*.

E. Investments

These are long-term investments with an original maturity greater than three months 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. All investments are reported at fair value (see *Note 3).*

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, service debt, 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 Assets. Payables are classified as "due to other funds" or "due to primary government/component units" on the Balance Sheet and Statement of Net Assets (see *Note 15*). 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 Assets. 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 Assets. 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 Assets.

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 Assets. Long-term interfund payables are classified as "advances from primary government/component units" on the Balance Sheet and Statement of Net Assets (see *Note 15*). 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 Assets.

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. Reserves of fund balance have been established for the inventory balances in governmental funds. 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. Restricted Assets

These moneys are restricted by donors and applicable bond indentures:

Reserved for Budget Reserve – An account used to meet the cash flow requirements and program funding requirements of the State.

Reserved for Inventories – An account used to segregate a portion of fund balance to indicate that inventories do not represent available, spendable resources.

Reserved for Forfeited Assets – An account used to segregate a portion of fund balance to pay postclosure costs for landfill owners that have defaulted on their obligation to pay postclosure care costs (see *Note 22*) and mining reclamation costs.

Reserved for Taxes – An account used to segregate a portion of fund balance for taxes received for which payment was made under protest and for bonds filed by license holders for security against default of payment of tax liabilities.

Reserved for Debt Service – An account used to segregate a portion of fund balance for debt service resources legally restricted to the payment of general long-term debt principal and interest amounts maturing in future years.

Reserved for Loans Receivable – An account used to segregate a portion of fund balance to indicate that loans receivable do not represent available, spendable resources.

Reserved for Trust Principal – An account used to segregate a portion of fund balance to indicate the principal amount of permanent funds that is legally restricted for a specific future purpose.

J. 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, 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 fair 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 – $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 – 5 years, software – 3 to 5 years, and infrastructure – 12 to 50 years. Construction in progress, software in progress, infrastructure in progress, land, and permanent easements are not depreciated/amortized.

Note 1 - Significant Accounting Policies (cont.)

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.

K. Deferred/Unearned Revenues

Governmental Funds

Deferred revenues are those for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met for governmental funds, which use the modified accrual basis of accounting. Therefore, such amounts are reported within the governmental fund financial statements as receivables and offset by a deferred revenue account. These amounts include $812,036,000 within the General Fund, $59,930,000 within the major special revenue funds, $17,091,000 within the Missouri Road Fund, and $4,798,000 within non-major governmental funds which totals $893,855,000 for governmental funds. Such amounts have been deemed to be measurable but not available. All major sources of revenue, including taxes; licenses, fees, and permits; and governmental contributions are susceptible to accrual when available within 60 days.

Deferred revenues also include amounts collected in advance of the year in which earned. The State has reported as such deferred revenues the amount of $115,045,000 within the General Fund, $186,000 within major special revenue funds, $4,697,000 within the Missouri Road Fund, and $749,000 within non-major governmental funds which totals $120,677,000 for governmental funds.

Proprietary Funds

Unearned revenue amounts collected in advance of the year in which earned are reported in the amount of $23,776,000 within the internal service funds included in governmental activities. Total unearned revenue for enterprise funds is $504,000 which is from the Petroleum Storage Tank Insurance Fund.

Component Units

Unearned revenue amounts collected in advance of the year in which earned are reported in the amount of $111,002,000 within the college and universities and $943,000 in non-major component units which is a total of $111,945,000 of unearned revenue for component units.

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, State Road Bonds issued by the Missouri Highways and Transportation Commission, and bonds issued by the Health and Educational Facilities Authority and the Regional Convention and Sports Complex Authority. 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. 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.

7. 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, 21, and 23*).

Note 1 – Significant Accounting Policies (cont.)

8. 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 22*).

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 Assets

Net Assets are reported in three categories:

Invested in Capital Assets, Net of Related Debt – An account used to segregate the portion of net assets 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.

Restricted Net Assets – An account used to segregate the portion of net assets 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, 2010, net assets restricted by enabling legislation equaled $1,876,118,000 for governmental activities.

Unrestricted Net Assets – An account used to segregate the portion of net assets 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.

N. Revenues

The revenues of the General Fund include federal grants and contributions of $11,042,046,000. Revenues for all funds are reported net of refunds of $2,101,851,000.

O. 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, construct assets, and service debt. Interfund transactions basically 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.

Note 1 - Significant Accounting Policies (cont.)

2. Transactions that reimburse another fund for an expense. These transactions 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.

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 16*). 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 same activity (Governmental) are eliminated at the Government-Wide Statement of Activities.

P. Expenditures and Expenses

Expenditures and expenses are reported net of revenue over collections of $1,650,288,000 and $3,697,000, respectively. Expenditures and expenses are reported net of overpayments to vendors, individuals, school districts, and for cost reimbursements of $446,745,000 and $1,121,000, respectively.

Q. 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.

The 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, 2010:

- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, gives guidance regarding how to identify, account for, and report intangible assets. These disclosures may be found in *Note 5 – Capital Assets*.

- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, addresses the recognition, measurement, and disclosure of information regarding derivative instruments. These disclosures may be found in *Note 3 – Deposits and Investments*.

- GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, provides guidance on measurement of other postemployment benefit (OPEB) plans for governments with agent employer plans or agent multiple-employers plans. While the State does not participate in either one of these plans, some of the State's component units do. See *Note 8 – Other Postemployment Benefits* for these disclosures.

- GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*, provides guidance on recognition, measurement, display, and disclosure for governments that have filed for bankruptcy under Chapter 9. This statement has no impact on the State's CAFR.

Note 2 - Reporting Changes and Classifications (cont.)

The State of Missouri has two funds that have been reclassified for the fiscal year ended June 30, 2010. The Missouri Wine and Grape Board was reclassified as a discretely presented component unit instead of blended as it does not exclusively benefit the State. The Missouri Road Bond fund was reclassified to a debt service fund from a capital project fund after additional evaluation.

Note 3 - Deposits and Investments

The State Treasurer maintains a cash and short-term investment pool that is used by substantially all state funds. 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, 2010.

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 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% with approved securities. Deposits must have a maturity of five years or less and earn interest at a rate equal to that paid on U.S. Treasury securities with equivalent maturities.

Primary Government

At June 30, 2010, the bank balance of the primary government's deposits was $1,102,013,000. Of the bank amount, $138,883,000 was exposed to custodial credit risk by being uninsured and collateralized with securities held by the pledging financial institution.

Fiduciary

At June 30, 2010, the bank balance of the deposits of the fiduciary funds was $92,723,000. None of these deposits were exposed to custodial credit risk.

Component Units

Information on the component units deposits is available within their individual financial statements.

Note 3 - Deposits and Investments (cont.)

B. Investments

Statutes authorize the State Treasurer 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. The 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, and fixed income securities. There have been no violations of these investment restrictions during fiscal year 2010.

The State Treasurer 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 also conducts regular credit monitoring, pre-qualifies the financial institutions and brokers/dealers with which the 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 minimizes custodial credit risk by requiring that all securities be held in the State's name at the State's custodial bank, Bank of New York.

Primary Government

At June 30, 2010, the reported amount of the primary government's investments was $3,401,061,000. Of this amount, $117,395,000 was exposed to custodial credit risk because it was uninsured and unregistered with securities held by the State's counterparty.

Fiduciary

At June 30, 2010, the reported amount of the fiduciary funds investments was $9,990,438,000. Of this amount, $70,745,000 was exposed to custodial credit risk because it was uninsured and unregistered with securities held by the State's counterparty.

Component Units

Information on the component units investments is available within their individual financial statements.

Note 3 - Deposits and Investments (cont.)

The following table (in thousands of dollars) provides information about the interest rate risks associated with the State's investments. The investments include certain short-term cash equivalents, various long-term items, and restricted assets by maturity in years. The State Treasurer minimizes the risk of the market value of securities falling due to changes in interest rates by maintaining an effective duration of less than 1.5 years, and holding at least 40% of the portfolio's total market value in securities with a maturity of 12 months or less.

	Maturities 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. Government Securities	$ 1,220	$ ---	$ ---	$ ---	$ ---	$ 1,220
U.S. Treasury Securities	1,060,468	665,351	14,462	13,390	---	1,753,671
U.S. Agency Securities	302	26,655	281	1,325	---	28,563
U.S. Government Guaranteed Mortgages	6,258	808	1,226	---	---	8,292
U.S. Government Mortgage-Backed Securities	511,963	259,105	---	---	802	771,870
U.S. Agency-Sponsored Securities	63,277	33,821	---	---	---	97,098
Repurchase Agreements	729,525	---	---	---	---	729,525
Stocks	---	---	---	---	2,914	2,914
Bonds	---	661	---	---	---	661
Mutual Funds	---	---	---	---	1,992	1,992
Short-Term Securities	3,836	---	---	---	---	3,836
Other	---	693	726	---	---	1,419
Subtotal	2,376,849	987,094	16,695	14,715	5,708	3,401,061

Note 3 - Deposits and Investments (cont.)

	Maturities in Years					
	Less than 1	1-5	6-10	More than 10	No Maturity	Total Fair Value
Fiduciary Funds:						
U.S. Government Securities	37,726	1,792	2,836	28,303	---	70,657
U.S. Treasury Securities	83,184	442,098	278,310	44,120	---	847,712
U.S. Agency Securities	---	4,844	14,657	---	---	19,501
U.S. Government Mortgage-Backed Securities	2,916	1,167	1,263	31,650	---	36,996
U.S. Agency-Sponsored Securities	53,320	10,722	---	---	---	64,042
Repurchase Agreements	376,458	---	---	---	---	376,458
Stocks	---	---	---	---	1,266,136	1,266,136
Bonds	---	149,446	25,777	13,181	---	188,404
International Equities	---	---	---	---	818,030	818,030
Mortgages/ Real Estate	106,322	14,073	2,178	64,747	106,116	293,436
Asset-Backed Securities	---	967	997	1,310	---	3,274
Short-Term Securities	726,318	---	---	---	---	726,318
Foreign Securities	---	---	---	---	4,051	4,051
Mutual Funds	---	---	---	11,878	1,365,158	1,377,036
Venture Capital Limited Partnership	---	---	---	---	3,564,279	3,564,279
Absolute Return	---	---	---	---	162,936	162,936
Tactical Fixed Income	---	---	---	---	75,793	75,793
Other	87,269	---	---	8,100	10	95,379
Subtotal	1,473,513	625,109	326,018	203,289	7,362,509	9,990,438
Total Investments	$ 3,850,362	$ 1,612,203	$ 342,713	$ 218,004	$ 7,368,217	$ 13,391,499

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 from investing more than 5% of the total investment portfolio into any single financial institution or issuer, excluding U.S. securities and repurchase agreements. There are no restrictions in the amount that can be invested in U.S. securities, however, there can be no more than 15% of the total portfolio invested in repurchase agreements with a single counterparty. During fiscal year 2010, the State did not have more than 5% of total investments in a single issuer.

Note 3 - Deposits and Investments (cont.)

The State Treasurer requires investments in commercial paper and bankers' acceptances to have the highest letter and numerical ranking (A1/P1) as rated by Moody's Investor Service, Inc. (Moody's) and Standard & Poor's Corporation (S & P). The Treasurer does not have any additional policies regarding credit ratings of investments. 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		AAA	$ 26,279
		Treasury	6,653
U.S. Treasury	Aaa	AAA	1,658,379
U.S. Agencies	Aaa	AAA	41,895
		AAA	466
		AA	297
U.S. Government Mortgage-Backed Securities	Aaa	AAA	12,342
		Agency	32,913
Bonds	Aaa		2,072
	Not Rated	A+	10
	Not Rated	A-	13
	Not Rated		261
		AAA	36,791
		AA+	308
		AA	17,715
		AA-	2,555
		A+	2,075
		A	100,456
		A-	2,559
		BBB+	3,508
		BBB	3,976
		BBB-	7,497
		BB+	904
		BB	18,678
		B	47,739
		CCC	16,667
		CC	24
		Not Rated	14,211
	Aa2	AA-	11
	Aa2		942
	Aa3		466
	A1	A+	13,482
	A1		723,178
	A3	A-	69
	Baa2	A	20
	Baa2	BBB+	44
	Ba1	BB+	9
	Aa1		178
Repurchase Agreements	P1	A1+	300,000
	P1	A1	405,639
U.S. Agency-Sponsored Securities	Aaa	AAA	773,889
	Aaa		89,439
		AAA	7,659
Short-Term Securities	Unrated		2,477

Note 3 - Deposits and Investments (cont.)

	Moody's	S & P	Fair Value
Asset-Backed Securities		AAA	35,749
		AA	162
		A	1,551
		BBB+	314
		BBB	18,548
		BB	1,793
		B	13,850
		CCC	7,497
		CC	1,476
		D	953
		Not Rated	787
		BB-	232
Mutual Funds	AAA		8,932
	BBB		5,257
		3-STAR	11,878
Pooled Investments		AAA	118,263
		Not Rated	76,037
Other	Aaa	AAA	14,073
		AAA	9,525
		AA	1,366
		AA-	1,611
		A+	1,042
		A	5,889
		A-	12,480
		Agency	4,919
		BBB	6,933
		BB+	2,272
		BB	40,932
		B	53,086
		CCC	66,860
		CC	29,698
		C	1,219
		D	7,216
		Not Rated	21,071
		BB-	2,510
		B+	9,752
		CCC+	132
Total Rated Investments			$ 4,970,610

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	$ 23	$ 9,547	$ ---	$ ---	$ ---	$ 9,570
Brazilian Real	361	13,586	---	---	---	13,947
Canadian Dollar	162	4,474	---	---	---	4,636
Chilean Peso	---	114	44	---	---	158
China Renminbi	---	53	---	---	---	53
Czech Koruna	---	2,434	---	---	---	2,434
Danish Krone	---	4,924	---	---	---	4,924
Egyptian Pound	2	2,312	---	---	---	2,314
Euro	1,885	157,126	7,647	99,753	6,444	272,855
Hong Kong Dollar	592	49,408	---	---	---	50,000
Hungarian Forint	35	2,414	---	---	---	2,449
Indian Rupee	117	7,254	---	---	---	7,371
Indonesion Rupiah	---	2,937	---	---	---	2,937
Japenese Yen	2,354	338,059	---	---	---	340,413
Malaysian Ringgit	(1)	4,095	---	---	---	4,094
Mexican Peso	---	11,691	---	---	---	11,691
Moroccan Dirham	(1)	216	---	---	---	215
Norweign Krone	---	1,767	---	---	---	1,767
Peruvian Nuevo Sol	---	75	---	---	---	75
Philippine Peso	(24)	648	---	---	---	624
Polish Zloty	---	1,608	---	---	---	1,608
Russian Ruble	---	303	---	---	---	303
Singapore Dollar	319	39,670	---	---	---	39,989
South African Rand	---	3,363	---	---	---	3,363
South Korean Won	55	34,439	2,010	---	---	36,504
Sri Lanka Rupee	---	3	---	---	---	3
Swedish Krona	195	13,846	---	---	---	14,041
Swiss Franc	---	68,752	---	---	---	68,752
Taiwan Dollar	2	23,074	---	---	---	23,076
Thai Baht	---	21,636	---	---	---	21,636
Turkish Lira	---	11,727	---	---	---	11,727
United Kingdom Pound Sterling	235	102,627	2,749	---	---	105,611
Venezuelan Bolivar	54	---	---	---	---	54
Total	$ 6,365	$ 934,182	$ 12,450	$ 99,753	$ 6,444	$ 1,059,194

C. Securities Lending Program

State Treasurer's Office:

The Missouri State Treasurer's Office participates in a securities lending program to augment investment income. Authority to participate rests in Section 30.260.5, RSMo. As of November 2008, Clearland Securities, a division of Wells Fargo (formerly known as Wachovia Global Securities Lending) began acting as the State Treasurer's custodial bank and securities lending agent. For securities which are received as collateral under a bonds borrowed program, at least 75% of the collateral received must match the maturities of the securities lent with a maximum duration gap between loans and investments of 15 days. The maximum life of term loans shall be 90 days.

Note 3 - Deposits and Investments (cont.)

Collateral may be in the form of cash, securities issued or guaranteed by the U.S. government or its agencies, or bank letters of credit or equivalent obligation if pre-approved by the State Treasurer's Office. Collateral must be provided in the amount of 102% of the then market value of the loaned securities and accrued interest, if any. The Custodian provides for full indemnification to the State Treasurer's Office for any losses that might occur in the program due to borrower default, insolvency, or failure to return loaned securities.

At June 30, 2010, the State Treasurer's Office had an aggregate fair value of securities lent of $261,060,000 and an aggregate fair value of collateral received of $261,060,000.

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. On June 30, 2010, MOSERS had no credit risk exposure to borrowers because the collateral amounts received exceeded amounts out on loan.

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.

Daily monitoring of securities that are on loan ensure proper collateralization levels and mitigate counterparty risk. The majority of the security loans are open loans and can be terminated on demand by either MOSERS or the borrower. Cash collateral is invested in short-term investment funds, managed by Deutsche Bank. On June 30, 2010, the cash collateral fund had a market value of $192,640,000 and a weighted average maturity of 11 days. At June 30, 2010 and 2009, MOSERS had earned $1,204,000 and $5,830,000, 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 (the System), lends its securities to broker-dealers and banks pursuant to a form of loan agreement. The System's custodial bank is authorized to lend available securities to approved broker-dealers and banks subject to the receipt of acceptable collateral.

During the fiscal year, the System lent securities and received cash, securities insured or guaranteed by the U.S. government or its agencies, and irrevocable bank letters of credit as collateral. The System cannot pledge or sell non-cash collateral unless a borrower defaults. Borrowers were required to deliver collateral for each loan equal to: 1) in the case of loaned securities denominated in dollars or whose primary trading market was located in the United States, 102% of the market value of the loaned securities plus any accrued interest; and 2) in the case of loaned securities not denominated in U.S. dollars or whose primary trading market was not located in the United States, 105% of the market value of the loaned securities plus any accrued interest.

The System 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.

Note 3 - Deposits and Investments (cont.)

The System and borrowers maintained the right to terminate all securities lending transactions on demand. At June 30, 2010, the cash collateral fund had a market value of $44,655,000.

At June 30, 2010, the System had lost $22,000, and at June 30, 2009, the System had earned $393,000 on the securities lending program.

Component Units:

Information on the component units securities lending program is available within their individual financial statements.

D. Derivatives

Missouri State Employees' Retirement System (MOSERS), through its external investment managers, has an investment policy which holds investments in futures contracts, swap contracts, and forward foreign currency exchange contracts. MOSERS does not anticipate additional significant market risk from the swap arrangements. The forward foreign currency exchange contracts are used primarily to hedge against changes in exchange rates related to foreign equities. 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, 2010, MOSERS Foreign Currency Forward Contracts had a pending receivable of $161,692,000 and a pending payable of $161,857,000 resulting in a final liability of $165,000.

The following table (in thousands of dollars) summarizes the various contracts in MOSERS portfolio as of June 30, 2010. The investments are reported at fair value and are included on the Statement of Net Assets of the pension (and other employee benefit) trust funds.

Futures Contracts:

Notional Amount	Exposure
$ 720,950	$ 1,732

Swaps:

Notional Amount	Counterparty Exposure
$ 1,193,717	$ 39,496

Component Units:

Information on the component units derivatives is available within their individual financial statements.

Note 4 - Federal Surplus Commodities Inventory

The federal surplus commodities inventory for the Department of Social Services was $44,000 as of June 30, 2010. This inventory is not considered to be an asset of the State and is not included in the financial statements.

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2010, was as follows (in thousands of dollars):

	*Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Governmental Activities:				
Capital Assets not being Depreciated/Amortized:				
Construction in Progress	$ 536,881	$ 137,583	$ (146,929)	$ 527,535
Software in Progress	11,050	23,208	(3,273)	30,985
Infrastructure in Progress	2,461,040	1,304,191	(1,035,334)	2,729,897
Land	2,819,733	72,712	(22,602)	2,869,843
Permanent Easements	514	947	---	1,461
Total Capital Assets not being Depreciated/Amortized	5,829,218	1,538,641	(1,208,138)	6,159,721
Capital Assets being Depreciated/Amortized:				
Land Improvements	156,926	4,822	(141)	161,607
Temporary Easements	5,638	1,864	(1,007)	6,495
Buildings and Improvements	2,826,654	122,718	(29,476)	2,919,896
Equipment	1,174,163	84,731	(73,888)	1,185,006
Software	27,624	8,908	---	36,532
Infrastructure	42,600,584	1,035,334	(46,421)	43,589,497
Total Capital Assets being Depreciated/Amortized	46,791,589	1,258,377	(150,933)	47,899,033
Less Accumulated Depreciation/Amortization for:				
Land Improvements	(80,014)	(4,610)	137	(84,487)
Temporary Easements	(1,259)	(1,879)	1,007	(2,131)
Buildings and Improvements	(1,082,240)	(91,938)	7,751	(1,166,427)
Equipment	(811,819)	(94,418)	66,798	(839,439)
Software	(15,029)	(6,480)	---	(21,509)
Infrastructure	(21,059,682)	(825,744)	46,421	(21,839,005)
Total Accumulated Depreciation/Amortization	(23,050,043)	(1,025,069)	122,114	(23,952,998)
Total Capital Assets being Depreciated/Amortized, Net	23,741,546	233,308	(28,819)	23,946,035
Governmental Activities Capital Assets, Net	$ 29,570,764	$ 1,771,949	$ (1,236,957)	$ 30,105,756
Business-Type Activities:				
Capital Assets not being Depreciated/Amortized:				
Construction in Progress	$ 6,977	$ 1,905	$ (4)	$ 8,878
Software in Progress	---	6	(6)	---
Land	8,868	78	---	8,946
Total Capital Assets not being Depreciated/Amortized	15,845	1,989	(10)	17,824
Capital Assets being Depreciated/Amortized:				
Land Improvements	7,447	46	---	7,493
Temporary Easements	50	---	---	50
Buildings and Improvements	28,386	---	---	28,386
Equipment	44,411	2,589	(2,637)	44,363
Software	1,653	23	---	1,676
Total Capital Assets being Depreciated/Amortized	81,947	2,658	(2,637)	81,968
Less Accumulated Depreciation/Amortization for:				
Land Improvements	(3,843)	(251)	---	(4,094)
Temporary Easements	(8)	(2)	---	(10)
Buildings and Improvements	(14,715)	(757)	---	(15,472)
Equipment	(29,508)	(3,322)	2,467	(30,363)
Software	(1,066)	(188)	---	(1,254)
Total Accumulated Depreciation/Amortization	(49,140)	(4,520)	2,467	(51,193)
Total Capital Assets being Depreciated/Amortized, Net	32,807	(1,862)	(170)	30,775
Business-Type Activities Capital Assets, Net	$ 48,652	$ 127	$ (180)	$ 48,599

*Beginning balances as of July 1, 2009 have been restated (see *Note 17*).

Note 5 – Capital Assets (cont.)

Depreciation/amortization expense of governmental activities was charged to functions as follows (in thousands of dollars):

General Government	$ 36,529
Education	3,605
Natural and Economic Resources	20,352
Transportation and Law Enforcement	904,460
Human Services	60,123
Total	$ 1,025,069

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	$ 338,553	$ ---	$ 338,553
Land	143,896	7,220	151,116
Other Non-Depreciable/Amortizable Assets	21,037	---	21,037
Total Capital Assets not being Depreciated/Amortized	503,486	7,220	510,706
Capital Assets being Depreciated/Amortized:			
Land Improvements	23,888	---	23,888
Buildings and Improvements	4,582,735	47,224	4,629,959
Equipment, Fixtures, and Books	1,168,795	181	1,168,976
Software	88,115	15	88,130
Infrastructure	409,877	---	409,877
Total Capital Assets being Depreciated/Amortized	6,273,410	47,420	6,320,830
Less Total Accumulated Depreciation/Amortization	(2,609,059)	(6,114)	(2,615,173)
Total Capital Assets being Depreciated/Amortized, Net	3,664,351	41,306	3,705,657
Discretely Presented Component Units – Capital Assets, Net	$ 4,167,837	$ 48,526	$ 4,216,363

Note 6 - Leases

Capital

The State has entered into various agreements to lease land, buildings, and equipment. FASB Statement No. 13, *Accounting for Leases,* 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).

Capital leases for the internal service funds, enterprise, 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	Enterprise Funds	College and Universities
2011	$ 30,965	$ 2,044	$ 53	$ 6,291
2012	11,230	1,643	39	6,377
2013	10,640	606	24	6,182
2014	10,030	580	5	6,182
2015	9,335	472	---	6,182
2016-2020	36,635	---	---	29,458
2021-2025	14,428	---	---	13,602
Total Minimum Lease Payments	123,263	5,345	121	74,274
Less Amount Representing Interest	(29,606)	(260)	(5)	(25,214)
Present Value of Net Minimum Lease Payments	$ 93,657	$ 5,085	$ 116	$ 49,060

The State has entered into a lease with the Missouri Development Finance Board. The State's obligation under the 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 a building 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. The payments on this lease 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
2011	$ 2,600
2012	2,600
2013	2,602
2014	2,593
2015	2,593
2016-2020	12,897
2021-2025	12,862
2026-2030	12,835
2031	2,564
Total Minimum Lease Payments	54,146
Less Amount Representing Interest	(19,211)
Present Value of Net Minimum Lease Payments	$ 34,935

The State issued Refunding Certificates of Participation Series A 2005 dated March 1, 2005, in the amount of $120,490,000. The Refunding Certificates of Participation 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 also issued Certificates of Participation Series 2002 dated December 15, 2002, in the amount of $4,700,000 for the Conservation Commission of the State of Missouri Project.

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.

Note 6 - Leases (cont.)

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
2011	$ 13,778
2012	13,833
2013	13,185
2014	13,179
2015	13,177
2016-2020	36,742
Total Minimum Lease Payments	103,894
Less Amount Representing Interest	(17,189)
Present Value of Net Minimum Lease Payments	$ 86,705

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, 2010 (in thousands of dollars):

	Governmental Funds	Internal Service Funds	Enterprise Funds	College and Universities
Buildings	$ 233,134	$ 41,855	$ ---	$ 20,251
Equipment	48,086	9,060	584	32,276
	$ 281,220	$ 50,915	$ 584	$ 52,527

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, 2010, were as follows (in thousands of dollars):

Fiscal Year Ending June 30	Governmental Funds	Enterprise Funds	Component Units
2011	$ 49,415	$ 2,223	$ 7,676
2012	605	2,227	3,187
2013	591	229	2,218
2014	494	174	1,750
2015	503	---	831
2016-2020	538	---	926
Total Minimum Commitments	$ 52,146	$ 4,853	$ 16,588

Expenditures for rent under operating leases for the years ended June 30, 2010 and June 30, 2009 were $57,341,000 and $51,734,000, 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 is $6.1 million for primary government and $60.0 million for component units. The Department of Natural Resources (DNR) has $39,000 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, 2010, were as follows (in thousands of dollars):

Fiscal Year Ending June 30	Primary Government	Component Units
2011	$ 126	$ 2,331
2012	121	2,945
2013	121	2,823
2014	121	2,928
2015	121	3,040
2016-2020	431	15,052
2021-2025	403	12,266
2026-2030	288	12,044
2031-2035	195	11,791
2036-2040	172	12,133
2041-2045	172	5,145
2046-2050	172	1,601
2051-2055	172	---
Total Minimum Receivables	$ 2,615	$ 84,099

Note 7 - Retirement Systems

The State has two major retirement systems which cover substantially all state employees. These systems are Missouri State Employees' Retirement System (MOSERS) and Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS). The University of Missouri's Retirement Plan is included because the University is a component unit of the State. The Public School Retirement System of Missouri is included in this note disclosure as the State contributes to it.

Plan Descriptions

The Missouri State Employees' Plan (MSEP) and the Judicial Plan are single-employer defined benefit public employees' retirement plans administered by MOSERS. The Plans are administered in accordance with Sections 104.010 and 104.312-104.1215, and 476.445-476.690, RSMo, respectively.

The MSEP has two benefit structures known as MSEP (closed plan) and MSEP 2000. 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 2011. Employees hired on or after January 1, 2011, will be eligible for membership in the MSEP 2011 tier of the MSEP 2000. Some provisions of this new membership tier include 4% employee contributions of pre-tax wages, 5-year vesting will be increased to 10-year vesting, the "Rule of 80" will be increased to the "Rule of 90", and the age for early retirement for general employees will be increased from age 57 to age 62. Members of the closed plan have the option at retirement to choose between the benefit structure of the MSEP or MSEP 2000. Retirement benefits for members of the Judicial Plan are administered and paid by MOSERS.

Note 7 - Retirement Systems (cont.)

MOSERS provides retirement, survivor, and disability benefits to its members. MOSERS employees are fully vested after 5 years of creditable service (4 years for elected officials and either 4 or 6 years for legislators). The retirement eligibility requirements are as follows:

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.

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.

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.

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 terminated with at least 5, but less than 10 years of service, be less than age 60, and have a benefit present value of less than $10,000.

The Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS) is a single-employer defined benefit public employees' retirement system administered in accordance with Sections 104.010-104.1093, RSMo.

MPERS 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. Employees are fully vested after 5 years of creditable service. The MPERS has two benefit structures known as the Closed Plan and the Year 2000 Plan. 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 2011. Employees hired for the first time on or after January 1, 2011, will be eligible for a new tier of benefits within the Year 2000 Plan.

Note 7 - Retirement Systems (cont.)

The retirement eligibility requirements are as follows:

Closed Plan

MoDOT and non-uniformed patrol members:	Uniformed patrol members:
Age 65 and active with 4 or more years of service	Age 55 and active with 4 or more years of service
Age 65 with 5 or more years of service	Age 55 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)
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.

For members employed prior to August 28, 1997, cost of living adjustments (COLAs) are provided annually based on 80% of the change in the Consumer Price Index (CPI) 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 employed on or after August 28, 1997, COLAs are provided annually based on 80% of the increase in the CPI up to a maximum rate of 5%.

Year 2000 Plan

MoDOT and non-uniformed patrol members:	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)
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. COLAs are provided annually based on 80% of the change in the CPI up to a maximum rate of 5%.

Copies of financial reports issued by MOSERS and MPERS may be requested from:

Missouri State Employees' Retirement System
P.O. Box 209
907 Wildwood Drive
Jefferson City, Missouri 65102-0209

Missouri Department of Transportation and
Highway Patrol Employees' Retirement System
P.O. Box 1930
Jefferson City, Missouri 65102-1930

Funding Policy

MOSERS administers plans which cover substantially all State of Missouri employees. The State of Missouri is obligated by state law to make all required contributions to the System. The actuarially determined contributions are expressed as a level percentage of covered payroll. Current year actuarially determined contribution rates for the MSEP and the Judicial Plan are 12.75% and 58.48%, respectively. Actual contribution rates are the same as the actuarially determined rates.

The State of Missouri makes all required contributions to MPERS. Current year calculated contribution rates are 39.95% for uniformed members of the Highway Patrol and 31.40% for non-uniformed members of the Highway Patrol and employees of the Missouri Department of Transportation. Actual contribution rates are the same as the actuarially determined rates.

Note 7 – Retirement Systems (cont.)

Annual Pension Cost and Net Pension Obligation

The annual pension cost and net pension obligation for the current year were as follows (in thousands of dollars):

	MSEP	Judicial Plan	MPERS
Annual required contribution	$ 251,226	$ 27,029	$ 124,053
Interest on net pension obligation	5,613	3,866	---
Actuarial adjustment to annual required contribution	(3,964)	(2,731)	---
Annual pension cost	252,875	28,164	124,053
Contributions made	(251,226)	(27,029)	(124,053)
Increase in net pension obligation	1,649	1,135	---
Net pension obligation, beginning of year	66,036	45,481	---
Net pension obligation, end of year	$ 67,685	$ 46,616	$ ---

The annual pension cost, the percentage of annual pension cost contributed to the Plan, and the net pension obligation for three years are as follows (in thousands of dollars):

	MSEP			Judicial Plan		
	Fiscal Year Ending			Fiscal Year Ending		
	06/30/10	06/30/09	06/30/08	06/30/10	06/30/09	06/30/08
Annual Pension Cost (APC)	$ 252,875	$ 253,571	$ 251,343	$ 28,164	$ 28,736	$ 27,298
Percentage of APC Contributed	99.35%	99.42%	99.37%	95.97%	96.49%	96.03%
Net Pension Obligation	$ 67,685	$ 66,036	$ 64,570	$ 46,616	$ 45,481	$ 44,471

	MPERS		
	Fiscal Year Ending		
	06/30/10	06/30/09	06/30/08
Annual Pension Cost (APC)	$ 124,053	$ 122,599	$ 123,335
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	$ ---	$ ---	$ ---

Funded Status and Funding Progress

The funded status of the Plans as of June 30, 2010, are as follows (in thousands of dollars):

	MSEP	Judicial Plan	MPERS
Actuarial Value of Assets	$ 7,923,377	$ 88,977	$ 1,375,845
Actuarial Accrued Liability (AAL) Entry Age	$ 9,853,155	$ 382,013	$ 3,258,867
Unfunded Actuarial Accrued Liability (UAAL)	$ 1,929,778	$ 293,036	$ 1,883,022
Funded Ratio	80.4%	23.3%	42.2%
Covered Payroll	$ 1,945,095	$ 46,113	$ 378,063
UAAL as a Percentage of Covered Payroll	99.2%	635.5%	498.1%

Note 7 - Retirement Systems (cont.)

Actuarial Methods and Assumptions

The annual required contribution for MOSERS for the current year was determined as part of an actuarial valuation of the Systems as of June 30, 2008, using the entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation for MOSERS include: a) rate of return on the investment of present and future assets of 8.5% per year compounded annually, b) projected salary increases of 4.0% per year annually, attributable to inflation, c) additional projected salary increases ranging from 0.3% to 3.5% per year for MSEP and 0% to 1.6% for the Judicial Plan, depending on age, attributable to seniority and/or merit, and d) the assumption that benefits will increase 4.0% per year after retirement.

The actuarial valuation of the System dated June 30, 2010, will set the required contribution rates for the fiscal year ending June 30, 2012. The actuarial value of assets is based on a method that fully recognizes expected investment return and averages unanticipated market return over a five-year period. The unfunded actuarial accrued liabilities are amortized on an open basis as a level percentage of payroll over 30 years.

The annual required contribution for MPERS for the current fiscal year was determined as part of an actuarial valuation as of June 30, 2008, using the entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation for MPERS include: a) rate of return on the investment of 8.25% per year compounded annually, and b) projected wage inflation rate of 3.75%.

The actuarial valuation of MPERS dated June 30, 2010, will be used to determine the contribution rate for the Plan year ending June 30, 2012. The actuarial value of assets is based on a three-year smoothed market value method. The total contribution is based on a 14-year amortization period for unfunded retiree liabilities and a 29-year amortization period for other unfunded liabilities.

Public School Retirement System of Missouri:

The State of Missouri also made employer contributions to the Public School Retirement System of Missouri which is a cost-sharing multiple-employer defined benefit public employees' retirement system. The System includes all public school districts within the State except for the two districts covering the major metropolitan areas. It also includes certain public college and universities and some state employees.

The benefit provisions include retirement annuities, death benefits, and disability benefits. A member is vested after acquiring five years of membership credit for Missouri service.

The System was created and is governed by Chapter 169 of the Revised Statutes of Missouri. State employees who elect to remain with the Public School Retirement System under Section 104.342, RSMo, are covered by the System.

Employees of the State are not required to contribute. The State, as employer, contributed $3,972,000, $3,286,000, and $2,662,000 for the years ending June 30, 2010, 2009, and 2008, respectively, to the System, equal to the required contributions for each year.

Copies of the System's June 30, 2010, Comprehensive Annual Financial Report may be requested from:

Public School Retirement System of Missouri
P.O. Box 268
3210 West Truman Boulevard
Jefferson City, Missouri 65102-0268

Note 7 - Retirement Systems (cont.)

College and Universities:

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. The University's Board of Curators establishes the terms of the Plan and administers it as authorized by State statute.

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 2.2% times the credited service years times the compensation base. 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. At retirement, up to 30% of the retirement annuity can be taken in a lump sum payment; also the standard annuity can be exchanged for an actuarially-equivalent annuity.

Separate financial statements are not prepared for the Plan.

Detailed information concerning the Plan is presented in the University's 2010 financial report, which is publicly available. Copies of this report may be requested from:

University of Missouri System
Office of the Controller
1000 West Nifong, Building 7, Suite 300
Columbia, Missouri 65211

Funding Policy

The University's contributions to the Retirement Plan are equal to the actuarially determined employer contribution requirement, which averaged 4.9% of payroll for the year ended June 30, 2010. Effective July 1, 2009, 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. The University's contribution rate is updated annually on July 1 at the beginning of the University's fiscal year, to the actuarially determined amount 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.

Annual Pension Cost and Net Pension Obligation

The annual pension cost and net pension obligation for the current year were as follows (in thousands of dollars):

	University of Missouri System
Annual required contribution	$ 48,040
Interest on net pension obligation	---
Actuarial adjustment to annual required contribution	---
Annual pension cost	48,040
Contributions made	(48,040)
Change in net pension obligation	---
Net pension obligation, beginning of year	---
Net pension obligation, end of year	$ ---

Note 7 - Retirement Systems (cont.)

The annual pension cost, the percentage of annual pension cost contributed to the Plan, and the net pension obligation for three years are as follows (in thousands of dollars):

	Fiscal Year Ending		
	06/30/10	06/30/09	06/30/08
Annual Pension Cost (APC)	$ 48,040	$ 56,663	$ 72,284
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	$ ---	$ ---	$ ---

Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2010, is as follows (in thousands of dollars):

	Actuarial Valuation October 1, 2009
Actuarial Value of Assets	$ 2,843,422
Actuarial Accrued Liability (AAL) Entry Age	$ 2,819,524
Unfunded Actuarial Accrued Liability (UAAL)	$ (23,898)
Funded Ratio	100.8%
Covered Payroll	$ 970,060
UAAL as a Percentage of Covered Payroll	(2.5)%

Actuarial Methods and Assumptions

The annual required contribution for the University for the current fiscal year was determined as part of an actuarial valuation of the System as of October 1, 2008, using the entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation include: a) assumed rate of return on investments of 8.0% per year, b) projected salary increases for academic and administrative employees averaging 5.2% per year, c) projected salary increases for clerical and service employees averaging 4.5% per year, and d) assumed no future retiree ad-hoc increases or cost of living adjustments.

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 MoDOT and MSHP Medical and Life Insurance Plan (MHPML), and the Conservation Employees' Insurance Plan (CEIP). The eligible number of retirees/long-term disability claimants for MCHCP, MHPML, and CEIP for health care benefits are approximately 18,150, 5,667, and 584, respectively. The eligible number of retirees/long-term disability claimants for MOSERS, MHPML, and CEIP for life insurance benefits are 18,824, 3,588, and 403, respectively. Health care benefits and MOSERS life insurance benefits are funded through both employer and employee contributions. MHPML and CEIP life insurance benefits are funded through employee contributions. Employer contribution rates are set in accordance with Section 103.100, RSMo. Retiree contribution rates are established based on projected claims experience and funding provided by employer contributions. Insurance policies are purchased for life insurance benefits and are the liability of the insurance carrier. For fiscal year 2010, the State's contributions were 57.35% of the total (employer/employee) contributions made for other postemployment benefits.

During fiscal year 2010, the State contributed the following amounts (in thousands of dollars):

	Health Care	Life Insurance
MCHCP	$ 74,385	$ ---
MOSERS	---	1,936
MHPML	16,287	---
CEIP	1,428	---
Total	$ 92,100	$ 1,936

During fiscal year 2010, the expenditures recognized by the State for (employer/employee) other postemployment benefits were as follows (in thousands of dollars):

	Health Care	Life Insurance
MCHCP	$ 104,628	$ ---
MHPML	40,323	3,205
CEIP	3,330	243
Total	$ 148,281	$ 3,448

Funding Policy

The contribution requirements of MCHCP, MHPML, and CEIP are established and may be amended by the State legislature, Missouri Highways and Transportation Commission, and the Conservation Department Board of Trustees, respectively. The State has partially funded the annual required contribution (ARC) of MCHCP in addition to the pay-as-you-go amount. In fiscal year 2010, the State contributed $18.1 million in addition to pay-as-you-go. The required contribution for MHPML and CEIP is based on an actuarial study and is financed on a pay-as-you-go basis. For fiscal year 2010, MCHCP, MHPML, and CEIP contributed $74.4, $30.3, and $3.3 million, respectively.

Note 8 – Other Postemployment Benefits (cont.)

Annual OPEB Cost and Net OPEB Obligation

The MCHCP, MHPML, and CEIP annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of MCHCP, MHPML, and CEIP annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the net OPEB obligation (in thousands of dollars):

	MCHCP	MHPML	CEIP
Annual required contribution	$ 93,865	$ 112,329	$ 9,550
Interest on net OPEB contribution	4,868	6,357	531
Adjustments to annual required contribution	(3,399)	(8,301)	(422)
Annual OPEB cost	95,334	110,385	9,659
Contributions made	(74,385)	(30,346)	(3,319)
Increase in net OPEB obligation	20,949	80,039	6,340
Net OPEB obligation, beginning of year	69,538	141,285	11,807
Net OPEB obligation, end of year	$ 90,487	$ 221,324	$ 18,147

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2010 are as follows (in thousands of dollars):

	MCHCP			MHPML		
	Fiscal Year Ending			Fiscal Year Ending		
	06/30/10	06/30/09	06/30/08	06/30/10	06/30/09 *	06/30/08
Annual Required Contribution (ARC)	$ 93,865	$ 124,511	$ 104,471	$ 112,329	$ 96,308	$ 96,308
Percentage of ARC Contributed	79.25%	73.44%	65.90%	27.02%	26.21%	26.20%
Net OPEB Obligation	$ 90,487	$ 69,538	$ 35,644	$ 221,324	$ 141,285	$ 71,067

	CEIP		
	Fiscal Year Ending		
	06/30/10	06/30/09	06/30/08
Annual Required Contribution (ARC)	$ 9,550	$ 8,289	$ 8,126
Percentage of ARC Contributed	34.75%	29.73%	27.00%
Net OPEB Obligation	$ 18,147	$ 11,807	$ 5,933

*Fiscal year 2009 amounts have been restated (see *Note 17*).

Note 8 - Other Postemployment Benefits (cont.)

Funded Status and Funding Progress

The funded status of the Plans as of June 30, 2010, are as follows (in thousands of dollars):

	MCHCP	MHPML	CEIP
Actuarial Accrued Liability (AAL)	$ 1,304,355	$ 1,094,778	$ 134,472
Less Actuarial Value of Plan Assets	73,195	---	---
Unfunded Actuarial Accrued Liability (UAAL)	$ 1,231,160	$ 1,094,778	$ 134,472
Funded Ratio	5.61%	0.0%	0.0%
Covered Payroll	$ 1,614,000	$ 378,063	$ 67,600
UAAL as a Percentage of Covered Payroll	76.28%	289.58%	198.92%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each 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 accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation for fiscal year ending June 30, 2010, MCHCP used the entry-age method. The October 2009, MHPML and the July 1, 2009, CEIP actuarial valuation used the projected unit credit method. The actuarial assumptions for MCHCP, MHPML, and CEIP include a 4.5%, 4.5%, and 4.5% discount rate, respectively. MCHCP projected annual health care cost trend rate is currently 8.33%, decreasing by 2/3% per year to an ultimate rate of 5.0%. The UAAL is being amortized at a level dollar amount over an open basis, over a 30-year period. MHPML projected annual health care cost trend rate is currently 8.00%, decreasing by 0.5% until reaching 5.0% in 2015. CEIP projected annual health care cost trend rate is generated by the Getzen model.

College and Universities:

University of Missouri System

In addition to the retirement benefits described in *Note 7*, the University provides postemployment medical care, dental care, and life insurance benefits to eligible employees who retire from the University and to employees receiving long-term disability benefits. Currently, 6,113 retirees/long-term disability claimants meet the eligibility requirements. These postemployment benefits are funded through both employer and employee contributions. For fiscal year 2010, the University's contributions were 66.20% of the total (employer/employee) contributions made for other postemployment benefits.

Currently, the number of retirees/long-term disability claimants participating in medical care, dental care, and life insurance are 4,985, 4,936, and 2,726, respectively. During fiscal year 2010, the University contributed $23,789,000 for other postemployment benefits. The expenditures recognized by the University for (employer/employee) other postemployment benefits were $35,082,000.

Note 8 - Other Postemployment Benefits (cont.)

Funding Policy

In June 2008, the University established its OPEB Trust Fund, the assets of which are irrevocable and legally protected from creditors and dedicated to providing postemployment benefits in accordance with terms of the Plan. Previously, postemployment benefit costs other than long-term disability were funded on a current basis, and expenses were recorded on a pay-as-you-go basis. Long-term disability costs were recognized during the period in which the employee became eligible to receive disability benefits.

The University's OPEB Trust Fund does not issue a separate financial report, but is included in the University's financial report using the economic resources measurement focus and accrual basis of accounting. The University currently plans to contribute to the trust fund an amount that, in addition to the current year premium contributions, is sufficient to fund 50% of the annual required contribution (ARC).

Annual OPEB Cost and Net OPEB Obligation

The University's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the University's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the University's net OPEB obligation for fiscal year 2010 (in thousands of dollars):

	University of Missouri System
Annual required contribution	$ 52,563
Interest on net OPEB obligation	1,359
Adjustment to annual OPEB obligation	(1,157)
Annual OPEB cost	52,765
Contributions made	(23,789)
Increase in net OPEB obligation	28,976
Net OPEB obligation (asset), beginning of year	23,637
Net OPEB obligation, end of year	$ 52,613

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2010 was as follows (in thousands of dollars):

	University of Missouri System		
	Fiscal Year Ending		
	06/30/10	06/30/09	06/30/08
Annual Required Contribution (ARC)	$ 52,563	$ 47,578	$ 53,310
Percentage of ARC Contributed	45.26%	50.00%	100.30%
Net OPEB Obligation	$ 52,613	$ 23,637	$ (150)

Note 8 - Other Postemployment Benefits (cont.)

Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2010, was as follows (in thousands of dollars):

	University of Missouri System
Actuarial Accrued Liability (AAL)	$ 646,655
Less Actuarial Value of Plan Assets	37,171
Unfunded Actuarial Accrued Liability (UAAL)	$ 609,484
Funded Ratio	5.75%
Covered Payroll	$ 1,009,800
UAAL as a Percentage of Covered Payroll	60.36%

Actuarial Methods and Assumptions

In the July 1, 2009, actuarial valuation, University of Missouri System used the projected unit credit cost method. The actuarial assumptions for University of Missouri System included a 5.75% rate of return, net of administrative expenses. The projected annual health care cost trend rate is 6.0% to 10.0% initially, reduced by 0.5% decrements to an ultimate rate of 5.0%. The UAAL is being amortized at a level dollar amount over an open basis, level percent of pay, over a 30-year period.

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 Employees' Deferred Compensation Incentive 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. The State, subject to appropriation, contributes $25, $30, or $35 per month for each employee that meets these requirements based on employee contribution. As of March 2010, employer incentive (match) associated with the State of Missouri Deferred Compensation Plan was suspended until further notice. Participating employees are 100% vested. The contribution rates for the fiscal year ending June 30, 2010, are presented below:

Employee Contribution (per month)	State Incentive (per month)
$25 to $29.50	$25
$30 to $34.50	$30
$35 or more	$35

The first employer contributions to the Plan were made in January 1996. The Plan receives contributions from employees as well as rollovers from other qualified plans. During fiscal year 2010, employer contributions to ING were $10,690,000 and rollover contributions were $28,089,000.

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, 2010 (in thousands of dollars):

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Governmental Activities:				
Bank Overdraft	$ 3	$ 761,637	$ (761,638)	$ 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, 2010 (in thousands of dollars):

	*Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010	Due Within One Year
Governmental Activities:					
Due to Other Entities	$ 27,241	$ 10,965	$ (5,367)	$ 32,839	$ 6,748
General Obligation Bonds Payable	600,075	---	(71,165)	528,910	68,615
Other Bonds Payable	3,102,685	1,085,000	(126,830)	4,060,855	155,295
Unamortized Bond Premium	138,351	30,631	(21,470)	147,512	---
Obligations under Lease/ Purchases	246,618	9,692	(35,928)	220,382	29,400
Pollution Remediation	10,049	488	(519)	10,018	1,918
Compensated Absences	185,310	180,466	(182,316)	183,460	182,316
Claims Liabilities	194,123	419,503	(438,763)	174,863	113,019
Contingent Liabilities	26,997	31,957	(4,154)	54,800	54,800
2nd Injury Fund Contingent Liabilities	1,372,477	111,003	(39,416)	1,444,064	39,416
Net Other Postemployment Benefit Obligation	222,630	215,378	(108,050)	329,958	---
Net Pension Obligation	111,517	405,092	(402,308)	114,301	---
Total Governmental Activities	$ 6,238,073	$ 2,500,175	$ (1,436,286)	$ 7,301,962	$ 651,527
Business-Type Activities:					
Obligations under Lease/ Purchases	$ 210	$ ---	$ (94)	$ 116	$ 50
Claims Liabilities	112,688	8,066	(13,938)	106,816	15,000
Grand Prize Winner Liability	103,226	47,892	(52,200)	98,918	52,256
Compensated Absences	3,176	3,162	(3,019)	3,319	3,019
Loans Payable	---	722,117	---	722,117	---
Total Business-Type Activities	$ 219,300	$ 781,237	$ (69,251)	$ 931,286	$ 70,325

*Beginning balances as of July 1, 2009 have been restated (see *Note 17*).

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 Assets, 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. Four 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 Third State Building Bonds were used to provide funds for improvements of state buildings and property. 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 1987 Refunding	8/1/87	$ 49,715	A 1981	$ 16,940
			B 1983	9,625
			A 1985	19,575
Series B 1991 Refunding	11/1/91	17,435	A 1983	16,415
Series C 1991 Refunding	11/1/91	33,575	B 1987	30,695
Series B 1992 Refunding	8/15/92	50,435	A 1986	46,400
Series B 1993 Refunding	8/1/93	109,415	A 1987 Refunding	33,240
			A 1989	27,280
			A 1991	27,350
			B 1991 Refunding	11,355
Series B 2002 Refunding	10/15/02	147,710	C 1991 Refunding	21,875
			A 1992	26,560
			B 1992 Refunding	33,595
			A 1993	22,350
			A 1995	22,520
			A 1996	25,900
Series A 2003 Refunding	10/29/03	74,655	B 1993 Refunding	76,540
Series A 2005 Refunding	6/29/05	95,100	A 1996	2,160
			A 1998	28,680
			A 1999	17,595
			A 2003 Refunding	51,535
Third State Building Bonds:				
Series A 1987 Refunding	8/1/87	170,115	B 1983	33,675
			A 1984	48,130
			A 1985	73,375
Series A 1991 Refunding	11/1/91	34,870	A 1983	32,835
Series B 1991 Refunding	11/1/91	71,955	B 1987	65,780
Series A 1992 Refunding	8/15/92	273,205	A 1986	251,355
Series A 1993 Refunding	8/1/93	148,480	A 1987 Refunding	113,725
			A 1991 Refunding	22,935
Series A 2002 Refunding	10/15/02	211,630	B 1991 Refunding	47,320
			A 1992 Refunding	181,170
Series A 2003 Refunding	10/29/03	75,650	A 1993 Refunding	79,380

Note 12 – Bonds Payable (cont.)

	Date Issued	Amount Issued	Series Refunded	Amount Refunded
Fourth State Building Bonds:				
Series A 2002 Refunding	10/15/02	154,840	A 1995	56,300
			A 1996	92,485
Series A 2005 Refunding	6/29/05	45,330	A 1996	7,715
			A 1998	40,970
Stormwater Control Bonds:				
Series A 2005 Refunding	6/29/05	17,175	A 1999	17,595

The additional principal amount of the refunding bonds does not decrease the amount of the authorization.

As of June 30, 2010, $594,494,240 of the Water Pollution Control Bonds; $600,000,000 of the Third State Building 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 Third State Building Bonds or the Fourth State Buildings Bonds.

General obligation bonds issued and outstanding as of June 30, 2010, were as follows (in thousands of dollars):

	Interest Rates	Payment Dates	Issue Date	Final Maturity Date	Issued	Outstanding
Water Pollution Control Bonds:						
Series A 2001	4.0 – 7.0%	12/1; 6/1	6/01	6/1/26	$ 20,000	$ 15,030
Series A 2002	3.0 – 5.25%	2/1; 8/1	8/02	8/1/27	30,000	24,440
Series B 2002 – Refunding	3.375 – 5.0%	4/1; 10/1	10/02	10/1/21	147,710	85,390
Series A 2003 – Refunding	3.25 – 6.0%	2/1; 8/1	10/03	8/1/16	74,655	20,405
Series A 2005 – Refunding	5.0%	10/1; 4/1	6/05	10/1/16	95,100	87,250
Series A 2007	4.0 – 5.0%	6/1; 12/1	11/07	12/1/32	50,000	47,740
Third State Building Bonds:						
Series A 2002 – Refunding	4.0 – 5.0%	4/1; 10/1	10/02	10/1/12	211,630	39,300
Series A 2003 – Refunding	3.25 – 6.0%	2/1; 8/1	10/03	8/1/12	75,650	3,490
Fourth State Building Bonds:						
Series A 2002 – Refunding	3.375 – 5.0%	4/1; 10/1	10/02	10/1/21	154,840	128,920
Series A 2005 – Refunding	5.0%	10/1; 4/1	6/05	10/1/16	45,330	42,515
Stormwater Control Bonds:						
Series A 2001	4.0 – 7.0%	12/1; 6/1	6/01	6/1/26	10,000	7,320
Series A 2002	3.0 – 5.25%	2/1; 8/1	8/02	8/1/27	15,000	10,580
Series A 2005 – Refunding	5.0%	10/1; 4/1	6/05	10/1/15	17,175	16,530
Total General Obligation Bonds					$ 947,090	$ 528,910
Less: Amount in Sinking Fund for payment of Principal						(68,615)
						$ 460,295

Note 12 – Bonds Payable (cont.)

As of June 30, 2010, 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
2011	$ 68,615	$ 23,417	$ 92,032
2012	58,040	20,295	78,335
2013	51,790	17,648	69,438
2014	46,445	15,456	61,901
2015	48,855	13,318	62,173
2016-2020	171,590	36,176	207,766
2021-2025	52,715	12,318	65,033
2026-2030	21,505	4,275	25,780
2031-2033	9,355	660	10,015
Totals	$ 528,910	$ 143,563	$ 672,473

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 $945,000,000.

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 1983 Refunding	10/1/83	$ 43,445	A 1981	$ 43,445
Series A 1985 Refunding	12/1/85	150,560	1966	2,160
			1967	825
			A 1978	11,745
			A 1979	2,260
			A 1980	3,795
			A 1983 Refunding	39,875
			A 1984	89,900
Series A 1991 Refunding	12/1/91	148,500	A 1985 Refunding	107,700
			A 1988	19,165
			B 1988	2,550
			C 1988	2,145
Series B 2001 Refunding	10/10/01	83,465	A 1991 Refunding	86,810

The additional principal amount of the refunding bonds does not decrease the amount of the authorization.

As of June 30, 2010, the Board of Public Buildings Bonds had issued $871,205,000 of the bond authorization. The remaining authorization is $73,795,000.

Note 12 – Bonds Payable (cont.)

The Board of Public Buildings Bonds issued and outstanding as of June 30, 2010, were as follows (in thousands of dollars):

	Interest Rates	Payment Dates	Issue Date	Final Maturity Date	Issued	Outstanding
Board of Public Buildings:						
Series A 2001	4.25 – 5.75%	5/1; 11/1	5/01	5/1/26	$ 173,870	$ 132,530
Series B 2001 – Refunding	3.5 – 5.5%	6/1; 12/1	10/01	12/1/12	83,465	6,180
Series A 2003	4.0 – 6.0%	4/15;10/15	4/03	10/15/28	387,425	341,770
Series A 2006	4.0 – 5.0%	4/1; 10/1	10/06	10/1/31	120,000	111,675
Total Board of Public Buildings Bonds					$ 764,760	$ 592,155

As of June 30, 2010, 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
2011	$ 22,950	$ 28,702	$ 51,652
2012	23,815	27,551	51,366
2013	24,675	26,267	50,942
2014	23,520	24,982	48,502
2015	24,515	23,740	48,255
2016–2020	139,715	98,976	238,691
2021–2025	175,565	60,954	236,519
2026–2030	142,100	17,867	159,967
2031–2032	15,300	706	16,006
Totals	$ 592,155	$ 309,745	$ 901,900

The Health and Educational Facilities Authority 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. These bonds are 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 dated November 1, 2001, 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, 2010, were as follows (in thousands of dollars):

	Interest Rates	Payment Dates	Issue Date	Final Maturity Date	Issued	Outstanding
Educational Facilities Revenue Bonds:						
Series 2001	3.0 – 5.0%	5/1; 11/1	11/01	11/1/21	$ 35,000	$ 26,215

Note 12 - Bonds Payable (cont.)

As of June 30, 2010, the debt service requirement of the State 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
2011	$ 1,685	$ 1,199	$ 2,884
2012	1,760	1,112	2,872
2013	1,835	1,031	2,866
2014	1,915	953	2,868
2015	2,000	869	2,869
2016-2020	11,545	2,793	14,338
2021-2022	5,475	264	5,739
Totals	$ 26,215	$ 8,221	$ 34,436

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. 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, 2010, 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 2003 - Refunding	1.42-5.375%	2/15; 8/15	8/03	8/15/21	$ 116,030	$ 87,990

As of June 30, 2010, the debt service requirements for these bonds are as follows (in thousands of dollars):

Fiscal Year Ended June 30	Principal	Interest	Totals
2011	$ 5,465	$ 4,392	$ 9,857
2012	5,745	4,104	9,849
2013	6,040	3,799	9,839
2014	6,355	3,478	9,833
2015	6,685	3,139	9,824
2016-2020	39,065	9,897	48,962
2021-2022	18,635	901	19,536
Totals	$ 87,990	$ 29,710	$ 117,700

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 are as follows (in thousands of dollars):

Fiscal Year Ended June 30	State Debt Service Payments
2011	$ 10,000
2012	10,000
2013	10,000
2014	10,000
2015	10,000
2016-2020	50,000
2021-2022	15,000
Total	$ 115,000

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, 2010, the Missouri Highways and Transportation Commission had issued $3,812,195,000.

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	12/12/06	$ 394,870	A 2000	$ 135,980
			A 2001	105,075
			A 2002	109,165
			A 2003	57,390

Note 12 – Bonds Payable (cont.)

The State Road Bonds issued and outstanding as of June 30, 2010, 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 A 2000	4.30 – 5.625%	2/1; 8/1	12/00	2/1/13	$ 250,000	$ 26,310
Series A 2001	2.25 – 5.125%	2/1; 8/1	10/01	2/1/15	200,000	30,915
Series A 2002	3.00 – 5.25%	2/1; 8/1	6/02	2/1/15	203,000	37,325
Series A 2003	2.00 – 5.00%	2/1; 8/1	11/03	2/1/23	254,000	135,335
Series A 2005–First Lien	2.50 – 5.00%	5/1; 11/1	7/05	5/1/15	278,660	154,485
Series B 2005–Third Lien	Variable	Variable	7/05	5/1/15	72,000	58,920
Series A 2006–First Lien	3.75 – 5.00%	5/1; 11/1	8/06	5/1/21	296,670	271,670
Series B 2006–First Lien	4.50 – 5.00%	5/1; 11/1	8/06	5/1/26	503,330	503,330
Series 2006–Refunding	4.00 – 5.00%	2/1; 8/1	12/06	2/1/22	394,870	394,870
Series 2007–Second Lien	4.00 – 5.25%	5/1; 11/1	9/07	5/1/27	526,800	511,745
Series A 2008–Second Lien	3.00 – 5.00%	5/1; 11/1	12/08	5/1/25	142,735	142,735
Series A 2009	2.00 – 5.00%	5/1; 11/1	9/09	5/1/21	195,625	195,625
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	300,000
Series A 2010	1.50 – 5.00%	5/1; 11/1	3/10	5/1/22	128,865	128,865
Series B 2010	4.720 – 5.020%	5/1; 11/1	3/10	5/1/25	56,135	56,135
Total Missouri Highways and Transportation Commission					$ 4,207,065	$ 3,352,640

As of June 30, 2010, 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 [1]	Totals
2011	$ 123,340	$ 148,221	$ 271,561
2012	146,505	141,569	288,074
2013	155,785	136,130	291,915
2014	162,940	129,451	292,391
2015	170,095	122,814	292,909
2016–2020	1,012,890	491,111	1,504,001
2021–2025	1,021,980	245,177	1,267,157
2026–2030	433,755	59,847	493,602
2031–2033	125,350	8,976	134,326
Totals	$ 3,352,640	$ 1,483,296	$ 4,835,936

[1] The annual debt service schedule assumes an interest rate of 0.21%, representing the interest rate at June 30, 2010, for the Series B 2005 bonds. During the year, interest rates ranged from 0.12% to 0.31%.

In addition, one of the blended component units of the Missouri Road Fund had revenue bonds issued and outstanding as of June 30, 2010.

Note 12 – Bonds Payable (cont.)

The Wentzville Parkway Transportation Corporation, a blended component unit of the Missouri Road Fund, issued $12,935,000 of Transportation Revenue Bonds Series 2001 dated May 1, 2001, to finance the expansion and reconstruction of the interchange at Interstate Highway 70 and Wentzville Parkway in St. Charles County. These bonds are not an obligation of the Commission and do not constitute a pledge of the full faith and credit of the State.

The revenue bonds issued and outstanding as of June 30, 2010, were as follows (in thousands of dollars):

	Interest Rates	Payment Dates	Issue Date	Final Maturity Date	Issued	Outstanding
Wentzville Parkway Transportation Corporation:						
Transportation Revenue Bonds Series 2001	3.4 – 4.9%	2/1; 8/1	5/01	8/1/10	$ 12,935	$ 1,855

As of June 30, 2010, debt service requirements for principal and interest in future years for the bonds of the blended component units of the Missouri Road Fund were as follows (in thousands of dollars):

Fiscal Year Ended June 30	Principal	Interest	Totals
2011	$ 1,855	$ 45	$ 1,900

Under a funding agreement dated April 6, 2001, the City of Wentzville will make payments to the Wentzville Parkway Transportation Corporation in the amount of $4,119,000 to pay a portion of the principal of the bonds. The future payments to the Corporation are as follows (in thousands of dollars):

Fiscal Year Ended June 30	Principal	Interest	City's Total Payments
2011	$ 1,855	$ 45	$ 1,900

Note 12 - Bonds Payable (cont.)

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, 2010, 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
2011	$ 49,780	$ 68,436	$ 118,216
2012	48,670	66,556	115,226
2013	50,827	64,676	115,503
2014	52,372	62,662	115,034
2015	53,336	60,563	113,899
2016-2020	289,393	269,010	558,403
2021-2025	329,819	205,223	535,042
2026-2030	360,337	129,961	490,298
2031-2035	250,764	68,538	319,302
2036-2040	158,410	18,433	176,843
Totals [1]	$ 1,643,708	$ 1,014,058	$ 2,657,766

[1] The bond schedule does not include notes payable, therefore, it differs from the bonds and notes payable amount reported in the statements.

Non-Major

Missouri Development Finance Board:

In December 2000, the Board issued $6,500,000 in taxable and $14,600,000 in tax-exempt infrastructure Facilities Revenue Bonds Series 2000B and 2000C, 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 October 2004, the Board issued $9,500,000 in Ninth Street Garage Series 2004A, taxable infrastructure facilities revenue bonds and $7,000,000 Ninth Street Garage Series 2004B, tax exempt infrastructure facilities revenue bonds

In April 2010, the Board issued $9,000,000 in Seventh Street Garage Series 2010A, tax exempt infrastructure facilities revenue bonds.

Note 12 – Bonds Payable (cont.)

The Missouri Development Finance Board Revenue Bonds issued and outstanding as of June 30, 2010, 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	up to 10%	12/1	12/00	12/1/20	$ 6,500	$ 3,910
Series 2000C	up to 10%	12/1	12/00	12/1/20	14,600	11,440
Series 2004A	up to 10%	10/1	10/04	10/1/34	9,500	8,255
Series 2004B	up to 10%	10/1	10/04	10/1/34	7,000	7,000
Series 2010A	up to 5.264%	monthly	04/10	05/1/40	9,000	9,000
Total Missouri Development Finance Board Revenue Bonds					$ 46,600	$ 39,605

As of June 30, 2010, 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
2011	$ 255	$ 490	$ 745
2012	284	489	773
2013	462	484	946
2014	490	475	965
2015	519	466	985
2016-2020	3,088	2,180	5,268
2021-2025	19,440	1,682	21,122
2026-2030	5,455	1,255	6,710
2031-2035	7,208	779	7,987
2036-2040	2,404	259	2,663
Totals	$ 39,605	$ 8,559	$ 48,164

The annual debt service schedule assumes an interest rate of 0.321%, representing the interest rate at June 30, 2010, for the Series 2000B and Series 2000C bonds. The annual debt service schedule also assumes an interest rate of 0.389%, representing the interest rate as of June 30, 2010, for the Ninth Street Garage Series 2004A and 2004B bonds. The annual debt service also assumes an interest rate of 4.25%, representing the interest rate as of June 30, 2010, for the Seventh Street Garage Series 2010A bonds.

Note 12 – Bonds Payable (cont.)

Bond Transactions of the State of Missouri – The following schedule is a summary of bond activity for the fiscal year ended June 30, 2010 (in thousands of dollars):

	Governmental Funds		Component Units	
	General Obligation Bonds	Other Bonds	Revenue Bonds	Totals
Bonds Payable at July 1, 2009	$ 600,075	$ 3,102,685	$ ---	$ 3,702,760
Bond Issuance	---	1,085,000	---	1,085,000
Bonds Retired	(71,165)	(126,830)	---	(197,995)
Subtotal	528,910	4,060,855	---	4,589,765
College and Universities [1]	---	---	1,643,708	1,643,708
Missouri Development Finance Board	---	---	39,605	39,605
Bonds Payable at June 30, 2010	$ 528,910	$ 4,060,855	$ 1,683,313	$ 6,273,078

[1] Detailed information for college and universities are not shown.

Note 13 – Defeased Debt

A. Current Year Debt Defeasance

On July 29, 2009, the University of Central Missouri issued $9,715,000 of bonds to refund the Student Housing System Refunding Revenue Series 2002 bonds. The economic gain (difference between the present values of the old and new debt service payments) of the refunding was $368,000. The difference in cash flows between the old debt service requirement and the new debt service requirement is $368,000.

B. Cumulative Debt Defeasances

Various bond issues have been defeased by creating separate irrevocable trust funds.

Either new debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds or sufficient funds have been deposited in an irrevocable escrow to pay principal and interest as they become 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 Assets.

Governmental Activities – As of June 30, 2010, bonds outstanding of $282,425,000 are defeased.

College and Universities – As of June 30, 2010, bonds outstanding of $144,500,000 are defeased.

Note 14 – Payables and Receivables

A summary of accounts payable and accounts receivable at June 30, 2010, is shown below (in thousands of dollars):

	Governmental Activities	Business-Type Activities	Balance June 30, 2010
Accounts Payable:			
Taxpayers	$ 116,196	$ 22	$ 116,218
Other Governments	148,718	35	148,753
Vendors	937,524	20,290	957,814
Employees	109,409	2,551	111,960
Other	72,343	10	72,353
Total Accounts Payable	$ 1,384,190	$ 22,908	$ 1,407,098
Accounts Receivable with expected date of receipt within one year:			
Taxpayers	$ 2,517,750	$ 1,902	$ 2,519,652
Other Governments	824,008	178	824,186
Vendors	530,260	---	530,260
Customers	83,556	201,682	285,238
Other	1,097,208	788	1,097,996
	5,052,782	204,550	5,257,332
Accounts Receivable with expected date of receipt greater than one year:			
Vendors	1	---	1
Customers	33	39	72
Other	45	---	45
	79	39	118
Accounts Receivable	5,052,861	204,589	5,257,450
Amounts not expected to be collected	(1,482,588)	(48)	(1,482,636)
Accounts Receivable, net	$ 3,570,273	$ 204,541	$ 3,774,814

Note 15 – Interfund Assets and Liabilities

A summary of interfund assets and liabilities at June 30, 2010, is shown below (in thousands of dollars):

	Due From Other Funds, Component Units, and Primary Government				
	Public Education	Conservation and Environmental Protection	Non-Major Enterprise Funds	Internal Service Funds	Totals
Due to Other Funds, Component Units, and Primary Government					
General Fund	$ ---	$ ---	$ 72	$ 14,845	$ 14,917
Public Education	---	---	---	22	22
Conservation and Environmental Protection	---	---	94	271	365
Transportation and Law Enforcement	---	---	---	371	371
Missouri Road Fund	---	---	---	328	328
Non-Major Governmental Funds	---	---	3	653	656
State Lottery	21,834	---	---	34	21,868
Petroleum Storage Tank Insurance	---	---	---	3	3
Non-Major Enterprise Funds	---	---	1	151	152
Internal Service Funds	---	---	1	472	473
Non-Major Component Units	---	968	---	---	968
Totals	$ 21,834	$ 968	$ 171	$ 17,150	$ 40,123

	Advance From Component Units and Primary Government		
	Missouri Road Fund	Non-Major Component Units	Totals
Advance To Component Units and Primary Government			
Conservation and Environmental Protection	$ ---	$ 4,662	$ 4,662
Non-Major Component Units	3,773	---	3,773
Totals	$ 3,773	$ 4,662	$ 8,435

The loans from the component units were for the construction of additional state highways and for animal waste treatment systems.

During the consolidation process for the Government-Wide Statement of Net Assets, interfund payables and receivables were eliminated as follows: $1,000 on the face of the Proprietary Funds Statement of Net Assets and governmental activities in the amount of $16,962,000.

The amount reported as Due from Other Funds for fiscal year 2010 is significantly less than what was reported in fiscal year 2009. The elimination of interfund reimbursements is part of the reason for this decrease (see *Note 17)*. This decrease is also due to further consolidation of the Information Technology Services Division and more agencies being relocated from leased buildings to state-owned buildings.

Note 16 - Interfund Transfers

All transfers must be legally authorized by the legislature through transfer appropriations. Interfund transfers for the fiscal year ended June 30, 2010, were as follows (in thousands of dollars):

	Transfers In:			
	General Fund	Public Education	Missouri Road Fund	Non-Major Governmental Funds
Transfers Out:				
General Fund	$ ---	$ 2,522,112	$ 19	$ 148,642
Public Education	15,189	---	---	---
Conservation and Environmental Protection	667	---	---	8,182
Transportation and Law Enforcement	938	---	543,138	---
Non-Major Governmental Funds	64,602	35,847	---	30,241
State Lottery	---	259,722	---	---
Non-Major Enterprise Funds	20	---	---	---
Internal Service Funds	55	---	---	13
Totals	$ 81,471	$ 2,817,681	$ 543,157	$ 187,078

Continues Below

	Lottery	Non-Major Enterprise Funds	Internal Service Funds	Totals
Transfers Out:				
General Fund	$ ---	$ 738	$ ---	$ 2,671,511
Public Education	---	---	---	15,189
Conservation and Environmental Protection	---	---	---	8,849
Transportation and Law Enforcement	---	---	---	544,076
Non-Major Governmental Funds	---	---	---	130,690
State Lottery	---	---	---	259,722
Non-Major Enterprise Funds	---	---	---	20
Internal Service Funds	46	11	257	382
Totals	$ 46	$ 749	$ 257	$ 3,630,439

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

During fiscal year 2010, there were transfers of $368,000 from internal service funds to the General Fund and non-major governmental funds. These were transfers of capital assets and are therefore not reported on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances or on the reconciliation above. This is because governmental funds use the modified accrual basis of accounting and therefore do not report capital assets on their financial statements. There were also transfers of capital assets for $76,000 from the General Fund to internal service funds. These are reported as capital contributions in the internal service funds and excluded from the General Fund; therefore, these transfers are also not included in this reconciliation.

Note 17 – Restatements

During fiscal year 2010, additional information became available which required the restatement of fund equity amounts. The following table presents a summary of these restatements by fund (in thousands of dollars):

	June 30, 2009 Fund Balance/ Net Assets Previously Reported	Prior Period Adjustments	June 30, 2009 Fund Balance/ Net Assets Restated
GOVERNMENTAL FUNDS			
Major Governmental Funds			
General Fund	$ 1,258,241	$ 47,662	$ 1,305,903
Public Education	343,181	242	343,423
Conservation and Environmental Protection	1,240,869	(14)	1,240,855
Transportation and Law Enforcement	226,291	(4,391)	221,900
Missouri Road Fund	644,340	(27,021)	617,319
Non-Major Governmental Funds			
Special Revenue	283,169	(2,522)	280,647
Debt Service	102,180	27,020	129,200
Capital Projects	52,315	1	52,316
Permanent	53,739	2,022	55,761
PROPRIETARY FUNDS			
Major Enterprise Funds			
Petroleum Storage Tank Insurance	(26,130)	(517)	(26,647)
Non-Major Proprietary Funds			
Enterprise	87,159	1,800	88,959
Internal Service	592,409	(17,209)	575,200
FIDUCIARY FUNDS			
Pension (and Other Employee Benefit) Trust	8,756,625	(88)	8,756,537
DISCRETELY PRESENTED COMPONENT UNITS			
College and Universities	4,737,174	(6,163)	4,731,011
Non-Major	168,675	1,125	169,800

Breakdown of restatements by type:

- General Fund, the restatement was a decrease in cash and investments of $1,000 due to a change in the fair market value relating to investments based on a 90 day original maturity, a decrease in accounts receivable of $39,000, an increase in inventories of $210,000, a decrease in due from other funds of $248,000, a decrease in due to other funds of $1,308,000, and a decrease in deferred revenues of $46,432,000.
- Public Education, the restatement was a decrease in cash and investments of $1,000 due to a change in the fair market value relating to investments based on a 90 day original maturity, and a decrease in due to other funds of $243,000.
- Conservation and Environmental Protection, the restatement was a decrease in cash and investments of $1,000 due to a change in the fair market value relating to investments based on a 90 day original maturity, a decrease in accounts receivable of $36,000, a decrease in due from other funds of $11,000, and a decrease in due to other funds of $34,000.
- Transportation and Law Enforcement, the restatement was a decrease in cash and investments of $1,000 due to a change in the fair market value relating to investments based on a 90 day original maturity, a decrease in investments of $4,368,000 due to an error in the investment balance, a decrease in due from other funds of $64,000, and a decrease in due to other funds of $42,000.
- Missouri Road Fund, the restatement was a decrease in cash of $5,174,000, a decrease in investments of $13,630,000, a decrease in accounts receivable of $8,149,000, a decrease in interest receivable of $97,000, a decrease in accounts payable of $14,000, and a decrease in due to other funds of $15,000. The restatements were due to the reclassification of the Missouri Road Bond Fund from the Missouri Road Fund, capital projects fund, to a debt service fund.

Note 17 – Restatements (cont.)

- Non-major special revenue funds, the restatement was a decrease in cash and investments of $5,000 due to a change in the fair market value relating to investments based on a 90 day original maturity, a decrease in cash and investments of $1,152,000, a decrease in accounts receivable of $49,000, a decrease in interest receivable of $5,000, a decrease in due from other funds of $1,344,000, a decrease in inventories of $1,000, a decrease in accounts payable of $4,000, a decrease in accrued payroll of $8,000, a decrease in due to other funds of $19,000, and a decrease in deferred revenue of $3,000. The majority of the restatements were due to the reclassification of the Missouri Wine and Grape Board fund from a special revenue fund to a component unit.
- Non-major debt service funds, the restatement was a decrease in cash and investments of $1,000 due to a change in the fair market value relating to investments based on a 90 day original maturity, an increase in cash of $5,174,000, an increase in investments of $13,630,000, an increase in accounts receivable of $8,149,000, an increase in interest receivable of $97,000, and an increase in accounts payable of $29,000 due to the reclassification of the Missouri Road Bond fund from the Missouri Road Fund to a debt service fund.
- Non-major capital projects funds, the restatements was a decrease in due to other funds of $1,000.
- Non-major permanent funds, the restatement was an increase to investments of $2,022,000 due to the adjustment of investments to market value.
- Major enterprise fund – Petroleum Storage Tank Insurance, the restatement was a decrease in accounts receivable of $517,000.
- Non-major enterprise funds, the restatement was a decrease in prepaid items of $22,000, a decrease in assets held for resale of $115,000, an increase in capital assets (net of accumulated depreciation/amortization) of $1,896,000, and a decrease in unearned revenue of $41,000.
- Non-major internal service funds, the restatement was an increase in cash and investments of $3,000 due to a change in the fair market value relating to investments based on a 90 day original maturity, a decrease in accounts receivable of $8,971,000, a decrease in interest receivable of $19,000, a decrease in due from other funds of $1,000, an increase in inventories of $1,000, an increase in capital assets (net of accumulated depreciation/amortization) of $25,673,000, a decrease in due to other funds of $6,000, a decrease in claims liability of $141,000, and an increase in obligations under lease purchase of $34,042,000.
- Pension (and other employee benefit) trust funds, the restatement was an increase in accounts payable of $88,000.
- Discretely presented component units – college and universities, the restatement was a decrease of $6,163,000 due to a change in accounting principle due to the adoption of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.*
- Discretely presented component units – non-major funds, the restatement was an increase in cash of $187,000, an increase in investments of $969,000, an increase in interest receivable of $5,000, an increase in accounts payable of $6,000, an increase in accrued payroll of $7,000, and an increase in compensated absences $23,000. This restatement was due to the reclassification of the Missouri Wine and Grape Board fund from a special revenue fund to a component unit.

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 assets 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) increased by $260,000, the Internal Balance increased by $41,000, an increase in advance from other governments of $300,000, a decrease in interest payable of $7,935,000, a decrease in obligations under lease purchase of $34,476,000, and an increase in net other postemployment benefit obligation of $4,586,000.

On the Government-Wide Statement of Activities, net assets for the business-type activities were restated by the amounts shown on the restatement schedule for enterprise funds and by a decrease in the Internal Balance of $41,000.

Note 18 – Fund Deficit

The following fund had a deficit balance:

Enterprise Fund – Petroleum Storage Tank Insurance – At June 30, 2010, this fund had a net asset deficit of $26,903,000. The deficit at June 30, 2009 was $26,647,000. 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. Various alternatives are being considered to pay off the claims liability amount of this fund. 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.

Enterprise Fund – Unemployment Compensation Insurance – At June 30, 2010, this fund had a net asset deficit of $454,351,000. The deficit at June 30, 2009 was $15,486,000. The reason for this deficit is the high unemployment rate associated with the current national economic climate. It has made it necessary for the State of Missouri, along with other states, to borrow from the federal government to pay unemployment benefits. The United States Department of Labor projects that the unemployment rate for Missouri will peak in 2010. Unless new legislation is passed to increase employer contributions into the fund from state unemployment taxes, it will be necessary for Missouri to continue to borrow from the federal government. If the State has two consecutive years with a loan balance, the federal government will begin to increase federal taxes on employers by reducing the Federal Unemployment Tax Act (FUTA) tax credit that Missouri employers are allowed to claim on their taxes. These additional taxes will be used to begin paying down Missouri's loan balance.

Internal Service Fund – Transportation Self-Insurance Plan Fund – At June 30, 2010, this fund had a net asset deficit of $11,390,000. The deficit at June 30, 2009 was $506,000. The deficit occurred due to funding being based on annual actuarial studies and budget availability. Increases in appropriations and claims management will eliminate the deficit over time.

Note 19 – Related Party Transactions

The Missouri State Public Employees' Deferred Compensation Plan was administered by ING Institutional Plan Services. ING Life Insurance and Annuity Company provides affixed earnings investments for plan participants while ING Institutional Plan Services provides variable earnings investments. At June 30, 2010, total investments of the Plan were $1,023,036,000 and investments in ING Life Insurance and Annuity Company were $454,212,000.

Note 20 – Commitments

Contracts

The Department of Conservation had contracts outstanding of $3,668,000 for construction contracts at June 30, 2010. These contracts are funded through the special revenue funds from specific sales tax, fees, and permits.

The Department of Transportation had long-term contracts of $1,592,822,000 outstanding at June 30, 2010. These contracts are paid from capital projects funds with approximately 73% federal reimbursement expected.

The Office of Administration, Division of Facilities Management, Design and Construction, had construction contracts outstanding at June 30, 2010 of $42,255,000. Approximately 97% will be paid from the General Fund, 1% from special revenue funds, and 2% from capital projects funds.

Note 20 – Commitments (cont.)

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 2010 was $364,000. This payment was made in arrears as it was part of a fiscal year 2010 expenditure restriction plan. Payment of principal and interest must be completed by March 2038.

The Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS) purchased a new pension administration software system during fiscal year 2007. Payments totaling $2,171,000 have been made, leaving $900,000 outstanding at June 30, 2010.

As of June 30, 2010, the University of Missouri had outstanding commitments for the usage and ongoing support of the University Health System's information technology environment totaling $147,726,000. The payments are as follows:

2011	$ 11,080,000
2012	13,002,000
2013	14,938,000
2014	15,386,000
2015	15,847,000
thereafter	77,473,000

Truman State University had approximately $14,786,000 in outstanding commitments for various construction contracts at June 30, 2010.

The University of Central Missouri had outstanding commitments of approximately $8,265,000 related to construction contracts at June 30, 2010.

Missouri State University had approximately $24,600,000 in outstanding commitments for various construction contracts at June 30, 2010, still to be incurred.

Note 21 – 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.

The workers' compensation and legal expense fund claims liability is based upon actual claims that have been submitted to OA-Risk Management. IBNR (incurred but not reported) 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 during the past three fiscal years. OA-Risk Management also procures property insurance for 3% of the total value of the State's property with the remainder uninsured. The buildings that are insured are mainly the buildings backed with bonded debt through the Board of Public Buildings.

Note 21 - Risk Management and Insurance (cont.)

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 4%.

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.

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.

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 3.7% and 4.5% 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 21 - 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:

Governmental Activities	Type of Insurance Claims	Fiscal Year Claims Liability 6/30/2009	Current Year Claims and Estimated Changes	Claim Payments	Fiscal Year Claims Liability 6/30/2010
OA Workers Compensation	Workers Comp.	$ 24,920	$ 22,243	$ (25,553)	$ 21,610
OA Legal Expense Fund	Liability	1,351	1,957	(2,078)	1,230
MoDOT Self-Insurance Plan	Workers Comp. and Liability	68,776	31,337	(18,552)	81,561
MCHCP	Health Care	46,036	247,793	(252,512)	41,317
MHPML	Health Care and Life Insurance	12,000	99,881	(100,081)	11,800
CEIP	Health Care and Life Insurance	1,667	13,431	(13,853)	1,245
DOR	Southwestern Bell Lawsuit	39,373	2,861	(26,134)	16,100
Total Governmental Activities		$ 194,123	$ 419,503	$ (438,763)	$ 174,863
Business-Type Activities					
PSTIF	Contamination Cleanup	$ 112,688	$ 8,066	$ (13,938)	$ 106,816
Component Units					
University of Missouri System	Workers Comp. and Liability	$ 73,266	$ 191,350	$ (187,115)	$ 77,501
Missouri State University	Health Care, Workers Comp. and Liability	1,235	14,012	(13,865)	1,382
Total Component Units		$ 74,501	$ 205,362	$ (200,980)	$ 78,883

Governmental Activities	Type of Insurance Claims	Fiscal Year Claims Liability 6/30/2008	Current Year Claims and Estimated Changes	Claim Payments	Fiscal Year Claims Liability 6/30/2009
OA Workers Compensation	Workers Comp.	$ 19,018	$ 32,257	$ (26,355)	$ 24,920
OA Legal Expense Fund	Liability	1,108	2,557	(2,314)	1,351
MoDOT Self-Insurance Plan	Workers Comp. and Liability	65,171	18,462	(14,857)	68,776
MCHCP	Health Care	38,094	262,059	(254,117)	46,036
MHPML	Health Care and Life Insurance	12,400	95,638	(96,038)	12,000
CEIP*	Health Care and Life Insurance	1,264	14,411	(14,008)	1,667
DOR	Southwestern Bell Lawsuit	65,907	3,404	(29,938)	39,373
Total Governmental Activities		$ 202,962	$ 428,788	$ (437,627)	$ 194,123
Business-Type Activities					
PSTIF	Contamination Cleanup	$ 116,733	$ 11,739	$ (15,784)	$ 112,688
Component Units					
University of Missouri System	Workers Comp. and Liability	$ 67,238	$ 177,386	$ (171,358)	$ 73,266
Missouri State University	Health Care, Workers Comp. and Liability	1,051	13,479	(13,295)	1,235
Total Component Units		$ 68,289	$ 190,865	$ (184,653)	$ 74,501

*Restated.

Note 21 – Risk Management and Insurance (cont.)

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 22 – 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 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, Missouri law 260.371.7 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 2010, the State was participating in the cleanup of 12 Superfund sites. Total pollution remediation obligation for these sites totaled approximately $9.9 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 the General Fund in this report.

The Missouri Department of Transportation (MoDOT) contracted for site assessment of a chemical contamination and a leaking underground storage tank for the amount of $15,000 to determine any pollution remediation activities and future costs. MoDOT is currently performing control and prevention activities in three instances related to building and grounds caused by chemical contamination and moisture intrusion. The potential for pollution remediation exists; however, any future remediation obligations are not yet estimable.

The Office of Administration, Division of Facilities Management, Design and Construction, commenced asbestos, mold, and lead abatement and remediation in 11 state office buildings during the fiscal year. At the end of the fiscal year, cleanup was not complete in 5 of the buildings, with a total remaining obligation for asbestos abatement of $50,000, lead abatement of $14,000, and mold abatement of $10,000. 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. Facilities Maintenance Reserve and the Federal Budget Stabilization – Medicaid Reimbursement are both components of the General Fund in this report.

Note 22 - Pollution Remediation and Landfill Closure and Postclosure (cont.)

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 Superfund Law, under the Resource Conservation and Recovery Act (RCRA), is administered by the U.S. Environmental Protection Agency (EPA). This law says 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, Missouri law 260.371.7 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. The Department of Public Safety's portion of the costs for the cleanup of the Pools Prairie superfund site cannot be determined at this time.

Changes in the balances of pollution remediation liability (in thousands of dollars) during the current and prior fiscal years are as follows:

Governmental Activities	Type of Pollution Remediation	Fiscal Year Remediation Liability 6/30/2009	Current Year Assessments and Estimated Changes	Payments	Fiscal Year Remediation Liability 6/30/2010	Due Within One Year
DNR-Hazardous Waste Fund	Superfund Sites	$ 9,895	$ 173	$ (139)	$ 9,929	$ 1,829
MoDOT-Missouri Road Fund	Chemical Contamination	154	94	(233)	15	15
OA-Federal Budget Stabilization-Medicaid RE	Asbestos Abatement and Inspections	---	11	---	11	11
OA-Facilities Maintenance Reserve	Asbestos Abatement and Inspections	---	166	(127)	39	39
OA-Facilities Maintenance Reserve	Mold Remediation and Abatement	---	27	(17)	10	10
OA-Facilities Maintenance Reserve	Lead Paint Abatement and Air Monitoring	---	17	(3)	14	14
Total Governmental Activities		$ 10,049	$ 488	$ (519)	$ 10,018	$ 1,918

The State does not own any municipal solid waste landfills (MSWLF), however in the event the owner/operator refuses or is unable to properly maintain the landfill, the owner/operator forfeits the required financial assurance instrument(s) to fund closure and/or post-closure maintenance activities.

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, 2010, the Missouri Department of Natural Resources, Solid Waste Program tracked the value of the secured financial assurance instruments held by the State to be $290,977,000. 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, 2010, ten 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 Missouri Department of Natural Resources Solid Waste Management Law and Regulations. At June 30, 2010, it is expected that $2,214,000 will be paid over the remaining monitoring periods. This is the amount of fund balance that has been reserved on the General Fund balance sheet for forfeited assets.

Note 23 - Contingencies

Contingent claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that 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 Assets. Expenditures are recognized as payments are made.

At June 30, 2010, the amount of the contingent liabilities was $55.0 million. Changes in the reported liability since June 30, 2009, 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
2009-2010	$ 26,997	$ 31,957	$ (4,154)	$ 54,800
2008-2009	40,087	(11,150)	(1,940)	26,997
2007-2008	82,922	(35,267)	(7,568)	40,087

Section 287.220.6, RSMo, requires that an actuarial study of the Second Injury Fund be made every three years to determine the solvency of the fund. Figures presented below for current year claims and changes in estimates are based on the 2010 actuarial study. At June 30, 2010, the amount of liabilities for the Second Injury Fund was $1.4 billion. Changes in the reported liability since June 30, 2009, 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
2009-2010	$ 1,372,477	$ 111,003	$ (39,416)	$ 1,444,064
2008-2009	1,248,013	191,330	(66,866)	1,372,477
2007-2008	1,112,023	204,100	(68,110)	1,248,013

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

Loan Guarantees:

In the past, the State appropriated money to the Missouri Development Finance Board for the purpose of making loan guarantees. Upon default of a guaranteed loan, the Board makes the payment for default from Board funds. At the end of fiscal year 2010, there were no guaranteed loans outstanding and no loans defaulted.

The State appropriates money to the Agricultural and Small Business Development Authority for the purpose of making loan guarantees. Upon default of a guaranteed loan, the Authority makes the payment for default from State appropriations. The Authority administers the Single-Purpose Animal Facilities Loan Program and the Value Added Loan Guarantee Program, which provides a 50% first-loss guarantee on loans up to $250,000. The total of these two loan programs outstanding at June 30, 2010, for which the Authority has guaranteed payment is, $1,657,000 and $7,090,000, respectively. During 2010, no loans defaulted.

Note 23 – Contingencies (cont.)

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. A $16.1 million liability remains as of June 30, 2010, and is referenced in *Note 21 – Risk Management and Insurance*. Refund claims related to these cases that were filed by other companies that are still pending verification and exclusive of interest (which could be substantial) could negatively affect the State by $32.9 million, of which $19.1 million is related to the General Fund.

The State is also involved in tax litigation not included in the fiscal year 2010 liability amount, where it is reasonably possible that an adverse court decision may incur an estimated loss of $30.5 million.

Education Lawsuits:

Four education lawsuits are pending: Committee for Educational Equality, et al vs. the State of Missouri, et al (Case No. 04CV323022), filed in the Circuit Court of Cole County; Jenkins, et al vs. School District of Kansas City, Missouri, et al (Case No. 77-0420-CV-DW), filed in the U.S. District Court, Western Division; Kansas City Missouri Public Schools vs. Missouri Board of Fund Commissioners (Case No. 05AC-CC00389), filed in the Circuit Court of Cole County; the School District of Kansas City, Missouri vs. State of Missouri, Missouri Board of Education, DESE, and D. Kent King filed in the Circuit Court of Cole County, filed with the Missouri Supreme Court. Arguments are being heard, and decisions in these cases may require additional state money or a revision to the current school aid formula.

Tobacco Master Settlement Agreement:

The State is currently involved in a national arbitration against the tobacco manufacturers that participated in the Master Settlement Agreement (MSA), regarding the manufacturers' pending claim for a downward adjustment against the manufacturers' 2004 annual payment, as defined in the MSA. The manufacturers' claim is a challenge to every State's 2003 enforcement record. The State's total exposure depends upon the arbitration panel's determination of whether Missouri and all other states diligently enforced their qualifying statutes in 2003 (RSMo 196.1000-196.1003).

The State's total potential exposure could be up to the entire amount of the 2004 annual payment from the manufacturers. The State's share of the annual payment was $144 million, of which $142 million has already been received. Should the State lose the arbitration, the next annual payment could be reduced by more than $115 million, plus interest calculated from April 15, 2004. The amount may fluctuate depending on the total number of states found by the arbitration panel to have failed to diligently enforce their qualifying statutes in 2003. Such a loss would not be paid from State funds, but would be taken as a credit against the manufacturers' MSA payments in 2010 or subsequent years, resulting in a State liability. The tobacco companies may withhold some portion of future payments and seek arbitration of the same issue for subsequent years.

Note 24 – 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.

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. In addition, the sponsors provide annual appropriations intended to keep the facility in good repair and competitive with the top 25% of NFL facilities. See *Note 12* for the specific debt service requirements that make up the State's ongoing financial responsibility for this joint venture.

Summary financial information for the Authority as of and for the fiscal year ended December 31, 2009, is presented below (in thousands of dollars):

Total Assets	$ 282,014
Total Liabilities	$ 177,840
Total Net Assets	104,174
Total Liabilities and Net Assets	$ 282,014
Total Revenues	$ 24,795
Total Expenses	28,711
Net Decrease in Net Assets	$ (3,916)

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 25 – Endowments

Donor-restricted endowments for Missouri reside primarily within the higher education institutions, which are reported as a discretely presented component unit of the State. The University of Missouri reported a net depreciation/amortization of restricted non-expendable net assets in the amount of $52,142,000, which consisted of both realized and unrealized losses on investment. For detailed information on the college and universities review 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 402.035, RSMo. These policies are entity specific and vary with each institution.

Note 26 – Conduit Debt

As of June 30, 2010, the Missouri Development Finance Board issued $1,283,637,000 in Single Issue Industrial Revenue Bonds and $1,703,965,000 in Public Purpose Capital Improvement and Refunding Leasehold Revenue Bonds. The outstanding balances on these bonds and notes as of June 30, 2010, were approximately $715,420,000 and $817,448,000, 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 27- Subsequent Events

General Obligation Bonds:

On July 27, 2010, the Board of Fund Commissioners of the State of Missouri issued $81,450,000 of State Water Pollution Control Refunding Bonds Series A 2010. These bonds will bear interest from 4.00% to 5.00%, due in semiannual installments beginning December 1, 2010. This refunded State Water Pollution Control Bonds in the following amounts: Series A 2001 – $15,030,000, Series A 2002 – $20,225,000, Series B 2002 Refunding – $12,990,000, Series A 2005 Refunding – $8,595,000, and Series A 2007 – $31,385,000.

On July 27, 2010, the Board of Fund Commissioners of the State of Missouri issued $9,060,000 of Fourth State Building Refunding Bonds Series A 2010. These bonds will bear interest from 4.00% to 5.00%, due in semiannual installments beginning December 1, 2010. This refunded Fourth State Building Bonds in the following amounts: Series A 2002 Refunding – $8,970,000 and Series A 2005 Refunding – $1,470,000.

On July 27, 2010, the Board of Fund Commissioners of the State of Missouri issued $15,150,000 of Stormwater Control Refunding Bonds Series A 2010. These bonds will bear interest from 4.00% to 5.00%, due in semiannual installments beginning December 1, 2010. This refunded Stormwater Control Bonds in the following amounts: Series A 2001 – $7,320,000, Series A 2002 – $8,475,000, and Series A 2005 Refunding – $905,000.

MOSERS and MPERS:

On July 19, 2010, a pension reform bill was signed into law that created a new membership tier for State employees hired for the first time on or after January 1, 2011. Some provisions include 4% employee contributions of pre-tax wages, as well as increasing the retirement age and vesting period.

Note 27- Subsequent Events (cont.)

Missouri Department of Transportation:

The Series B 2005 First Lien State Road Bonds were issued as variable rate instruments with weekly rate changes. Since June 30, the rates varied from 0.20% to 0.33%.

On November 10, 2010, the Department issued $130,390,000 of Senior Lien Refunding State Road Bonds Series C 2010. These bonds will bear interest from 3.00% to 5.00%, due in semiannual installments beginning February 1, 2011. This refunded Senior Lien State Road Bonds as follows: $11,135,000 of Series A 2001, $18,405,000 of Series A 2002, and $111,760,000 of Series A 2003.

Missouri State University:

On July 30, 2010, the University issued $46,370,000 of Auxiliary Enterprise System Revenue Bonds, consisting of $20,565,000 in taxable Series 2010 B bonds designated as Build America Bonds, and $25,805,000 in traditional tax-exempt Series 2010 A and Series 2010 C bonds. This issue also included a partial refunding of the Series 2005 A bonds in the amount of $21,485,000.

On July 30, 2010, the University issued $10,220,000 in bonds through the Missouri Health and Educational Facilities Authority, consisting of $8,235,000 in taxable Series 2010 B bonds designated as Build America Bonds and $1,985,000 in traditional tax-exempt Series 2010 A bonds.

Missouri Western State University:

On September 9, 2010, the University issued $24,840,000 in revenue bonds, consisting of $15,000,000 for funding of the construction of a new residential hall apartment complex, with the remaining $9,840,000 used to refund the Auxiliary System Revenue Bonds Series 1998.

Northwest Missouri State University:

On November 16, 2010, the University issued $4,980,000 in Recreation System Refunding Revenue Bonds Series 2010. These bonds refunded the Recreation System Improvement and Refunding Revenue Bonds Series 1999, which had an outstanding principal balance of $4,380,000 at June 30, 2010.

On November 16, 2010, the University issued $1,485,000 in Parking System Refunding Revenue Bonds Series 2010. These bonds refunded the Parking System Revenue Bonds Series 2001, which had an outstanding principal balance of $1,785,000 at June 30, 2010.

University of Missouri:

On December 21, 2010, the University issued $252,285,000 of System Facilities Revenue Bonds Series 2010A, designated as taxable Build America Bonds. These bonds bear interest at a stated rate of 5.792%, payable semiannually, beginning May 1, 2011.

Unemployment Compensation:

Due to high unemployment rates, Missouri is borrowing from the federal government in order to pay unemployment insurance benefits. Since June 30, 2010, $10,970,391 has been borrowed. It is likely that the borrowing will continue through April 2011, however, the total amount of the borrowings cannot be determined at this time.

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, 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, 2010
(In Thousands of Dollars)

	General				Public Education			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Beginning Budgetary Fund Balance	$ 1,447,721	$ 1,447,721	$ 1,447,721	$ ---	$ 234,664	$ 234,664	$ 234,664	$ ---
Resources (Inflows):								
Taxes:								
Sales and Use	1,947,757	1,799,198	1,791,664	(7,534)	768,008	768,008	704,440	(63,568)
Individual Income	5,961,740	5,507,026	5,483,967	(23,059)	3,520	3,520	3,229	(291)
Corporate Income	444,563	410,655	408,936	(1,719)	---	---	---	---
County Foreign Insurance	211,280	195,165	194,348	(817)	---	---	---	---
Beer	9,008	8,321	8,286	(35)	---	---	---	---
Liquor	25,073	23,161	23,064	(97)	---	---	---	---
Cigarette	---	---	---	---	75,994	75,994	69,704	(6,290)
Fuel	---	---	---	---	---	---	---	---
Corporation Franchise	101,272	93,547	93,155	(392)	---	---	---	---
Inheritance	287	265	264	(1)	---	---	---	---
Reimbursement/Miscellaneous	1,238,551	1,144,084	1,139,294	(4,790)	368,467	368,467	337,969	(30,498)
Total Taxes	9,939,531	9,181,422	9,142,978	(38,444)	1,215,989	1,215,989	1,115,342	(100,647)
Licenses, Fees, and Permits	87,685	81,040	80,675	(365)	699	699	641	(58)
Sales	796	736	732	(4)	---	---	---	---
Leases and Rentals	6	6	6	---	---	---	---	---
Services	263,990	258,625	248,643	(9,982)	---	---	---	---
Contributions and Intergovernmental	10,297,098	10,173,080	9,732,064	(441,016)	116,124	116,124	106,513	(9,611)
Interest	23,870	22,112	21,982	(130)	4,486	4,486	4,114	(372)
Penalties and Unclaimed Property	508	470	468	(2)	2,739	2,739	2,513	(226)
Cost Reimbursement/ Miscellaneous	712,123	699,616	671,501	(28,115)	58,461	58,461	53,622	(4,839)
Transfers In	2,496,051	3,542,930	3,360,226	(182,704)	3,206,743	3,382,883	3,287,865	(95,018)
Total Resources (Inflows)	23,821,658	23,960,037	23,259,275	(700,762)	4,605,241	4,781,381	4,570,610	(210,771)
Amount Available for Appropriation	25,269,379	25,407,758	24,706,996	(700,762)	4,839,905	5,016,045	4,805,274	(210,771)
Charges to Appropriations (Outflows):								
Current:								
General Government	2,219,448	2,244,044	2,014,658	229,386	5,704	5,737	2,094	3,643
Education	3,244,290	2,834,533	2,651,372	183,161	4,187,980	4,200,703	4,107,183	93,520
Natural and Economic Resources	797,187	540,828	349,027	191,801	27,214	29,584	16,663	12,921
Transportation and Law Enforcement	388,597	595,324	462,127	133,197	155	231	219	12
Human Services	11,345,761	11,622,098	10,969,930	652,168	21,972	21,584	20,813	771
Debt Service	105,262	107,708	100,258	7,450	---	---	---	---
Transfers Out	6,437,001	7,055,896	6,876,971	178,925	468,153	576,770	495,008	81,762
Total Charges to Appropriations	24,537,546	25,000,431	23,424,343	1,576,088	4,711,178	4,834,609	4,641,980	192,629
Ending Budgetary Fund Balance	$ 731,833	$ 407,327	$ 1,282,653	$ 875,326	$ 128,727	$ 181,436	$ 163,294	$ (18,142)
Reconciling Items:								
Reclassifying Cash Equivalents as Investments			(757,582)				(127,391)	
Investments at Fair Value			762,963				129,279	
Invested Securities Lending Collateral			123,320				13,221	
Receivables, net			2,012,045				130,112	
Due from Other Funds			---				21,834	
Due from Component Units			---				---	
Inventories			22,080				58	
Advance to Component Units			---				---	
Accounts Payable			(1,015,353)				(41,324)	
Accrued Payroll			(60,001)				(395)	
Due to Other Funds			(14,917)				(22)	
Securities Lending Obligation			(123,320)				(13,221)	
Deferred Revenue			(927,081)				(34,323)	
Arbitrage Liability			(42)				---	
Escheat/Unclaimed Property			(102,670)				---	
Adjustments:								
Increase to Revenues: Medicaid			1,025,501				---	
Increase to Expenditures: Medicaid			(1,025,501)				---	
Fund Balance – GAAP Basis			$ 1,202,095				$ 241,122	

	Conservation and Environmental Protection				Transportation and Law Enforcement			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Beginning Budgetary Fund Balance	$ 321,615	$ 321,615	$ 321,615	$ ---	$ 67,728	$ 67,728	$ 67,728	$ ---
Resources (Inflows):								
Taxes:								
Sales and Use	192,847	192,847	168,937	(23,910)	56,611	56,611	54,607	(2,004)
Individual Income	---	---	---	---	---	---	---	---
Corporate Income	---	---	---	---	---	---	---	---
County Foreign Insurance	---	---	---	---	---	---	---	---
Beer	---	---	---	---	---	---	---	---
Liquor	---	---	---	---	---	---	---	---
Cigarette	---	---	---	---	---	---	---	---
Fuel	---	---	---	---	743,442	743,442	717,113	(26,329)
Corporation Franchise	---	---	---	---	---	---	---	---
Inheritance	---	---	---	---	---	---	---	---
Reimbursement/Miscellaneous	433	433	379	(54)	---	---	---	---
Total Taxes	193,280	193,280	169,316	(23,964)	800,053	800,053	771,720	(28,333)
Licenses, Fees, and Permits	89,478	89,478	78,384	(11,094)	197,048	197,048	190,070	(6,978)
Sales	8,024	8,024	7,029	(995)	5,378	5,378	5,188	(190)
Leases and Rentals	102	102	89	(13)	14	14	14	---
Services	---	---	---	---	---	---	---	---
Contributions and Intergovernmental	91,904	91,904	80,509	(11,395)	1,522	1,522	1,467	(55)
Interest	8,264	8,264	7,239	(1,025)	900	900	868	(32)
Penalties and Unclaimed Property	5,139	5,139	4,502	(637)	450	450	434	(16)
Cost Reimbursement/ Miscellaneous	68,025	68,025	59,591	(8,434)	1,434	1,434	1,383	(51)
Transfers In	48	58	58	---	560,208	563,110	538,708	(24,402)
Total Resources (Inflows)	464,264	464,274	406,717	(57,557)	1,567,007	1,569,909	1,509,852	(60,057)
Amount Available for Appropriation	785,879	785,889	728,332	(57,557)	1,634,735	1,637,637	1,577,580	(60,057)
Charges to Appropriations (Outflows):								
Current:								
General Government	2,557	2,804	2,487	317	216,709	216,735	209,348	7,387
Education	---	---	---	---	---	---	---	---
Natural and Economic Resources	501,195	544,939	348,621	196,318	---	---	---	---
Transportation and Law Enforcement	993	993	772	221	244,151	253,649	214,392	39,257
Human Services	776	776	655	121	---	---	---	---
Debt Service	---	---	---	---	55	58	49	9
Transfers Out	66,109	67,790	54,500	13,290	1,073,653	1,177,425	1,091,628	85,797
Total Charges to Appropriations	571,630	617,302	407,035	210,267	1,534,568	1,647,867	1,515,417	132,450
Ending Budgetary Fund Balance	$ 214,249	$ 168,587	$ 321,297	$ 152,710	$ 100,167	$ (10,230)	$ 62,163	$ 72,393
Reconciling Items:								
Reclassifying Cash Equivalents as Investments			(258,709)				(41,734)	
Investments at Fair Value			259,670				45,756	
Invested Securities Lending Collateral			16,464				4,082	
Receivables, net			963,109				165,015	
Due from Other Funds			---				---	
Due from Component Units			968				---	
Inventories			504				4,397	
Advance to Component Units			4,662				---	
Accounts Payable			(3,334)				(8,546)	
Accrued Payroll			(4,637)				(5,929)	
Due to Other Funds			(365)				(371)	
Securities Lending Obligation			(16,464)				(4,082)	
Deferred Revenue			(18,972)				(6,821)	
Arbitrage Liability			---				---	
Escheat/Unclaimed Property			---				---	
Adjustments:								
Increase to Revenues: Medicaid			---				---	
Increase to Expenditures: Medicaid			---				---	
Fund Balance – GAAP Basis			$ 1,264,193				$ 213,930	

Budgetary Presentation:

A Budgetary Comparison Schedule is presented for the State's Major governmental funds, as well as Major Capital Project 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, 2010, 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/acct/AAR2010/index.htm. 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 re-appropriations 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, 2010, is shown below (in thousands):

	Final Transfer		Actual Transfer	
	In	Out	In	Out
GENERAL FUND	$ 3,350,375	$ (3,350,375)	$ 3,224,256	$ (3,224,256)
SPECIAL REVENUE FUNDS				
Public Education	556,734	(556,734)	475,562	(475,562)
Highways and Transportation	560,189	(560,189)	535,787	(535,787)
TOTAL	$ 4,467,298	$ (4,467,298)	$ 4,235,605	$ (4,235,605)

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 re-appropriated to the following appropriation year.

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 SCHEDULE
MAJOR CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2010
(In Thousands of Dollars)

	Missouri Road Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Beginning Budgetary Fund Balance	$ 617,751	$ 617,751	$ 617,751	$ ---
Resources (Inflows):				
Taxes:				
Vehicle Sales and Use	99,197	99,197	102,556	3,359
Fuel	109	109	114	5
Total Taxes	99,306	99,306	102,670	3,364
Licenses, Fees, and Permits	86,014	86,014	98,116	12,102
Contributions and Intergovernmental	843,523	843,523	856,385	12,862
Interest	7,573	7,573	8,970	1,397
Cost Reimbursment/Miscellaneous	413,104	413,104	418,176	5,072
Bond Sales Proceeds	315,000	1,085,000	1,107,699	22,699
Transfers In	963,982	622,523	533,419	(89,104)
Total Resources (Inflows)	2,728,502	3,157,043	3,125,435	(31,608)
Amount Available for Appropriation	3,346,253	3,774,794	3,743,186	(31,608)
Charges to Appropriations (Outflows):				
Current:				
Transportation and Law Enforcement	990,361	1,006,274	879,535	126,739
Capital Outlay				
Transportation and Law Enforcement	1,524,961	1,549,466	1,354,311	195,155
Debt Service	139,464	139,464	139,464	---
Total Charges to Appropriations	2,654,786	2,695,204	2,373,310	321,894
Ending Budgetary Fund Balance	$ 691,467	$ 1,079,590	$ 1,369,876	$ 290,286
Reconciling Items:				
Reclassifying Cash Equivalents as Investments			(1,117,002)	
Investments at Fair Value			1,118,631	
Invested Securities Lending Collateral			49,645	
Receivables, net			225,171	
Inventories			43,711	
Accounts Payable			(133,267)	
Accrued Payroll			(17,299)	
Due to Other Funds			(328)	
Securities Lending Obligation			(49,645)	
Deferred Revenue			(21,788)	
Advance from Component Units			(3,773)	
Fund Balance - GAAP Basis			$ 1,463,932	

*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, 2010
(In Thousands of Dollars)

	General Fund		Totals
	General	Federal	June 30, 2010
ASSETS			
Cash and Cash Equivalents	$ 193,090	$ 331,981	$ 525,071
Investments	640,266	122,697	762,963
Invested Securities Lending Collateral	82,018	41,302	123,320
Accounts Receivable, Net	1,262,175	748,175	2,010,350
Interest Receivable	1,652	43	1,695
Inventories	20,916	1,164	22,080
Total Assets	$ 2,200,117	$ 1,245,362	$ 3,445,479
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	$ 418,565	$ 596,788	$ 1,015,353
Accrued Payroll	43,612	16,389	60,001
Due to Other Funds	12,347	2,570	14,917
Securities Lending Obligation	82,018	41,302	123,320
Deferred Revenue	804,840	122,241	927,081
Arbitrage Liability	42	---	42
Escheat/Unclaimed Property	102,670	---	102,670
Total Liabilities	1,464,094	779,290	2,243,384
Fund Balances:			
Reserved for:			
Budget Reserve	527,594	---	527,594
Inventories	20,916	1,164	22,080
Forfeited Assets	2,214	---	2,214
Taxes	4,640	---	4,640
Unreserved	180,659	464,908	645,567
Total Fund Balances	736,023	466,072	1,202,095
Total Liabilities and Fund Balances	$ 2,200,117	$ 1,245,362	$ 3,445,479

STATE OF MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND
For the Fiscal Year Ended June 30, 2010
(In Thousands of Dollars)

	General Fund			Totals
	General	Federal	Eliminations	June 30, 2010
Revenues:				
Taxes	$ 6,649,438	$ ---	$ ---	$ 6,649,438
Licenses, Fees, and Permits	80,235	541	---	80,776
Sales	547	7	---	554
Leases and Rentals	6	---	---	6
Services	65,907	179,752	---	245,659
Contributions and Intergovernmental	1,492,054	9,575,086	---	11,067,140
Investment Earnings:				
Net Increase (Decrease) in the Fair Value of Investments	(1,610)	(285)	---	(1,895)
Interest	20,058	772	---	20,830
Penalties and Unclaimed Properties	33,553	7	---	33,560
Cost Reimbursement/Miscellaneous	123,482	187,688	---	311,170
Total Revenues	8,463,670	9,943,568	---	18,407,238
Expenditures:				
Current:				
General Government	547,424	93,198	---	640,622
Education	945,353	1,715,157	---	2,660,510
Natural and Economic Resources	46,566	355,058	---	401,624
Transportation and Law Enforcement	91,153	642,924	---	734,077
Human Services	4,851,623	6,532,844	---	11,384,467
Debt Service:				
Principal	56,354	974	---	57,328
Interest	43,766	522	---	44,288
Arbitrage	374	---	---	374
Total Expenditures	6,582,613	9,340,677	---	15,923,290
Excess Revenues (Expenditures)	1,881,057	602,891	---	2,483,948
Other Financing Sources (Uses):				
Proceeds from Capital Leases	1,469	1,922	---	3,391
Proceeds from Sale of Capital Assets	279	96	---	375
Transfers In	521,176	7,875	(447,580)	81,471
Transfers Out	(2,625,143)	(493,948)	447,580	(2,671,511)
Total Other Financing Sources (Uses)	(2,102,219)	(484,055)	---	(2,586,274)
Net Change in Fund Balances	(221,162)	118,836	---	(102,326)
Fund Balances - Beginning	959,181	346,722	---	1,305,903
Increase (Decrease) in Reserve for Inventory	(1,996)	514	---	(1,482)
Fund Balances - Ending	$ 736,023	$ 466,072	$ ---	$ 1,202,095

STATE OF MISSOURI
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
June 30, 2010
(In Thousands of Dollars)

	Special Revenue	Debt Service	Capital Projects	Permanent	Totals June 30, 2010
ASSETS					
Cash and Cash Equivalents	$ 58,778	$ 20,069	$ 6,597	$ 466	$ 85,910
Investments	245,187	92,051	27,870	37,654	402,762
Invested Securities Lending Collateral	29,745	668	1,782	237	32,432
Accounts Receivable, Net	20,379	8,556	---	---	28,935
Interest Receivable	250	303	80	1	634
Inventories	278	---	---	---	278
Loans Receivable	224	---	---	---	224
Total Assets	$ 354,841	$ 121,647	$ 36,329	$ 38,358	$ 551,175
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	$ 8,047	$ 25	$ 51	$ ---	$ 8,123
Accrued Payroll	3,613	---	65	---	3,678
Due to Other Funds	650	---	6	---	656
Securities Lending Obligation	29,745	668	1,782	237	32,432
Deferred Revenue	5,386	124	37	---	5,547
Total Liabilities	47,441	817	1,941	237	50,436
Fund Balances:					
Reserved for Inventories	278	---	---	---	278
Reserved for Debt Service	---	120,830	---	---	120,830
Reserved for Loans Receivable	224	---	---	---	224
Reserved for Trust Principal	---	---	---	38,020	38,020
Unreserved	306,898	---	34,388	101	341,387
Total Fund Balances	307,400	120,830	34,388	38,121	500,739
Total Liabilities and Fund Balances	$ 354,841	$ 121,647	$ 36,329	$ 38,358	$ 551,175

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, 2010
(In Thousands of Dollars)

	Special Revenue	Debt Service	Capital Projects	Permanent	Totals June 30, 2010
Revenues:					
Taxes	$ 128,420	$ 94,150	$ ---	$ ---	$ 222,570
Licenses, Fees, and Permits	185,228	---	---	---	185,228
Sales	1,456	---	---	---	1,456
Leases and Rentals	845	---	---	---	845
Services	141	---	---	---	141
Contributions and Intergovernmental	28,274	2,506	858	---	31,638
Investment Earnings:					
Net Increase (Decrease) in the Fair Value of Investments	407	(455)	(211)	2,548	2,289
Interest	4,339	1,902	719	24	6,984
Penalties and Unclaimed Properties	17,523	---	---	1,758	19,281
Cost Reimbursement/Miscellaneous	180,020	---	37	1	180,058
Total Revenues	546,653	98,103	1,403	4,331	650,490
Expenditures:					
Current:					
General Government	41,651	---	32	734	42,417
Education	10,387	---	---	---	10,387
Natural and Economic Resources	201,151	---	15,604	---	216,755
Transportation and Law Enforcement	50,450	---	3,721	---	54,171
Human Services	200,391	---	1	31	200,423
Capital Outlay:					
General Government	---	---	5	---	5
Transportation and Law Enforcement	---	---	3,857	---	3,857
Human Services	---	---	4	---	4
Debt Service:					
Principal	782	91,445	---	---	92,227
Interest	195	103,554	---	---	103,749
Bond Issuance Costs	---	165	---	---	165
Total Expenditures	505,007	195,164	23,224	765	724,160
Excess Revenues (Expenditures)	41,646	(97,061)	(21,821)	3,566	(73,670)
Other Financing Sources (Uses):					
Proceeds from Sale of Capital Assets	52	---	1	---	53
Transfers In	92,387	88,691	6,000	---	187,078
Transfers Out	(107,376)	---	(2,108)	(21,206)	(130,690)
Total Other Financing Sources (Uses)	(14,937)	88,691	3,893	(21,206)	56,441
Net Change in Fund Balances	26,709	(8,370)	(17,928)	(17,640)	(17,229)
Fund Balances - Beginning	280,647	129,200	52,316	55,761	517,924
Increase (Decrease) in Reserve for Inventory	44	---	---	---	44
Fund Balances - Ending	$ 307,400	$ 120,830	$ 34,388	$ 38,121	$ 500,739

*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.

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, 2010
(In Thousands of Dollars)

	Professional Registration	Judicial Protection and Assistance	Agriculture and State Fair	Social Assistance	Unemployment and Workers' Compensation	Reimbursements and Other	Totals June 30, 2010
ASSETS							
Cash and Cash Equivalents	$ 9,822	$ 5,820	$ 723	$ 15,947	$ 11,316	$ 15,150	$ 58,778
Investments	38,690	22,925	5,745	72,946	45,347	59,534	245,187
Invested Securities Lending Collateral	4,983	2,952	264	8,063	5,840	7,643	29,745
Accounts Receivable, Net	---	2,392	71	5,604	9,724	2,588	20,379
Interest Receivable	---	20	6	100	53	71	250
Inventories	26	56	7	---	---	189	278
Loans Receivable	---	---	224	---	---	---	224
Total Assets	$ 53,521	$ 34,165	$ 7,040	$ 102,660	$ 72,280	$ 85,175	$ 354,841
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	$ 234	$ 1,190	$ 171	$ 2,011	$ 594	$ 3,847	$ 8,047
Accrued Payroll	209	389	84	319	440	2,172	3,613
Due to Other Funds	55	323	6	8	114	144	650
Securities Lending Obligation	4,983	2,952	264	8,063	5,840	7,643	29,745
Deferred Revenue	---	610	1	2,713	1,588	474	5,386
Total Liabilities	5,481	5,464	526	13,114	8,576	14,280	47,441
Fund Balances:							
Reserved for:							
Inventories	26	56	7	---	---	189	278
Loans Receivable	---	---	224	---	---	---	224
Unreserved	48,014	28,645	6,283	89,546	63,704	70,706	306,898
Total Fund Balances	48,040	28,701	6,514	89,546	63,704	70,895	307,400
Total Liabilities and Fund Balances	$ 53,521	$ 34,165	$ 7,040	$ 102,660	$ 72,280	$ 85,175	$ 354,841

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, 2010
(In Thousands of Dollars)

	Professional Registration	Judicial Protection and Assistance	Agriculture and State Fair	Social Assistance	Unemployment and Workers' Compensation	Reimbursements and Other	Totals June 30, 2010
Revenues:							
Taxes	$ 137	$ ---	$ ---	$ 66,079	$ 62,204	$ ---	$ 128,420
Licenses, Fees, and Permits	18,639	33,094	4,425	20,474	---	108,596	185,228
Sales	---	---	11	880	---	565	1,456
Leases and Rentals	---	---	---	845	---	---	845
Services	---	137	---	4	---	---	141
Contributions and Intergovernmental	---	703	115	26,822	---	634	28,274
Investment Earnings:							
Net Increase (Decrease) in the Fair Value of Investments	(47)	(21)	3	558	(35)	(51)	407
Interest	---	118	7	2,982	490	742	4,339
Penalties and Unclaimed Properties	187	8,580	---	48	4,456	4,252	17,523
Cost Reimbursement/Miscellaneous	185	1,942	190	146,371	157	31,175	180,020
Total Revenues	19,101	44,553	4,751	265,063	67,272	145,913	546,653
Expenditures:							
Current:							
General Government	171	24,027	71	2,211	5,624	9,547	41,651
Education	114	1	1	10,247	17	7	10,387
Natural and Economic Resources	16,211	2,460	35,690	5,997	55,065	85,728	201,151
Transportation and Law Enforcement	1	21,325	6	5,534	8	23,576	50,450
Human Services	17	5	7	187,211	103	13,048	200,391
Debt Service:							
Principal	---	36	---	2	112	632	782
Interest	---	4	---	3	56	132	195
Total Expenditures	16,514	47,858	35,775	211,205	60,985	132,670	505,007
Excess Revenues (Expenditures)	2,587	(3,305)	(31,024)	53,858	6,287	13,243	41,646
Other Financing Sources (Uses):							
Proceeds from Sale of Capital Assets	---	22	---	7	---	23	52
Transfers In	13	6,946	31,263	4,725	---	49,440	92,387
Transfers Out	(703)	(1)	---	(54,902)	(50)	(51,720)	(107,376)
Total Other Financing Sources (Uses)	(690)	6,967	31,263	(50,170)	(50)	(2,257)	(14,937)
Net Change in Fund Balances	1,897	3,662	239	3,688	6,237	10,986	26,709
Fund Balances - Beginning	46,143	24,999	6,270	85,858	57,467	59,910	280,647
Increase (Decrease) in Reserve for Inventory	---	40	5	---	---	(1)	44
Fund Balances - Ending	$ 48,040	$ 28,701	$ 6,514	$ 89,546	$ 63,704	$ 70,895	$ 307,400

STATE OF MISSOURI
COMBINING SCHEDULE 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, 2010
(In Thousands of Dollars)

	Professional Registration			Judicial Protection and Assistance			Agriculture and State Fair*			Social Assistance		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:												
Taxes:												
Cigarette	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ 37,333	$ 36,459	$ (874)
County Foreign Insurance	---	---	---	---	---	---	---	---	---	---	---	---
Reimbursement/Miscellaneous	130	137	7	---	---	---	---	---	---	30,286	29,576	(710)
Total Taxes	130	137	7	---	---	---	---	---	---	67,619	66,035	(1,584)
Licenses, Fees, and Permits	17,819	18,667	848	32,845	33,223	378	9,512	3,488	(6,024)	21,041	20,549	(492)
Leases and Rentals	---	---	---	---	---	---	---	---	---	865	845	(20)
Sales	---	---	---	---	---	---	31	12	(19)	900	879	(21)
Services	---	---	---	136	138	2	---	---	---	4	4	---
Contributions and Intergovernmental	1	1	---	2,122	2,146	24	315	115	(200)	33,647	32,859	(788)
Interest	---	---	---	122	123	1	28	10	(18)	631	616	(15)
Penalties and Unclaimed Property	179	187	8	8,492	8,590	98	---	---	---	23	22	(1)
Cost Reimbursement/ Miscellaneous	177	186	9	1,925	1,947	22	795	292	(503)	159,429	155,695	(3,734)
Total Revenues	18,306	19,178	872	45,642	46,167	525	10,681	3,917	(6,764)	284,159	277,504	(6,655)
Expenditures:												
Current:												
General Government	18	---	18	28,779	23,136	5,643	110	85	25	5,992	4,138	1,854
Education	117	116	1	---	---	---	---	---	---	12,883	10,421	2,462
Natural and Economic Resources	9,694	7,883	1,811	2,690	2,458	232	43,834	34,957	8,877	7,561	6,027	1,534
Transportation and Law Enforcement	---	---	---	29,686	21,946	7,740	5	5	---	6,909	5,082	1,827
Human Services	---	---	---	---	---	---	---	---	---	224,575	196,569	28,006
Debt Service	---	---	---	19	15	4	---	---	---	5	5	---
Total Expenditures	9,829	7,999	1,830	61,174	47,555	13,619	43,949	35,047	8,902	257,925	222,242	35,683
Excess Revenues (Expenditures)	8,477	11,179	2,702	(15,532)	(1,388)	14,144	(33,268)	(31,130)	2,138	26,234	55,262	29,028
Other Financing Sources (Uses):												
Transfers In	13	13	---	7,968	7,830	(138)	48,561	31,264	(17,297)	14,815	13,903	(912)
Transfers Out	(12,010)	(9,254)	(2,756)	(3,840)	(3,233)	607	(1,220)	(741)	479	(157,021)	(69,544)	87,477
Total Other Financing Sources (Uses)	(11,997)	(9,241)	(2,756)	4,128	4,597	469	47,341	30,523	(16,818)	(142,206)	(55,641)	86,565
Net Change in Fund Balances	(3,520)	1,938	(54)	(11,404)	3,209	14,613	14,073	(607)	(14,680)	(115,972)	(379)	115,593
Fund Balances - Beginning	46,474	46,474	---	25,476	25,476	---	3,375	3,375	---	78,767	78,767	---
Fund Balances - Ending	$ 42,954	$ 48,412	$ (54)	$ 14,072	$ 28,685	$ 14,613	$ 17,448	$ 2,768	$ (14,680)	$ (37,205)	$ 78,388	$ 115,593
Reconciling Items:												
Reclassifying Cash Equivalents as Investments		(38,590)			(22,865)			(2,045)			(62,441)	
Investments at Fair Value		38,690			22,925			5,745			72,946	
Invested Securities Lending Collateral		4,983			2,952			264			8,063	
Receivables, net		---			2,412			301			5,704	
Inventories		26			56			7			---	
Accounts Payable		(234)			(1,190)			(171)			(2,011)	
Accrued Payroll		(209)			(389)			(84)			(319)	
Due to Other Funds		(55)			(323)			(6)			(8)	
Securities Lending Obligation		(4,983)			(2,952)			(264)			(8,063)	
Deferred Revenue		---			(610)			(1)			(2,713)	
Fund Balance per GAAP		$ 48,040			$ 28,701			$ 6,514			$ 89,546	

*Beginning fund balance was restated for the reclassification of the Missouri Wine and Grape Board from a special revenue fund to a component unit fund.

This schedule is continued on pages 112-113.

	Unemployment and Workers' Compensation			Reimbursements and Other			Totals		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:									
Taxes:									
Cigarette	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ 37,333	$ 36,459	$ (874)
County Foreign Insurance	---	---	---	38	34	(4)	38	34	(4)
Reimbursement/Miscellaneous	65,942	64,968	(974)	---	---	---	96,358	94,681	(1,677)
Total Taxes	65,942	64,968	(974)	38	34	(4)	133,729	131,174	(2,555)
Licenses, Fees and Permits	---	---	---	123,542	110,030	(13,512)	204,759	185,957	(18,802)
Leases and Rentals	---	---	---	---	---	---	865	845	(20)
Sales	---	---	---	635	565	(70)	1,566	1,456	(110)
Services	---	---	---	13	11	(2)	153	153	---
Contributions and Intergovernmental	1,123	1,107	(16)	934	832	(102)	38,142	37,060	(1,082)
Interest	512	504	(8)	843	751	(92)	2,136	2,004	(132)
Penalties and Unclaimed Property	4,523	4,456	(67)	4,775	4,253	(522)	17,992	17,508	(484)
Cost Reimbursement/ Miscellaneous	413	408	(5)	56,984	50,752	(6,232)	219,723	209,280	(10,443)
Total Revenues	72,513	71,443	(1,070)	187,764	167,228	(20,536)	619,065	585,437	(33,628)
Expenditures:									
Current:									
General Government	15,281	4,439	10,842	14,448	7,444	7,004	64,628	39,242	25,386
Education	---	---	---	400	---	400	13,400	10,537	2,863
Natural and Economic Resources	80,889	50,912	29,977	86,246	72,725	13,521	230,914	174,962	55,952
Transportation and Law Enforcement	---	---	---	24,672	20,693	3,979	61,272	47,726	13,546
Human Services	---	---	---	16,176	13,991	2,185	240,751	210,560	30,191
Debt Service	36	10	26	159	97	62	219	127	92
Total Expenditures	96,206	55,361	40,845	142,101	114,950	27,151	611,184	483,154	128,030
Excess Revenues (Expenditures)	(23,693)	16,082	39,775	45,663	52,278	6,615	7,881	102,283	94,402
Other Financing Sources (Uses):									
Transfers In	---	---	---	30,540	30,152	(388)	101,897	83,162	(18,735)
Transfers Out	(8,833)	(7,591)	1,242	(75,852)	(71,741)	4,111	(258,776)	(162,104)	96,672
Total Other Financing Sources (Uses)	(8,833)	(7,591)	1,242	(45,312)	(41,589)	3,723	(156,879)	(78,942)	77,937
Net Change in Fund Balances	(32,526)	8,491	41,017	351	10,689	10,338	(148,998)	23,341	172,339
Fund Balances - Beginning	48,055	48,055	---	63,657	63,657	---	265,804	265,804	---
Fund Balances - Ending	$ 15,529	$ 56,546	$ 41,017	$ 64,008	$ 74,346	$ 10,338	$ 116,806	$ 289,145	$ 172,339
Reconciling Items:									
Reclassifying Cash Equivalents as Investments		(45,230)			(59,196)			(230,367)	
Investments at Fair Value		45,347			59,534			245,187	
Invested Securities Lending Collateral		5,840			7,643			29,745	
Receivables, net		9,777			2,659			20,853	
Inventories		---			189			278	
Accounts Payable		(594)			(3,847)			(8,047)	
Accrued Payroll		(440)			(2,172)			(3,613)	
Due to Other Funds		(114)			(144)			(650)	
Securities Lending Obligation		(5,840)			(7,643)			(29,745)	
Deferred Revenue		(1,588)			(474)			(5,386)	
Fund Balance per GAAP		$ 63,704			$ 70,895			$ 307,400	

This schedule is continued from pages 110-111.

*The **Debt Service Funds** account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.*

Debt Service Funds:

Water Pollution Control Bond and Interest – Accounts for moneys used to pay the principal of the Water Pollution Control Bonds and the interest thereon.

Third State Building Bond Interest and Sinking – Accounts for moneys used to pay the principal of the Third State Building 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.

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, 2010
(In Thousands of Dollars)

	Water Pollution Control Bond and Interest	Third State Building Bond Interest and Sinking	Fourth State Building Bond and Interest	Stormwater Control Bond and Interest	Missouri Road Bond	Totals June 30, 2010
ASSETS						
Cash and Cash Equivalents	$ 6,755	$ 6,117	$ 3,357	$ 606	$ 3,234	$ 20,069
Investments	30,908	27,987	15,361	2,772	15,023	92,051
Invested Securities Lending Collateral	---	---	---	---	668	668
Accounts Receivable, Net	---	---	---	---	8,556	8,556
Interest Receivable	109	99	54	9	32	303
Total Assets	$ 37,772	$ 34,203	$ 18,772	$ 3,387	$ 27,513	$ 121,647
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	$ ---	$ ---	$ ---	$ ---	$ 25	$ 25
Securities Lending Obligation	---	---	---	---	668	668
Deferred Revenue	50	45	25	4	---	124
Total Liabilities	50	45	25	4	693	817
Fund Balances:						
Reserved for Debt Service	37,722	34,158	18,747	3,383	26,820	120,830
Total Fund Balances	37,722	34,158	18,747	3,383	26,820	120,830
Total Liabilities and Fund Balances	$ 37,772	$ 34,203	$ 18,772	$ 3,387	$ 27,513	$ 121,647

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
For the Fiscal Year Ended June 30, 2010
(In Thousands of Dollars)

	Water Pollution Control Bond and Interest	Third State Building Bond Interest and Sinking	Fourth State Building Bond and Interest	Stormwater Control Bond and Interest	Missouri Road Bond	Totals June 30, 2010
Revenues:						
Taxes	$ ---	$ ---	$ ---	$ ---	$ 94,150	$ 94,150
Contributions and Intergovernmental	---	---	---	---	2,506	2,506
Investment Earnings:						
Net Increase (Decrease) in the Fair Value of Investments	(191)	(215)	(99)	(16)	66	(455)
Interest	678	646	341	58	179	1,902
Total Revenues	487	431	242	42	96,901	98,103
Expenditures:						
Debt Service:						
Principal	22,825	36,615	10,320	1,405	20,280	91,445
Interest	13,744	3,016	8,435	1,702	76,657	103,554
Bond Issuance Costs	---	---	---	---	165	165
Total Expenditures	36,569	39,631	18,755	3,107	97,102	195,164
Excess Revenues (Expenditures)	(36,082)	(39,200)	(18,513)	(3,065)	(201)	(97,061)
Other Financing Sources (Uses):						
Transfers In	35,812	32,012	17,645	3,222	---	88,691
Total Other Financing Sources (Uses)	35,812	32,012	17,645	3,222	---	88,691
Net Change in Fund Balances	(270)	(7,188)	(868)	157	(201)	(8,370)
Fund Balances - Beginning	37,992	41,346	19,615	3,226	27,021	129,200
Fund Balances - Ending	$ 37,722	$ 34,158	$ 18,747	$ 3,383	$ 26,820	$ 120,830

STATE OF MISSOURI
COMBINING SCHEDULE 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, 2010
(In Thousands of Dollars)

	Water Pollution Control Bond and Interest			Third State Building Bond Interest and Sinking			Fourth State Building Bond and Interest			Stormwater Control Bond and Interest		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:												
Vehicle Sales and Use Tax	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---
Interest	565	680	115	615	660	45	291	344	53	48	58	10
Reimbursement/ Miscellaneous	1	1	---	---	---	---	1	1	---	---	---	---
Total Revenues	566	681	115	615	660	45	292	345	53	48	58	10
Expenditures:												
Debt Service	36,569	36,569	---	39,631	39,631	---	18,755	18,755	---	3,107	3,107	---
Total Expenditures	36,569	36,569	---	39,631	39,631	---	18,755	18,755	---	3,107	3,107	---
Excess Revenues (Expenditures)	(36,003)	(35,888)	115	(39,016)	(38,971)	45	(18,463)	(18,410)	53	(3,059)	(3,049)	10
Other Financing Sources (Uses):												
Transfers In	36,078	35,812	(266)	32,012	32,012	---	17,645	17,645	---	3,222	3,221	(1)
Total Other Financing Sources (Uses)	36,078	35,812	(266)	32,012	32,012	---	17,645	17,645	---	3,222	3,221	(1)
Net Change in Fund Balances	75	(76)	(151)	(7,004)	(6,959)	45	(818)	(765)	53	163	172	9
Fund Balances - Beginning	37,705	37,705	---	41,033	41,033	---	19,466	19,466	---	3,203	3,203	---
Fund Balances - Ending	$ 37,780	$ 37,629	$ (151)	$ 34,029	$ 34,074	$ 45	$ 18,648	$ 18,701	$ 53	$ 3,366	$ 3,375	$ 9
Reconciling Items:												
Reclassifying Cash Equivalents as Investments		(30,874)			(27,957)			(15,344)			(2,769)	
Investments at Fair Value		30,908			27,987			15,361			2,772	
Invested Securities Lending Collateral		---			---			---			---	
Receivables, net		109			99			54			9	
Accounts Payable		---			---			---			---	
Securities Lending Obligation		---			---			---			---	
Deferred Revenues		(50)			(45)			(25)			(4)	
Fund Balances - GAAP Basis		$ 37,722			$ 34,158			$ 18,747			$ 3,383	

This schedule is continued on page 118.

	Missouri Road Bond			Totals		
	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:						
Vehicle Sales and Use Tax	$ 91,547	$ 93,744	$ 2,197	$ 91,547	$ 93,744	$ 2,197
Interest	255	328	73	1,774	2,070	296
Reimbursement/ Miscellaneous	---	---	---	2	2	---
Total Revenues	91,802	94,072	2,270	93,323	95,816	2,493
Expenditures:						
Debt Service	123,101	94,600	28,501	221,163	192,662	28,501
Total Expenditures	123,101	94,600	28,501	221,163	192,662	28,501
Excess Revenues (Expenditures)	(31,299)	(528)	30,771	(127,840)	(96,846)	30,994
Other Financing Sources (Uses):						
Transfers In	---	---	---	88,957	88,690	(267)
Total Other Financing Sources (Uses)	---	---	---	88,957	88,690	(267)
Net Change in Fund Balances	(31,299)	(528)	30,771	(38,883)	(8,156)	30,727
Fund Balances - Beginning	18,762	18,762	---	120,169	120,169	---
Fund Balances - Ending	$ (12,537)	$ 18,234	$ 30,771	$ 81,286	$ 112,013	$ 30,727
Reconciling Items:						
Reclassifying Cash Equivalents as Investments		(15,000)			(91,944)	
Investments at Fair Value		15,023			92,051	
Invested Securities Lending Collateral		668			668	
Receivables, net		8,588			8,859	
Accounts Payable		(25)			(25)	
Securities Lending Obligation		(668)			(668)	
Deferred Revenues		---			(124)	
Fund Balances - GAAP Basis		$ 26,820			$ 120,830	

This schedule is continued from page 117.

*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:

Veterans' Homes Capital Improvement – Accounts for fees collected from the sale of bingo cards to be used for the construction or renovation of veterans' homes and cemeteries in the State.

Water Pollution Control – Accounts for bond sale proceeds to be used for the protection of the environment through the control of water pollution.

Board of Public Building Revenue Bond – Accounts for bond sale proceeds to be used for renovating state buildings and structures.

STATE OF MISSOURI
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUNDS
June 30, 2010
(In Thousands of Dollars)

	Veterans' Homes Capital Improvement	Water Pollution Control	Totals June 30, 2010
ASSETS			
Cash and Cash Equivalents	$ 3,512	$ 3,085	$ 6,597
Investments	13,833	14,037	27,870
Invested Securities Lending Collateral	1,782	---	1,782
Interest Receivable	22	58	80
Total Assets	$ 19,149	$ 17,180	$ 36,329
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	$ 51	$ ---	$ 51
Accrued Payroll	65	---	65
Due to Other Funds	6	---	6
Securities Lending Obligation	1,782	---	1,782
Deferred Revenue	10	27	37
Total Liabilities	1,914	27	1,941
Fund Balances:			
Unreserved	17,235	17,153	34,388
Total Fund Balances	17,235	17,153	34,388
Total Liabilities and Fund Balances	$ 19,149	$ 17,180	$ 36,329

NOTE: The Board of Public Building Revenue Bond is not included in the Capital Projects Funds Combining Balance Sheet because there were no assets, liabilities, or fund equity at June 30, 2010.

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, 2010
(In Thousands of Dollars)

	Veterans' Homes Capital Improvement	Water Pollution Control	Board of Public Building Revenue Bond	Totals June 30, 2010
Revenues:				
Contributions and Intergovernmental	$ 858	$ ---	$ ---	$ 858
Investment Earnings:				
Net Increase (Decrease) in the Fair Value of Investments	(21)	(177)	(13)	(211)
Interest	225	482	12	719
Cost Reimbursement/ Miscellaneous	---	37	---	37
Total Revenues	1,062	342	(1)	1,403
Expenditures:				
Current:				
General Government	32	---	---	32
Natural and Economic Resources	---	15,604	---	15,604
Transportation and Law Enforcement	3,721	---	---	3,721
Human Services	1	---	---	1
Capital Outlay:				
General Government	5	---	---	5
Transportation and Law Enforcement	3,857	---	---	3,857
Human Services	---	---	4	4
Total Expenditures	7,616	15,604	4	23,224
Excess Revenues (Expenditures)	(6,554)	(15,262)	(5)	(21,821)
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	1	---	---	1
Transfers In	6,000	---	---	6,000
Transfers Out	---	---	(2,108)	(2,108)
Total Other Financing Sources (Uses)	6,001	---	(2,108)	3,893
Net Change in Fund Balances	(553)	(15,262)	(2,113)	(17,928)
Fund Balances - Beginning	17,788	32,415	2,113	52,316
Fund Balances - Ending	$ 17,235	$ 17,153	$ ---	$ 34,388

*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.*

Permanent Funds:

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.

Missouri Investment Trust – Accounts for moneys transferred from the Missouri Arts Council Trust Fund, the Missouri Humanities Council Trust Fund, the Johnson-Travis Memorial Trust Fund, and the Secretary of State Wolfner Library Fund to be invested by the Missouri Investment Trust's Board of Trustees.

STATE OF MISSOURI
COMBINING BALANCE SHEET
PERMANENT FUNDS
June 30, 2010
(In Thousands of Dollars)

	Arrow Rock State Historic Site Endowment	Confederate Memorial Park	State Public School	Smith Memorial Endowment Trust	Totals June 30, 2010
ASSETS					
Cash and Cash Equivalents	$ 6	$ 35	$ 351	$ 74	$ 466
Investments	22	137	37,202	293	37,654
Invested Securities Lending Collateral	3	18	178	38	237
Interest Receivable	---	---	---	1	1
Total Assets	$ 31	$ 190	$ 37,731	$ 406	$ 38,358
LIABILITIES AND FUND BALANCES					
Liabilities:					
Securities Lending Obligation	$ 3	$ 18	$ 178	$ 38	$ 237
Total Liabilities	3	18	178	38	237
Fund Balances:					
Reserved for Trust Principal	27	75	37,553	365	38,020
Unreserved	1	97	---	3	101
Total Fund Balances	28	172	37,553	368	38,121
Total Liabilities and Fund Balances	$ 31	$ 190	$ 37,731	$ 406	$ 38,358

NOTE: The Missouri Investment Trust is not included in the Permanent Funds Combining Balance Sheet because there were no assets, liabilities, or fund equity at June 30, 2010.

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
PERMANENT FUNDS
For the Fiscal Year Ended June 30, 2010
(In Thousands of Dollars)

	Arrow Rock State Historic Site Endowment	Confederate Memorial Park	State Public School	Smith Memorial Endowment Trust	Missouri Investment Trust	Totals June 30, 2010
Revenues:						
Investment Earnings:						
Net Increase (Decrease) in the Fair Value of Investments	$ ---	$ ---	$ 906	$ ---	$ 1,642	$ 2,548
Interest	1	2	16	5	---	24
Penalties and Unclaimed Properties	---	---	1,758	---	---	1,758
Miscellaneous	---	---	1	---	---	1
Total Revenues	1	2	2,681	5	1,642	4,331
Expenditures:						
General Government	---	---	---	---	734	734
Human Services	---	---	---	31	---	31
Total Expenditures	---	---	---	31	734	765
Excess Revenues (Expenditures)	1	2	2,681	(26)	908	3,566
Other Financing Sources (Uses):						
Transfers Out	---	---	---	---	(21,206)	(21,206)
Total Other Financing Sources (Uses)	---	---	---	---	(21,206)	(21,206)
Net Change in Fund Balances	1	2	2,681	(26)	(20,298)	(17,640)
Fund Balances - Beginning	27	170	34,872	394	20,298	55,761
Fund Balances - Ending	$ 28	$ 172	$ 37,553	$ 368	$ ---	$ 38,121

STATE OF MISSOURI
COMBINING SCHEDULE 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, 2010
(In Thousands of Dollars)

	Arrow Rock State Historic Site Endowment			Confederate Memorial Park			State Public School			Smith Memorial Endowment Trust		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:												
Interest	$ ---	$ ---	$ ---	$ 2	$ 2	$ ---	$ ---	$ 17	$ 17	$ 10	$ 5	$ (5)
Penalties and Unclaimed Property	---	---	---	---	---	---	---	225	225	---	---	---
Reimbursement/ Miscellaneous	---	1	1	1	1	---	---	544	544	---	---	---
Total Revenues	---	1	1	3	3	---	---	786	786	10	5	(5)
Expenditures:												
Current:												
Human Services	---	---	---	---	---	---	---	---	---	35	31	4
Total Expenditures	---	---	---	---	---	---	---	---	---	35	31	4
Excess Revenues (Expenditures)	---	1	1	3	3	---	---	786	786	(25)	(26)	(1)
Other Financing Sources (Uses):												
Transfers In	---	---	---	---	---	---	1,533	1,533	---	---	---	---
Total Other Financing Sources (Uses)	---	---	---	---	---	---	1,533	1,533	---	---	---	---
Net Change in Fund Balances	---	1	1	3	3	---	1,533	2,319	786	(25)	(26)	(1)
Fund Balances - Beginning	27	27	---	168	168	---	19,600	19,600	---	392	392	---
Fund Balances - Ending	$ 27	$ 28	$ 1	$ 171	$ 171	$ ---	$ 21,133	$ 21,919	$ 786	$ 367	$ 366	$ (1)
Reconciling Items:												
Reclassifying Cash Equivalents as Investments		(22)			(136)			(21,568)			(292)	
Investments at Fair Value		22			137			37,202			293	
Invested Securities Lending Collateral		3			18			178			38	
Interest Receivable		---			---			---			1	
Securities Lending Obligation		(3)			(18)			(178)			(38)	
Fund Balance - GAAP Basis		$ 28			$ 172			$ 37,553			$ 368	

NOTE: The Missouri Investment Trust Fund is not presented on the budgetary comparison schedule because it is a non-appropriated fund and does not have a legally adopted budget.

This schedule is continued on page 125.

	Totals		
	Budget	Actual	Variance
Revenues:			
Interest	$ 12	$ 24	$ 12
Penalties and Unclaimed Property	---	225	225
Reimbursement/ Miscellaneous	1	546	545
Total Revenues	13	795	782
Expenditures:			
Current:			
Human Services	35	31	4
Total Expenditures	35	31	4
Excess Revenues (Expenditures)	(22)	764	786
Other Financing Sources (Uses):			
Transfers In	1,533	1,533	---
Total Other Financing Sources (Uses)	1,533	1,533	---
Net Change in Fund Balances	1,511	2,297	786
Fund Balances - Beginning	20,187	20,187	---
Fund Balances - Ending	$ 21,698	$ 22,484	$ 786

Reconciling Items:	
Reclassifying Cash Equivalents as Investments	(22,018)
Investments at Fair Value	37,654
Invested Securities Lending Collateral	237
Interest Receivable	1
Securities Lending Obligation	(237)
Fund Balance - GAAP Basis	$ 38,121

NOTE: The Missouri Investment Trust Fund is not presented on the budgetary comparison schedule because it is a non-appropriated fund and does not have a legally adopted budget.

This schedule is continued from page 124.

*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 ASSETS
NON-MAJOR ENTERPRISE FUNDS
June 30, 2010
(In Thousands of Dollars)

	State Fair Fees	State Parks	Natural Resources Revolving Services	Historic Preservation Revolving	Missouri Veterans' Homes	State Agency for Surplus Property	Department of Revenue Information	Totals June 30, 2010
ASSETS								
Current Assets:								
Cash and Cash Equivalents	$ 81	$ 6,586	$ 110	$ 455	$ 1,760	$ 481	$ 178	$ 9,651
Investments	318	25,955	433	1,790	7,065	1,895	711	38,167
Invested Securities Lending Collateral	41	3,343	56	231	910	244	90	4,915
Accounts Receivable, Net	---	96	---	---	177	178	101	552
Interest Receivable	---	---	---	3	15	3	---	21
Due from Other Funds	6	13	152	---	---	---	---	171
Inventories	1	546	491	---	377	---	---	1,415
Loans Receivable	---	---	---	632	---	---	---	632
Total Current Assets	447	36,539	1,242	3,111	10,304	2,801	1,080	55,524
Non-Current Assets:								
Capital Assets:								
Construction in Progress	---	6,983	---	---	13	1,750	---	8,746
Land	---	8,593	---	---	---	---	---	8,593
Land Improvements	76	7,160	---	---	66	191	---	7,493
Temporary Easements	---	50	---	---	---	---	---	50
Buildings	3	22,771	---	480	164	161	---	23,579
Equipment	404	12,212	17,309	32	5,464	1,375	204	37,000
Software	---	---	---	---	7	---	---	7
Less Accumulated Depreciation/Amortization	(400)	(23,691)	(11,647)	(172)	(3,084)	(1,187)	(169)	(40,350)
Total Non-Current Assets	83	34,078	5,662	340	2,630	2,290	35	45,118
Total Assets	530	70,617	6,904	3,451	12,934	5,091	1,115	100,642
LIABILITIES								
Current Liabilities:								
Accounts Payable	18	166	46	14	722	94	11	1,071
Accrued Payroll	52	95	3	7	1,651	29	18	1,855
Due to Other Funds	41	45	10	1	41	1	13	152
Securities Lending Obligation	41	3,343	56	231	910	244	90	4,915
Obligations Under Lease Purchase	---	---	50	---	---	---	---	50
Compensated Absences	23	160	5	12	2,089	39	32	2,360
Total Current Liabilities	175	3,809	170	265	5,413	407	164	10,403
Non-Current Liabilities:								
Obligations Under Lease Purchase	---	---	66	---	---	---	---	66
Compensated Absences	73	90	3	4	---	7	5	182
Total Non-Current Liabilities	73	90	69	4	---	7	5	248
Total Liabilities	248	3,899	239	269	5,413	414	169	10,651
NET ASSETS								
Invested in Capital Assets, Net of Related Debt	83	34,078	5,546	340	2,630	2,290	35	45,002
Unrestricted	199	32,640	1,119	2,842	4,891	2,387	911	44,989
Total Net Assets	$ 282	$ 66,718	$ 6,665	$ 3,182	$ 7,521	$ 4,677	$ 946	$ 89,991

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2010
(In Thousands of Dollars)

	State Fair Fees	State Parks	Natural Resources Revolving Services	Historic Preservation Revolving	Missouri Veterans' Homes	State Agency for Surplus Property	Department of Revenue Information	Totals June 30, 2010
Operating Revenues:								
Licenses, Fees, and Permits	$ 2,548	$ 5,023	$ 110	$ ---	$ ---	$ ---	$ ---	$ 7,681
Sales	---	628	116	---	218	2,038	1,262	4,262
Leases and Rentals	1,205	2,138	---	---	---	---	---	3,343
Charges for Services	---	---	---	---	26,177	---	---	26,177
Cost Reimbursement/Miscellaneous	---	426	3	127	132	189	11	888
Total Operating Revenues	3,753	8,215	229	127	26,527	2,227	1,273	42,351
Operating Expenses:								
Cost of Goods Sold	---	---	921	---	---	1,155	---	2,076
Personal Service	1,092	2,481	114	232	57,195	953	817	62,884
Operations	2,496	2,385	159	58	6,710	426	576	12,810
Inventories	15	---	32	3	5,734	4	59	5,847
Specific Programs	39	33	---	714	537	1	---	1,324
Depreciation/Amortization	21	1,780	1,106	9	405	175	13	3,509
Other Charges	178	212	6	5	91	5	36	533
Total Operating Expenses	3,841	6,891	2,338	1,021	70,672	2,719	1,501	88,983
Operating Income (Loss)	(88)	1,324	(2,109)	(894)	(44,145)	(492)	(228)	(46,632)
Non-Operating Revenues (Expenses):								
Contributions and Intergovernmental	136	498	1,079	(122)	44,530	441	(1)	46,561
Interest Expense	---	---	(6)	---	---	---	---	(6)
Investment Earnings:								
Net Increase (Decrease) in the Fair Value of Investments	---	(30)	(1)	(4)	(10)	(4)	(1)	(50)
Interest	2	---	---	32	135	27	---	196
Penalties and Unclaimed Properties	---	1	---	---	---	---	---	1
Disposal of Capital Assets	---	48	124	---	(119)	180	---	233
Total Non-Operating Revenues (Expenses)	138	517	1,196	(94)	44,536	644	(2)	46,935
Income (Loss) Before Transfers	50	1,841	(913)	(988)	391	152	(230)	303
Transfers In	---	---	---	738	11	---	---	749
Transfers Out	---	---	---	---	---	(20)	---	(20)
Change in Net Assets	50	1,841	(913)	(250)	402	132	(230)	1,032
Total Net Assets - Beginning	232	64,877	7,578	3,432	7,119	4,545	1,176	88,959
Total Net Assets - Ending	$ 282	$ 66,718	$ 6,665	$ 3,182	$ 7,521	$ 4,677	$ 946	$ 89,991

STATE OF MISSOURI
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2010
(In Thousands of Dollars)

	State Fair Fees	State Parks	Natural Resources Revolving Services	Historic Preservation Revolving	Missouri Veterans' Homes	State Agency for Surplus Property	Department of Revenue Information	Totals June 30, 2010
Cash Flows from Operating Activities:								
Receipts from Internal Customers and Users	$ 68	$ ---	$ ---	$ ---	$ ---	$ 372	$ ---	$ 440
Receipts from External Customers and Users	3,685	7,740	230	---	26,411	1,605	1,367	41,038
Payments to Suppliers	(2,502)	(2,539)	(1,088)	(61)	(12,298)	(1,663)	(630)	(20,781)
Payments to Employees	(1,088)	(2,271)	(117)	(237)	(57,361)	(948)	(818)	(62,840)
Payments Made for Program Expense	(39)	(33)	---	(714)	(537)	(1)	---	(1,324)
Other Receipts (Payments)	(178)	214	(3)	122	41	184	(25)	355
Net Cash Provided (Used) by Operating Activities	(54)	3,111	(978)	(890)	(43,744)	(451)	(106)	(43,112)
Cash Flows from Non-Capital Financing Activities:								
Loans Made to Outside Entities	---	---	---	(112)	---	---	---	(112)
Due to/from Other Funds	(3)	26	(68)	1	27	1	5	(11)
Contributions and Intergovernmental	136	498	1,079	(122)	44,518	---	(1)	46,108
Transfers to/from Other Funds	---	---	---	738	11	(20)	---	729
Net Cash Provided (Used) by Non-Capital Financing Activities	133	524	1,011	505	44,556	(19)	4	46,714
Cash Flows from Capital and Related Financing Activities:								
Interest Expense	---	---	(6)	---	---	---	---	(6)
Purchases and Construction of Capital Assets	(8)	(1,838)	---	---	(1,051)	---	(36)	(2,933)
Capital Lease Downpayment/Obligations	---	---	(94)	---	---	---	---	(94)
Disposal of Capital Assets	---	---	38	---	---	109	---	147
Net Cash Provided (Used) by Capital and Related Financing Activities	(8)	(1,838)	(62)	---	(1,051)	109	(36)	(2,886)
Cash Flows from Investing Activities:								
Proceeds from Investment Maturities	---	---	46	381	396	369	157	1,349
Purchase of Investments	(46)	(209)	---	---	---	---	---	(255)
Interest and Dividends Received	3	---	---	39	161	35	---	238
Penalties and Other Receipts	---	1	---	---	---	---	---	1
Net Cash Provided (Used) by Investing Activities	(43)	(208)	46	420	557	404	157	1,333
Net Increase (Decrease) in Cash	28	1,589	17	35	318	43	19	2,049
Cash and Cash Equivalents, Beginning of Year	53	4,997	93	420	1,442	438	159	7,602
Cash and Cash Equivalents, End of Year	$ 81	$ 6,586	$ 110	$ 455	$ 1,760	$ 481	$ 178	$ 9,651
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:								
Operating Income (Loss)	$ (88)	$ 1,324	$ (2,109)	$ (894)	$ (44,145)	$ (492)	$ (228)	$ (46,632)
Depreciation/Amortization Expense	21	1,780	1,106	9	405	175	13	3,509
Changes in Assets and Liabilities:								
Accounts Receivable	---	(49)	4	---	16	(61)	105	15
Inventories	---	(154)	6	---	(214)	---	---	(362)
Accounts Payable	9	---	18	---	360	(78)	5	314
Accrued Payroll	2	36	(1)	---	(66)	3	(2)	(28)
Compensated Absences	2	174	(2)	(5)	(100)	2	1	72
Net Cash Provided (Used) by Operating Activities	$ (54)	$ 3,111	$ (978)	$ (890)	$ (43,744)	$ (451)	$ (106)	$ (43,112)
Non-Cash Financing and Investing Activities:								
Capital Asset Donations	$ ---	$ ---	$ ---	$ ---	$ 12	$ 441	$ ---	$ 453
Increase (Decrease) in Fair Value of Investments	---	(30)	(1)	(4)	(10)	(4)	(1)	(50)
Net Non-Cash Financing and Investing Activities	$ ---	$ (30)	$ (1)	$ (4)	$ 2	$ 437	$ (1)	$ 403

*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 ASSETS
INTERNAL SERVICE FUNDS
June 30, 2010
(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	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, 2010
ASSETS															
Current Assets:															
Cash and Cash Equivalents	$ 393	$ 837	$ 820	$ 1,132	$ 2,915	$ 2,823	$ 101	$ 69	$ 41	$ 960	$ 5,624	$ ---	$ 78,215	$ 9,318	$ 103,248
Investments	1,551	3,297	3,232	8,266	11,482	11,121	399	271	160	5,179	43,369	3,103	33,813	19,923	145,166
Invested Securities Lending Collateral	200	425	416	1,065	1,479	1,432	51	35	21	---	---	---	---	---	5,124
Accounts Receivable, Net	---	---	---	2,223	802	27,901	---	---	---	591	---	1,143	4,261	1,926	38,847
Interest Receivable	---	---	---	---	---	---	---	---	---	20	350	---	---	181	551
Due from Other Funds	---	117	12,007	3,405	1,125	29	461	6	---	---	---	---	---	---	17,150
Inventories	2	16	6,669	682	8,551	---	112	2	12	---	---	---	---	---	16,046
Prepaid Items	---	---	---	---	---	---	---	---	---	---	---	---	143	---	143
Total Current Assets	2,146	4,692	23,144	16,773	26,354	43,306	1,124	383	234	6,750	49,343	4,246	116,432	31,348	326,275
Non-Current Assets:															
Investments	---	---	---	---	---	---	---	---	---	---	20,692	---	---	13,129	33,821
Restricted Assets:															
Cash and Cash Equivalents	---	---	1,002	981	---	---	---	---	---	---	---	---	---	---	1,983
Investments	---	---	---	---	---	---	---	---	---	---	200	---	---	100	300
Capital Assets:															
Construction in Progress	---	---	108,551	1,516	61	---	---	---	---	---	---	---	---	---	110,128
Software in Progress	74	603	---	9	---	3,235	---	---	---	---	---	---	---	---	3,921
Land	---	---	7,681	---	41	---	---	---	---	---	---	---	---	---	7,722
Land Improvements	---	---	3,052	---	62	---	---	---	---	---	---	---	---	---	3,114
Buildings	4,749	---	459,702	2,321	6,835	---	---	---	2,300	---	---	---	---	---	475,907
Equipment	5,578	2,538	12,535	36,882	25,554	2,090	120	479	1,879	---	---	---	2,869	---	90,524
Software	703	---	12	826	---	---	---	3	---	---	---	---	---	---	1,544
Less Accumulated Depreciation/Amortization	(6,186)	(2,376)	(181,161)	(30,777)	(26,611)	(1,096)	(120)	(422)	(2,538)	---	---	---	(2,404)	---	(253,691)
Total Non-Current Assets	4,918	765	411,374	11,758	5,942	4,229	---	60	1,641	---	20,892	---	465	13,229	475,273
Total Assets	7,064	5,457	434,518	28,531	32,296	47,535	1,124	443	1,875	6,750	70,235	4,246	116,897	44,577	801,548
LIABILITIES															
Current Liabilities:															
Bank Overdraft	---	---	---	---	---	---	---	---	---	---	---	2	---	---	2
Accounts Payable	89	58	4,696	3,089	55	1,001	178	12	116	73	64	3,460	20,212	2,839	35,942
Accrued Payroll	267	14	994	357	264	40	---	36	131	---	---	---	---	---	2,103
Due to Other Funds	74	---	39	1	125	116	81	6	31	---	---	---	---	---	473
Securities Lending Obligation	200	425	416	1,065	1,479	1,432	51	35	21	---	---	---	---	---	5,124
Unearned Revenue	---	---	---	81	---	---	---	---	---	20	---	---	15,971	7,704	23,776
Claims Liability	---	---	---	---	---	---	---	---	---	1,245	18,869	---	41,317	11,800	73,231
Obligations under Lease Purchase	348	---	1,158	1,505	---	---	---	---	---	---	---	---	---	---	3,011
Compensated Absences	551	5	1,790	663	540	65	---	69	234	---	---	---	12	---	3,929
Total Current Liabilities	1,529	502	9,093	6,761	2,463	2,654	310	158	533	1,338	18,933	3,462	77,512	22,343	147,591
Non-Current Liabilities:															
Claims Liability	---	---	---	---	---	---	---	---	---	---	62,692	---	---	---	62,692
Obligations under Lease Purchase	1,401	---	34,327	1,281	---	---	---	---	---	---	---	---	---	---	37,009
Compensated Absences	64	---	653	218	161	---	---	---	42	---	---	---	206	---	1,344
Total Non-Current Liabilities	1,465	---	34,980	1,499	161	---	---	---	42	---	62,692	---	206	---	101,045
Total Liabilities	2,994	502	44,073	8,260	2,624	2,654	310	158	575	1,338	81,625	3,462	77,718	22,343	248,636
NET ASSETS															
Invested in Capital Assets, Net of Related Debt	3,169	765	374,887	7,991	5,942	4,229	---	60	1,641	---	---	---	465	---	399,149
Restricted for:															
Revenue Bonds	---	---	1,002	---	---	---	---	---	---	---	---	---	---	---	1,002
Other Purposes	---	---	---	981	---	---	---	---	---	---	200	---	---	100	1,281
Unrestricted	901	4,190	14,556	11,299	23,730	40,652	814	225	(341)	5,412	(11,590)	784	38,714	22,134	151,480
Total Net Assets	$ 4,070	$ 4,955	$ 390,445	$ 20,271	$ 29,672	$ 44,881	$ 814	$ 285	$ 1,300	$ 5,412	$ (11,390)	$ 784	$ 39,179	$ 22,234	$ 552,912

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2010
(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	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, 2010
Operating Revenues:															
Employer Contributions	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ 10,580	$ 18,700	$ ---	$ 372,594	$ 82,187	$ 484,061
Employee Contributions	---	---	---	---	---	---	---	---	---	5,837	---	98,242	73,309	30,868	208,256
Medicare Part D Subsidy	---	---	---	---	---	---	---	---	---	266	---	---	---	3,272	3,538
Licenses, Fees, and Permits	---	---	---	---	---	19,254	---	1	6,185	---	---	---	---	---	25,440
Sales	---	---	---	---	31,382	14	9	---	---	---	---	---	---	---	31,405
Leases and Rentals	---	---	85,130	---	120	11	---	---	---	---	---	---	---	---	85,261
Charges for Services	15,054	7,293	3,934	70,213	---	---	5,616	1,430	---	---	---	---	---	---	103,540
Cost Reimbursement/Miscellaneous	41	201	107	2,315	2	47	---	157	4	501	320	1,039	---	2,161	6,895
Total Operating Revenues	15,095	7,494	89,171	72,528	31,504	19,326	5,625	1,588	6,189	17,184	19,020	99,281	445,903	118,488	948,396
Operating Expenses:															
Cost of Goods Sold	---	---	---	8,908	12,616	---	---	---	---	---	---	---	---	---	21,524
Personal Service	8,974	352	27,927	12,502	9,738	1,369	---	1,502	4,605	---	---	654	3,365	---	70,988
Operations	3,727	265	83,067	47,919	4,555	13,646	5,585	517	1,315	1,985	630	164	19,063	7,373	189,811
Inventories	109	19	91	44	2,232	10	---	30	51	---	---	---	---	---	2,586
Specific Programs	30	4,134	490	---	17	2,648	---	2	4	---	---	---	---	---	7,325
Insurance Benefits	---	---	---	---	---	---	---	---	---	13,854	31,337	98,221	405,742	105,857	655,011
Depreciation/Amortization	1,144	148	11,797	6,310	1,009	675	13	45	296	---	---	---	454	---	21,891
Other Charges	112	---	117	74	1,504	114	---	10	78	13	---	---	---	16	2,038
Total Operating Expenses	14,096	4,918	123,489	75,757	31,671	18,462	5,598	2,106	6,349	15,852	31,967	99,039	428,624	113,246	971,174
Operating Income (Loss)	999	2,576	(34,318)	(3,229)	(167)	864	27	(518)	(160)	1,332	(12,947)	242	17,279	5,242	(22,778)
Non-Operating Revenues (Expenses):															
Contributions and Intergovernmental	45	---	(384)	---	---	28	---	673	---	---	---	---	---	88	450
Interest Expense	(74)	---	(34)	(84)	---	---	---	---	---	---	---	---	---	---	(192)
Investment Earnings:															
Net Increase (Decrease) in the Fair Value of Investments	---	4	(4)	(22)	(8)	(41)	---	---	---	(3)	(55)	---	---	129	---
Interest	---	---	2	---	---	---	---	---	---	138	2,118	10	1,105	1,051	4,424
Penalties and Unclaimed Properties	1	---	---	---	---	---	---	---	---	---	---	---	---	---	1
Disposal of Capital Assets	4	(10)	(3,767)	(2)	---	---	---	---	(1)	---	---	---	---	---	(3,776)
Total Non-Operating Revenues (Expenses)	(24)	(6)	(4,187)	(108)	(8)	(13)	---	673	(1)	135	2,063	10	1,105	1,268	907
Income (Loss) Before Transfers	975	2,570	(38,505)	(3,337)	(175)	851	27	155	(161)	1,467	(10,884)	252	18,384	6,510	(21,871)
Capital Contributions	---	---	---	76	---	---	---	---	---	---	---	---	---	---	76
Transfers In	---	---	22	235	---	---	---	---	---	---	---	---	---	---	257
Transfers Out	---	---	---	(448)	---	---	(53)	(235)	(1)	(13)	---	---	---	---	(750)
Change in Net Assets	975	2,570	(38,483)	(3,474)	(175)	798	(208)	154	(174)	1,467	(10,884)	252	18,384	6,510	(22,288)
Total Net Assets - Beginning	3,095	2,385	428,928	23,745	29,847	44,083	1,022	131	1,474	3,945	(506)	532	20,795	15,724	575,200
Total Net Assets - Ending	$ 4,070	$ 4,955	$ 390,445	$ 20,271	$ 29,672	$ 44,881	$ 814	$ 285	$ 1,300	$ 5,412	$ (11,390)	$ 784	$ 39,179	$ 22,234	$ 552,912

STATE OF MISSOURI
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2010
(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	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, 2010
Cash Flows from Operating Activities:															
Receipts from Internal Customers and Users	$ 15,054	$ 6,963	$ 89,064	$ 66,584	$ 19,737	$ 142	$ 5,616	$ 1,420	$ 6,185	$ 10,603	$ 18,700	$ ---	$ 380,839	$ 82,187	$ 703,094
Receipts from External Customers and Users	---	330	---	21	11,494	13,289	9	11	---	6,103	---	98,257	73,309	33,935	236,758
Payments to Suppliers	(3,853)	(248)	(80,714)	(57,319)	(17,326)	(14,280)	(5,441)	(564)	(1,327)	(1,994)	(765)	31	(18,196)	(7,525)	(209,521)
Payments to Employees	(9,176)	(333)	(27,315)	(12,532)	(9,725)	(1,390)	---	(1,538)	(4,626)	---	---	(654)	(3,404)	---	(70,693)
Payments Made for Program Expense	(30)	(4,134)	(490)	---	(17)	(2,648)	---	(2)	(4)	(14,276)	(18,552)	(98,221)	(410,461)	(106,057)	(654,892)
Other Receipts (Payments)	(71)	201	(10)	2,241	(1,502)	(67)	---	147	(74)	488	320	1,039	---	2,145	4,857
Net Cash Provided (Used) by Operating Activities	1,924	2,779	(19,465)	(1,005)	2,661	(4,954)	184	(526)	154	924	(297)	452	22,087	4,685	9,603
Cash Flows from Non-Capital Financing Activities:															
Due to/from Other Funds	10	18	5,521	1,146	769	(25)	122	5	6	---	---	---	---	---	7,572
Contibutions and Intergovernmental	45	---	(384)	---	---	28	---	673	---	---	---	---	---	88	450
Transfers to/from Other Funds	---	---	22	(213)	---	(53)	(235)	(1)	(13)	---	---	---	---	---	(493)
Net Cash Provided (Used) by Non-Capital Financing Activities	55	18	5,159	933	769	(50)	(113)	677	(7)	---	---	---	---	88	7,529
Cash Flows from Capital and Related Financing Activities:															
Interest Expense	(74)	---	(34)	(84)	---	---	---	---	---	---	---	---	---	---	(192)
Purchase and Construction of Capital Assets	(993)	---	---	---	(930)	(3,248)	---	(5)	(212)	---	---	---	(328)	---	(5,716)
Capital Lease Downpayment/Obligations	(390)	---	(2,133)	(4,094)	---	---	---	---	---	---	---	---	---	---	(6,617)
Disposal of Capital Assets	---	---	15,279	114	---	---	---	---	---	---	---	---	---	---	15,393
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,457)	---	13,112	(4,064)	(930)	(3,248)	---	(5)	(212)	---	---	---	(328)	---	2,868
Cash Flows from Investing Activities:															
Proceeds from Sales and Investment Maturities	---	---	1,078	3,207	---	7,476	---	---	63	---	47,810	662,331	---	18,100	740,065
Purchase of Investments	(360)	(2,176)	---	---	(1,512)	---	(39)	(108)	---	(1,161)	(54,335)	(662,792)	(2,281)	(24,115)	(748,879)
Interest and Dividends Received	---	---	4	---	---	---	---	---	---	134	2,088	10	1,105	1,020	4,361
Investment Fees	---	---	---	---	---	---	---	---	---	---	---	---	---	(31)	(31)
Penalties and Other Receipts	1	---	---	---	---	---	---	---	---	---	---	---	---	---	1
Net Cash Provided (Used) by Investing Activities	(359)	(2,176)	1,082	3,207	(1,512)	7,476	(39)	(108)	63	(1,027)	(4,437)	(451)	(1,176)	(5,026)	(4,483)
Net Increase (Decrease) in Cash	163	621	(112)	(929)	988	(776)	32	38	(2)	(103)	(4,734)	1	20,583	(253)	15,517
Cash and Cash Equivalents, Beginning of Year	230	216	1,934	3,042	1,927	3,599	69	31	43	1,063	10,358	(3)	57,632	9,571	89,712
Cash and Cash Equivalents, End of Year	$ 393	$ 837	$ 1,822	$ 2,113	$ 2,915	$ 2,823	$ 101	$ 69	$ 41	$ 960	$ 5,624	$ (2)	$ 78,215	$ 9,318	$ 105,229
Reconciliation of Operating Income (Loss) of Net Cash Provided (Used) by Operating Activities:															
Operating Income (Loss)	$ 999	$ 2,576	$ (34,318)	$ (3,229)	$ (167)	$ 864	$ 27	$ (518)	$ (160)	$ 1,332	$ (12,947)	$ 242	$ 17,279	$ 5,242	$ (22,778)
Depreciation/Amortization Expense	1,144	148	11,797	6,310	1,009	675	13	45	296	---	---	---	454	---	21,891
Changes in Assets and Liabilities:															
Accounts Receivable	---	---	---	(1,719)	(271)	(5,848)	---	---	---	3	---	15	3,670	(156)	(4,306)
Inventories	7	---	(1,061)	247	2,081	---	(6)	---	---	---	---	---	---	---	1,268
Prepaid Items	---	---	---	---	---	---	---	---	---	---	---	---	(10)	---	(10)
Accounts Payable	(24)	36	3,505	(695)	(4)	(624)	150	(17)	39	(9)	(135)	195	877	(152)	3,142
Accrued Payroll	(12)	14	205	(6)	(12)	(4)	---	(14)	(9)	---	---	---	---	---	162
Unearned Revenue	---	---	---	(1,889)	---	---	---	---	---	20	---	---	4,575	(49)	2,657
Claims Liability	---	---	---	---	---	---	---	---	---	(422)	12,785	---	(4,719)	(200)	7,444
Compensated Absences	(190)	5	407	(24)	25	(17)	---	(22)	(12)	---	---	---	(39)	---	133
Net Cash Provided (Used) by Operating Activities	$ 1,924	$ 2,779	$ (19,465)	$ (1,005)	$ 2,661	$ (4,954)	$ 184	$ (526)	$ 154	$ 924	$ (297)	$ 452	$ 22,087	$ 4,685	$ 9,603
Non-Cash Financing and Investing Activities:															
Capital Lease Issuance	$ ---	$ ---	$ ---	$ 3,018	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ 3,018
Capital Asset Donations	45	---	22	155	---	---	---	---	---	---	---	---	---	---	222
Increase (Decrease) in Fair Value of Investments	---	4	(4)	(22)	(8)	(41)	---	---	---	(3)	(55)	---	---	129	---
Net Non-Cash Financing and Investing Activities	$ 45	$ 4	$ 18	$ 3,151	$ (8)	$ (41)	$ ---	$ ---	$ ---	$ (3)	$ (55)	$ ---	$ ---	$ 129	$ 3,240

*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 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 ASSETS
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS
June 30, 2010
(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	Deferred Compensation		Totals
	Missouri State Employees' Plan	Judicial Plan			401 (a) Plan	457 Plan	June 30, 2010
ASSETS							
Cash and Cash Equivalents	$ 623,682	$ 7,187	$ 210	$ 2,716	$ 110	$ 383	$ 634,288
Investments at Fair Value	6,128,664	70,628	1,299,366	66,240	342,031	1,023,036	8,929,965
Invested Securities Lending Collateral	190,445	2,195	44,655	---	---	---	237,295
Receivables:							
Accounts Receivable	44,048	1,530	3,264	17,809	219	722	67,592
Interest Receivable	---	---	87,201	---	---	---	87,201
Prepaid Expenses	50	1	5	---	---	---	56
Capital Assets:							
Land	264	3	84	---	---	---	351
Buildings	3,512	40	582	---	---	---	4,134
Equipment	1,804	21	3,054	---	---	---	4,879
Accumulated Depreciation/ Amortization	(2,426)	(27)	(443)	---	---	---	(2,896)
Total Capital Assets, Net	3,154	37	3,277	---	---	---	6,468
Total Assets	6,990,043	81,578	1,437,978	86,765	342,360	1,024,141	9,962,865
LIABILITIES							
Accounts Payable	61,883	713	79,274	113	62	186	142,231
Securities Lending Obligation	200,018	2,305	45,987	---	---	---	248,310
Unearned Revenue	---	---	---	3,655	---	---	3,655
Claims Liability	---	---	---	9,802	---	---	9,802
Compensated Absences	519	6	---	---	---	---	525
Total Liabilities	262,420	3,024	125,261	13,570	62	186	404,523
Net Assets Held in Trust for Benefits	$ 6,727,623	$ 78,554	$ 1,312,717	$ 73,195	$ 342,298	$ 1,023,955	$ 9,558,342

STATE OF MISSOURI
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS
For the Fiscal Year Ended June 30, 2010
(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	Deferred Compensation		Totals
	Missouri State Employees' Plan	Judicial Plan			401 (a) Plan	457 Plan	June 30, 2010
Additions:							
Contributions:							
Employer	$ 251,226	$ 27,029	$ 124,053	$ 82,720	$ 10,690	$ ---	$ 495,718
Plan Member	3,577	---	---	50,658	---	58,493	112,728
Other	10	---	424	---	28,089	317	28,840
Total Contributions	254,813	27,029	124,477	133,378	38,779	58,810	637,286
Investment Earnings:							
Increase (Decrease) in Appreciation of Assets	877,591	10,114	163,585	---	13,343	77,703	1,142,336
Interest and Dividends	69,573	802	20,810	3,421	5,327	---	99,933
Securities Lending Income	1,545	18	169	---	---	---	1,732
Total Investment Earnings	948,709	10,934	184,564	3,421	18,670	77,703	1,244,001
Less Investment Expenses:							
Investment Activity Expense	(88,456)	(1,019)	(18,067)	---	---	---	(107,542)
Securities Lending Expense	(355)	(4)	(191)	---	---	---	(550)
Total Investment Expense	(88,811)	(1,023)	(18,258)	---	---	---	(108,092)
Net Investment Earnings	859,898	9,911	166,306	3,421	18,670	77,703	1,135,909
Cost Reimbursement/ Miscellaneous	640	7	33	---	---	---	680
Total Additions	1,115,351	36,947	290,816	136,799	57,449	136,513	1,773,875
Deductions:							
Benefits	543,284	24,231	196,721	104,628	21,623	---	890,487
Administrative Expenses	6,858	79	2,394	7,628	629	1,131	18,719
Program Distributions	---	---	---	---	---	62,071	62,071
Service Transfer Payments	463	---	---	---	---	---	463
Depreciation/Amortization	210	2	118	---	---	---	330
Total Deductions	550,815	24,312	199,233	112,256	22,252	63,202	972,070
Change in Net Assets	564,536	12,635	91,583	24,543	35,197	73,311	801,805
Net Assets Held in Trust for Benefits Beginning of Year	6,163,087	65,919	1,221,134	48,652	307,101	950,644	8,756,537
End of Year	$ 6,727,623	$ 78,554	$ 1,312,717	$ 73,195	$ 342,298	$ 1,023,955	$ 9,558,342

STATE OF MISSOURI
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE-PURPOSE TRUST FUNDS
June 30, 2010
(In Thousands of Dollars)

	Alternative Care Trust	Johnson-Travis Memorial Trust	Unclaimed Property	Totals June 30, 2010
ASSETS				
Cash and Cash Equivalents	$ 812	$ 157	$ 2,435	$ 3,404
Investments at Fair Value	3,200	680	9,589	13,469
Invested Securities Lending Collateral	412	80	1,235	1,727
Interest Receivable	6	1	---	7
Inventories	---	---	2	2
Capital Assets:				
Equipment	---	---	85	85
Software	---	---	9	9
Less: Accumulated Depreciation/Amortization	---	---	(53)	(53)
Total Capital Assets, Net	---	---	41	41
Total Assets	4,430	918	13,302	18,650
LIABILITIES				
Accounts Payable	787	---	10	797
Accrued Payroll	---	---	20	20
Securities Lending Obligation	412	80	1,235	1,727
Unearned Revenue	2	---	---	2
Compensated Absences	---	---	36	36
Total Liabilities	1,201	80	1,301	2,582
NET ASSETS				
Net Assets Held in Trust for Other Purposes	$ 3,229	$ 838	$ 12,001	$ 16,068

STATE OF MISSOURI
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE-PURPOSE TRUST FUNDS
For the Fiscal Year Ended June 30, 2010
(In Thousands of Dollars)

	Alternative Care Trust	Johnson-Travis Memorial Trust	Unclaimed Property	Totals June 30, 2010
Additions:				
Increase (Decrease) in Appreciation of Assets	$ (5)	$ 10	$ 10	$ 15
Interest	47	8	---	55
Total Investment Earnings	42	18	10	70
Unclaimed Property	---	---	43,647	43,647
Cost Reimbursement/Miscellaneous	11,450	734	1	12,185
Total Additions	11,492	752	43,658	55,902
Deductions:				
Administrative Expenses	---	---	2,460	2,460
Program Distributions	11,486	---	33,675	45,161
Depreciation/Amortization	---	---	25	25
Total Deductions	11,486	---	36,160	47,646
Change in Net Assets	6	752	7,498	8,256
Net Assets - Beginning	3,223	86	4,503	7,812
Net Assets - Ending	$ 3,229	$ 838	$ 12,001	$ 16,068

STATE OF MISSOURI
COMBINING BALANCE SHEET
AGENCY FUNDS
June 30, 2010
(In Thousands of Dollars)

	Social Security Contributions	Missouri State Employees' Voluntary Life Insurance	Program	Institution	Totals June 30, 2010
ASSETS					
Cash and Cash Equivalents	$ 26	$ 34	$ 22,920	$ 29,043	$ 52,023
Investments at Fair Value	81	132	438,929	1,455	440,597
Invested Securities Lending Collateral	10	17	267	---	294
Receivables:					
Accounts Receivable	6,167	---	225,263	331	231,761
Interest Receivable	---	---	37	---	37
Total Assets	$ 6,284	$ 183	$ 687,416	$ 30,829	$ 724,712
LIABILITIES					
Accounts Payable	$ ---	$ ---	$ 31	$ ---	$ 31
Due to Other Entities	6,274	166	682,700	---	689,140
Due to Individuals	---	---	4,418	30,829	35,247
Securities Lending Obligation	10	17	267	---	294
Total Liabilities	$ 6,284	$ 183	$ 687,416	$ 30,829	$ 724,712

STATE OF MISSOURI
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2010
(In Thousands of Dollars)

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
SOCIAL SECURITY CONTRIBUTIONS				
ASSETS				
Cash and Cash Equivalents	$ 10	$ 154,022	$ 154,006	$ 26
Investments at Fair Value	92	81	92	81
Invested Securities Lending Collateral	1	10	1	10
Accounts Receivable	6,448	6,167	6,448	6,167
Total Assets	$ 6,551	$ 160,280	$ 160,547	$ 6,284
LIABILITIES				
Due to Other Entities	$ 6,550	$ 467,257	$ 467,533	$ 6,274
Securities Lending Obligation	1	10	1	10
Total Liabilities	$ 6,551	$ 467,267	$ 467,534	$ 6,284
MISSOURI STATE EMPLOYEES' VOLUNTARY LIFE INSURANCE				
ASSETS				
Cash and Cash Equivalents	$ 14	$ 4,047	$ 4,027	$ 34
Investments at Fair Value	140	132	140	132
Invested Securities Lending Collateral	2	17	2	17
Total Assets	$ 156	$ 4,196	$ 4,169	$ 183
LIABILITIES				
Due to Other Entities	$ 154	$ 4,061	$ 4,049	$ 166
Securities Lending Obligation	2	17	2	17
Total Liabilities	$ 156	$ 4,078	$ 4,051	$ 183
PROGRAM				
ASSETS				
Cash and Cash Equivalents	$ 42,987	$ 5,937,043	$ 5,957,110	$ 22,920
Investments at Fair Value	395,129	588,555	544,755	438,929
Invested Securities Lending Collateral	33	267	33	267
Receivables:				
Accounts Receivable	231,203	7,707	13,647	225,263
Interest Receivable	37	247	247	37
Total Assets	$ 669,389	$ 6,533,819	$ 6,515,792	$ 687,416
LIABILITIES				
Accounts Payable	$ 29	$ 372	$ 370	$ 31
Due to Other Entities	664,380	6,257,580	6,239,260	682,700
Due to Individuals	4,947	276,022	276,551	4,418
Securities Lending Obligation	33	267	33	267
Total Liabilities	$ 669,389	$ 6,534,241	$ 6,516,214	$ 687,416
INSTITUTION				
ASSETS				
Cash and Cash Equivalents	$ 29,325	$ 161,777	$ 162,059	$ 29,043
Investments at Fair Value	1,448	118	111	1,455
Accounts Receivable	309	145	123	331
Total Assets	$ 31,082	$ 162,040	$ 162,293	$ 30,829
LIABILITIES				
Due to Individuals	$ 31,082	$ 162,040	$ 162,293	$ 30,829
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash and Cash Equivalents	$ 72,336	$ 6,256,889	$ 6,277,202	$ 52,023
Investments at Fair Value	396,809	588,886	545,098	440,597
Invested Securities Lending Collateral	36	294	36	294
Receivables:				
Accounts Receivable	237,960	14,019	20,218	231,761
Interest Receivable	37	247	247	37
Total Assets	$ 707,178	$ 6,860,335	$ 6,842,801	$ 724,712
LIABILITIES				
Accounts Payable	$ 29	$ 372	$ 370	$ 31
Due to Other Entities	671,084	6,728,898	6,710,842	689,140
Due to Individuals	36,029	438,062	438,844	35,247
Securities Lending Obligation	36	294	36	294
Total Liabilities	$ 707,178	$ 7,167,626	$ 7,150,092	$ 724,712

*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 ASSETS
NON-MAJOR COMPONENT UNITS
June 30, 2010
(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, 2010
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 9,866	$ 832	$ 5,949	$ 221	$ 16,868
Investments	8,277	1,080	4,979	868	15,204
Invested Securities Lending Collateral	---	4	---	112	116
Interest Receivable	92	9	1,453	2	1,556
Inventories	---	---	---	1	1
Prepaid Items	387	---	---	---	387
Loans Receivable	300	827	10,636	---	11,763
Total Current Assets	18,922	2,752	23,017	1,204	45,895
Non-Current Assets:					
Advance to Primary Government	---	---	3,773	---	3,773
Deferred Charges	194	---	---	---	194
Loans Receivable	41,163	4,589	60,479	---	106,231
Interest Rate Cap Agreement	70	---	---	---	70
Restricted Assets:					
Cash and Cash Equivalents	16,742	1,411	1,474	---	19,627
Investments	8,002	1,663	2,555	---	12,220
Capital Assets:					
Land	7,220	---	---	---	7,220
Buildings	47,224	---	---	---	47,224
Equipment	181	---	---	---	181
Software	15	---	---	---	15
Less Accumulated Depreciation/ Amortization	(6,114)	---	---	---	(6,114)
Total Non-Current Assets	114,697	7,663	68,281	---	190,641
Total Assets	133,619	10,415	91,298	1,204	236,536
LIABILITIES					
Current Liabilities:					
Accounts Payable	414	10	1	4	429
Accrued Payroll	---	---	---	7	7
Bonds Payable	255	---	---	---	255
Due to Primary Government	---	968	---	---	968
Interest Payable	40	57	---	---	97
Securities Lending Obligation	---	4	---	112	116
Compensated Absences	---	---	---	23	23
Total Current Liabilities	709	1,039	1	146	1,895
Non-Current Liabilities:					
Advance from Primary Government	---	4,662	---	---	4,662
Deposits and Reserves	4,914	---	---	---	4,914
Bonds Payable	39,350	---	---	---	39,350
Unearned Revenue	943	---	---	---	943
Total Non-Current Liabilities	45,207	4,662	---	---	49,869
Total Liabilities	45,916	5,701	1	146	51,764
NET ASSETS					
Invested in Capital Assets, Net	17,921	---	---	---	17,921
Restricted for:					
Other Purposes	24,744	3,074	78,998	---	106,816
Unrestricted	45,038	1,640	12,299	1,058	60,035
Total Net Assets	$ 87,703	$ 4,714	$ 91,297	$ 1,058	$ 184,772

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
NON-MAJOR COMPONENT UNITS
For the Fiscal Year Ended June 30, 2010
(In Thousands of Dollars)

	Missouri Development Finance Board	Missouri Agricultural and Small Business Development Authority	Missouri Transportatior Finance Corporation	Missouri Wine and Grape Board	Totals June 30, 2010
Operating Revenues:					
Licenses, Fees, and Permits	$ 3,875	$ 192	$ 29	$ ---	$ 4,096
Interest on Receivables	289	---	2,056	---	2,345
Leases and Rentals	2,769	---	---	---	2,769
Cost Reimbursement/Miscellaneous	1,229	---	---	28	1,257
Total Operating Revenues	8,162	192	2,085	28	10,467
Operating Expenses:					
Personal Service	809	405	49	260	1,523
Operations	1,379	127	11	1,264	2,781
Inventories	---	---	---	3	3
Specific Programs	1,664	1,280	---	10	2,954
Depreciation/Amortization	1,233	---	---	---	1,233
Other Charges	68	7	2	10	87
Total Operating Expenses	5,153	1,819	62	1,547	8,581
Operating Income (Loss)	3,009	(1,627)	2,023	(1,519)	1,886
Non-Operating Revenues (Expenses):					
Contributions and Intergovernmental	10,000	1,311	---	1,436	12,747
Investment Earnings:					
Increase (Decrease) in Fair Value of Investments	---	29	(742)	1	(712)
Interest	307	288	1,118	15	1,728
Interest Expense	(511)	(96)	---	---	(607)
Miscellaneous Expenses	(35)	---	(35)	---	(70)
Total Non-Operating Revenues (Expenses)	9,761	1,532	341	1,452	13,086
Change in Net Assets	12,770	(95)	2,364	(67)	14,972
Total Net Assets - Beginning	74,933	4,809	88,933	1,125	169,800
Total Net Assets - Ending	$ 87,703	$ 4,714	$ 91,297	$ 1,058	$ 184,772

STATE OF MISSOURI
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR COMPONENT UNITS
For the Fiscal Year Ended June 30, 2010
(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, 2010
Cash Flows from Operating Activities:					
Receipts from Customers and Users	$ 6,179	$ 192	$ 1,636	$ ---	$ 8,007
Loans to Outside Entities	(880)	267	(43,141)	---	(43,754)
Payments to Vendors and Suppliers	(3,223)	(121)	(14)	(1,270)	(4,628)
Payments to Employees	(809)	(405)	(49)	(260)	(1,523)
Net Payments/Receipts for tax credit projects	71	---	---	(10)	61
Other Receipts (Payments)	(1,100)	(1,287)	(2)	18	(2,371)
Net Cash (Used) by Operating Activities	238	(1,354)	(41,570)	(1,522)	(44,208)
Cash Flows from Non-Capital Financing Activities:					
Loans Receivable Issuance	(29,000)	---	---	---	(29,000)
Due to/from Primary Government	---	141	---	---	141
Advance to/from Primary Government	---	(352)	(3,473)	---	(3,825)
Contributions and Intergovernmental	10,000	1,311	---	1,436	12,747
Net Cash Provided (Used) by Non-Capital Financing Activities	(19,000)	1,100	(3,473)	1,436	(19,937)
Cash Flows from Capital and Related Financing Activities:					
Proceeds from Capital Debt	14,464	---	---	---	14,464
Interest Expense	(484)	(86)	---	---	(570)
Purchases and Construction of Capital Assets	(5,538)	---	---	---	(5,538)
Principal Payments on Capital Debt	(245)	---	---	---	(245)
Proceeds from Sale of Capital Assets	1,200	---	---	---	1,200
Net Cash (Used) by Capital and Related Financing Activities	9,397	(86)	---	---	9,311
Cash Flows from Investing Activities:					
Proceeds from Investment Maturities	29,255	1,303	93,683	102	124,343
Purchase of Investments	(29,771)	---	(57,661)	---	(87,432)
Interest	399	288	1,118	18	1,823
Investment Fees	---	---	(35)	---	(35)
Net Cash Provided (Used) by Investing Activities	(117)	1,591	37,105	120	38,699
Net Increase (Decrease) in Cash	(9,482)	1,251	(7,938)	34	(16,135)
Cash and Cash Equivalents, Beginning of Year	36,090	992	15,361	187	52,630
Cash and Cash Equivalents, End of Year	$ 26,608	$ 2,243	$ 7,423	$ 221	$ 36,495
Reconciliation of Net Operating Income (Loss) to Net Cash (Used) by Operating Activities:					
Operating Income (Loss)	$ 3,009	$ (1,627)	$ 2,023	$ (1,519)	$ 1,886
Depreciation/Amortization Expense	1,233	---	---	---	1,233
Changes in Assets and Liabilities:					
Accounts Receivable	(23)	---	---	---	(23)
Interest Receivable	7	---	(449)	---	(442)
Inventories	---	---	---	(1)	(1)
Deferred Charges	943	---	---	---	943
Prepaid Items	(590)	---	---	---	(590)
Loans Receivable	(53)	267	(43,141)	---	(42,927)
Accounts Payable	(472)	6	(3)	(2)	(471)
Deposit and Reserve	(3,816)	---	---	---	(3,816)
Net Cash (Used) by Operating Activities	$ 238	$ (1,354)	$ (41,570)	$ (1,522)	$ (44,208)
Non-Cash Investing Activities:					
Increase (Decrease) in Fair Value of Investments	$ ---	$ 29	$ (742)	$ 1	$ (712)
Net Non-Cash Investing Activities	$ ---	$ 29	$ (742)	$ 1	$ (712)

*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.*

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.

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Fund Balances – Governmental Funds 149
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Revenue Capacity

These schedules contain information to help the reader understand the State's capacity to raise revenues and the sources of those revenues.

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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.

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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.

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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.

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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 ASSETS BY COMPONENT
FISCAL YEARS 2005-2010
(In Thousands of Dollars)

	2010	2009*	2008	2007	2006	2005
Governmental Activities						
Invested in Capital Assets,						
Net of Related Debt	$ 25,853,521	$ 26,247,223	$ 25,324,173	$ 25,475,504	$ 25,840,886	$ 25,572,008
Restricted	4,440,699	3,537,444	6,003,212	5,032,619	3,824,769	3,250,204
Unrestricted	(1,401,065)	(1,260,231)	(2,327,482)	(1,909,993)	(1,453,203)	(1,321,738)
Total Governmental Activities						
Net Assets	$ 28,893,155	$ 28,524,436	$ 28,999,903	$ 28,598,130	$ 28,212,452	$ 27,500,474
Business-Type Activities						
Invested in Capital Assets,						
Net of Related Debt	$ 48,483	$ 48,442	$ 42,360	$ 40,922	$ 39,669	$ 43,304
Restricted	7,949	6,771	45,362	9,517	3,942	12,407
Unrestricted	(437,992)	(1,050)	329,265	185,453	33,993	(151,323)
Total Business-Type Activities						
Net Assets	$ (381,560)	$ 54,163	$ 416,987	$ 235,892	$ 77,604	$ (95,612)
Primary Government						
Invested in Capital Assets,						
Net of Related Debt	$ 25,902,004	$ 26,295,665	$ 25,366,533	$ 25,516,426	$ 25,880,555	$ 25,615,312
Restricted	4,448,648	3,544,215	6,048,574	5,042,136	3,828,711	3,262,611
Unrestricted	(1,839,057)	(1,261,281)	(1,998,217)	(1,724,540)	(1,419,210)	(1,473,061)
Total Primary Government						
Net Assets	$ 28,511,595	$ 28,578,599	$ 29,416,890	$ 28,834,022	$ 28,290,056	$ 27,404,862

*Fiscal year 2009 amounts have been restated.

STATE OF MISSOURI
CHANGES IN NET ASSETS
FISCAL YEARS 2005-2010
(In Thousands of Dollars)

Governmental Activities :	2010	2009*	2008	2007	2006	2005
Expenses						
General Government	$ 1,128,729	$ 1,182,233	$ 1,210,044	$ 1,092,613	$ 981,614	$ 1,035,396
Education	6,813,858	6,589,358	6,379,189	6,042,581	5,773,048	5,669,627
Natural and Economic	1,052,996	1,043,449	1,006,560	928,873	867,915	834,269
Transportation and Law Enforcement	2,726,626	2,375,104	2,258,653	2,303,272	2,025,341	2,189,839
Human Services	11,711,030	10,898,796	9,876,132	9,191,994	9,890,652	9,771,651
Interest on Debt (Excluding Direct Expense)	195,308	210,342	174,011	149,987	130,438	126,202
Total Expenses	23,628,547	22,299,282	20,904,589	19,709,320	19,669,008	19,626,984
Program Revenues						
Charges for Services:						
General Government	608,169	756,969	775,528	669,640	724,442	705,241
Transportation and Law Enforcement	960,948	400,842	400,134	474,086	308,743	134,297
Human Services	391,421	531,250	363,644	302,002	422,912	422,706
Other Activities	244,064	369,976	277,190	239,907	154,925	191,423
Operating Grants and Contributions	9,484,134	8,317,356	7,697,736	7,828,289	7,758,885	7,767,831
Capital Grants and Contributions	1,454,029	966,394	971,801	306	---	---
Total Program Revenues	13,142,765	11,342,787	10,486,033	9,514,230	9,369,907	9,221,498
Total Governmental Activities						
Net Program (Expense) Revenue	(10,485,782)	(10,956,495)	(10,418,556)	(10,195,090)	(10,299,101)	(10,405,486)
General Revenues and Other Changes in Net Assets						
Taxes:						
Sales and Use	2,573,368	2,635,068	2,871,465	2,929,398	3,047,305	3,003,405
Individual Income	4,842,458	5,169,741	5,447,817	5,140,588	5,271,506	4,821,500
Corporate Income	360,887	377,801	463,826	496,378	520,324	351,116
County Foreign Insurance	171,556	177,393	186,566	178,507	186,647	163,952
Alcoholic Beverage	27,667	26,689	27,754	28,074	29,068	28,045
Corporate Franchise	82,210	82,114	82,360	69,704	76,574	118,343
Inheritance	233	2,671	3,073	5,351	15,319	41,832
Miscellaneous Taxes	1,207,913	1,160,700	1,173,076	1,164,171	1,307,727	1,334,595
Grants and Contributions not Restricted to Specific Programs	1,301,497	499,542	196,397	195,662	158,745	158,140
Unrestricted Investment Earnings	27,765	69,339	136,782	145,879	146,234	80,161
Transfers	258,947	257,441	264,416	256,687	258,773	207,159
Total General Revenues and Other Changes in Net Assets	10,854,501	10,458,499	10,853,532	10,610,399	11,018,222	10,308,248
Total Governmental Activities Change in Net Assets	$ 368,719	$ (497,996)	$ 434,976	$ 415,309	$ 719,121	$ (97,238)
Business-Type Activities :						
Expenses						
State Lottery	$ 724,914	$ 726,106	$ 740,189	$ 689,426	$ 665,848	$ 575,667
Unemployment Compensation	2,216,078	1,292,531	498,318	444,962	412,937	501,098
Petroleum Storage Tank Insurance	13,925	17,186	21,516	16,249	13,243	25,944
State Fair Fees	3,843	4,303	3,648	4,189	4,060	3,800
State Parks and DNR	9,106	14,211	8,178	7,686	12,656	5,456
Historic Preservation	1,145	714	403	256	93	267
Missouri Veterans' Homes	70,818	62,378	57,075	53,215	46,662	58,756
Surplus Property	2,541	1,759	3,530	3,152	3,086	2,635
Revenue Information	1,513	5,345	1,090	1,234	871	1,191
Total Expenses	3,043,883	2,124,533	1,333,947	1,220,369	1,159,456	1,174,814
Program Revenues						
Charges for Services:						
State Lottery	984,187	981,431	1,005,421	946,017	925,079	793,750
Other Activities	56,659	60,015	101,062	65,390	64,624	63,924
Operating Grants and Contributions	1,823,728	967,324	657,534	618,071	603,727	542,984
Total Program Revenues	2,864,574	2,008,770	1,764,017	1,629,478	1,593,430	1,400,658
Total Business-Type Activities						
Net Program (Expense) Revenue	(179,309)	(115,763)	430,070	409,109	433,974	225,844
General Revenues and Other Changes in Net Assets						
Unrestricted Investment Earnings	2,533	10,152	15,424	5,684	(2,189)	3,213
Extraordinary Items	---	---	---	---	35	---
Transfers	(258,947)	(257,441)	(264,416)	(256,687)	(258,773)	(207,159)
Total General Revenues and Other Changes in Net Assets	(256,414)	(247,289)	(248,992)	(251,003)	(260,927)	(203,946)
Total Business-Type Activities Change in Net Assets	$ (435,723)	$ (363,052)	$ 181,078	$ 158,106	$ 173,047	$ 21,898
Total Primary Government Change in Net Assets	$ (67,004)	$ (861,048)	$ 616,054	$ 573,415	$ 892,168	$ (75,340)

*Fiscal year 2009 amounts have been restated.

STATE OF MISSOURI
FUND BALANCES - GOVERNMENTAL FUNDS
FISCAL YEARS 2005-2010
(In Thousands of Dollars)

	2010	2009*	2008	2007	2006	2005
General Fund						
Reserved	$ 556,528	$ 589,532	$ 584,516	$ 567,880	$ 526,159	$ 577,561
Unreserved	645,567	716,371	1,310,239	1,289,033	988,240	326,920
Total General Fund	1,202,095	1,305,903	1,894,755	1,856,913	1,514,399	904,481
All Other Governmental Funds						
Reserved	1,206,090	1,218,019	1,112,262	1,068,533	988,493	876,859
Unreserved, Reported in:						
Special Revenue Funds	1,097,948	1,182,724	1,314,796	1,184,853	1,192,431	1,043,965
Capital Projects Funds	1,379,777	540,554	927,694	542,038	213,026	251,124
Permanent Funds	101	124	116	88	96	87
Total All Other Governmental Funds	3,683,916	2,941,421	3,354,868	2,795,512	2,394,046	2,172,035
Total Fund Balances, Governmental Funds	$ 4,886,011	$ 4,247,324	$ 5,249,623	$ 4,652,425	$ 3,908,445	$ 3,076,516

*Fiscal year 2009 amounts have been restated.

STATE OF MISSOURI
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEARS 2005-2010
(In Thousands of Dollars)

	2010	2009*	2008	2007	2006	2005
Revenues:						
Taxes	$ 8,990,224	$ 9,503,743	$ 10,220,623	$ 10,030,906	$ 10,648,213	$ 9,646,452
Licenses, Fees, and Permits	635,234	657,725	638,048	574,873	622,911	591,530
Sales	8,966	10,301	12,064	34,973	11,321	16,849
Leases and Rentals	934	448	438	373	155	2,143
Services	245,800	244,557	231,509	230,173	240,857	182,112
Contributions and Intergovernmental	12,259,969	9,763,754	8,865,962	8,025,979	7,930,499	7,901,109
Investment Earnings:						
Net Increase (Decrease) in the Fair Value of Investments	1,735	(9,565)	6,172	15,758	(113)	3,152
Interest	44,952	103,068	203,782	185,163	136,876	69,698
Penalties and Unclaimed Properties	60,299	48,730	64,004	63,151	83,174	25,854
Cost Reimbursement/Miscellaneous	938,340	739,288	507,021	478,419	427,916	441,555
Total Revenues	23,186,453	21,062,049	20,749,623	19,639,768	20,101,809	18,880,454
Expenditures:						
Current:						
General Government	889,368	952,780	1,021,589	923,316	850,355	852,997
Education	6,807,556	6,582,393	6,373,671	6,044,098	5,776,495	5,668,542
Natural and Economic Resources	944,751	894,815	853,872	819,326	759,733	792,650
Transportation and Law Enforcement	1,842,081	1,515,903	1,429,102	1,394,597	1,206,611	1,174,113
Human Services	11,603,267	10,829,000	9,835,109	9,158,585	9,796,523	9,795,983
Capital Outlay:						
General Government	5	---	---	321	386	245
Education	---	---	---	18,042	21,687	13,769
Transportation and Law Enforcement	1,409,557	1,308,229	1,144,171	1,250,233	1,231,092	903,776
Human Services	4	306	3,133	10,248	12,319	7,821
Debt Service:						
Principal	227,307	219,496	196,669	197,212	170,295	127,264
Interest	209,428	191,684	186,432	165,470	121,301	120,982
Bond Issuance Costs	8,101	1,278	2,694	5,775	1,821	---
Underwriter's Discount	---	---	390	247	---	326
Arbitrage	374	583	---	---	---	---
Total Expenditures	23,941,799	22,496,467	21,046,832	19,987,470	19,948,618	19,458,468
Excess Revenues (Expenditures)	(755,346)	(1,434,418)	(297,209)	(347,702)	153,191	(578,014)
Other Financing Sources (Uses):						
Proceeds from Capital Leases	6,675	26,317	52,245	8,794	41,924	53,025
Capital Lease Termination Payment	---	---	(22,559)	---	---	---
Debt Issuance	1,085,000	142,735	576,800	920,000	350,660	---
Issuance of Refunding Bonds	---	---	---	394,870	---	157,605
Swap Termination Payment	---	---	(11,118)	---	---	---
Payments to Escrow Agent	---	---	---	(433,477)	---	(175,553)
Bond Premium	30,631	2,835	28,361	77,099	21,336	18,274
Proceeds from Capital Asset Sale	12,934	11,087	13,142	8,675	6,634	5,920
Transfers In	259,810	258,568	266,263	257,287	260,967	239,465
Transfers Out	(738)	(902)	(6,476)	(120,586)	(1,598)	(19,420)
Total Other Financing Sources (Uses)	1,394,312	440,640	896,658	1,112,662	679,923	279,316
Net Change in Fund Balances	638,966	(993,778)	599,449	764,960	833,114	(298,698)
Increase (Decrease) in Reserve for Inventory	(279)	(105)	(2,251)	838	(129)	327
Net Change in Fund Balances	$ 638,687	$ (993,883)	$ 597,198	$ 765,798	$ 832,985	$ (298,371)
Debt Service as a Percentage of Non-Capital Expenditures	1.98%	1.96%	1.96%	1.99%	1.59%	1.35%

*Fiscal year 2009 amounts have been restated.

STATE OF MISSOURI
REVENUE BASE
FISCAL YEARS 2005-2010

Taxable Sales by Industry	2010	2009	2008	2007	2006	2005
Agricultural/Forestry, Fishing, and Other	$ 202,810,606	$ 209,980,903	$ 192,024,683	$ 198,564,812	$ 190,183,959	$ 173,064,997
Mining	85,194,876	88,867,589	106,892,575	128,534,001	148,041,999	144,360,458
Construction	786,022,254	889,561,095	887,618,876	929,753,447	929,146,007	781,324,533
Manufacturing	2,994,039,718	3,203,288,128	2,995,302,916	2,862,904,859	3,217,299,757	3,033,835,702
Transportation and Public Utilities	8,347,862,197	8,247,781,684	7,130,631,754	7,673,318,253	7,285,790,054	6,950,561,788
Wholesale Trade	5,708,391,048	7,019,606,804	8,028,332,745	8,338,189,598	8,604,467,502	8,136,436,052
Retail Trade	42,667,031,160	44,820,794,586	46,413,720,906	46,166,130,737	44,878,694,872	42,950,724,459
Finance, Insurance, and Real Estate	562,957,084	592,136,070	538,271,852	529,797,617	533,582,629	507,350,286
Services	8,676,719,865	8,648,622,385	9,212,468,960	8,787,849,846	8,433,450,983	8,015,509,010
State and Local Government	135,174,330	158,765,152	162,520,783	161,631,024	156,947,658	84,808,852
Non-Classifiable	14,230,874	21,079,516	19,669,233	15,518,372	16,694,236	16,301,552
Total Taxable Sales	$ 70,180,434,012	$ 73,900,483,912	$ 75,687,455,283	$ 75,792,192,566	$ 74,394,299,656	$ 70,794,277,689
Direct Sales Tax Rate	4.225%	4.225%	4.225%	4.225%	4.225%	4.225%

Personal Income by Industry (In Thousands of Dollars)	Calendar Year 2009	2008*	2007*	2006	2005	2004
Farm Earnings	$ 1,787,917	$ 2,385,881	$ 1,374,544	$ 1,275,728	$ 1,418,941	$ 2,249,533
Agricultural/Forestry, Fishing, and Other	334,558	319,255	300,533	296,794	285,101	298,302
Mining	403,503	516,159	440,509	382,200	493,876	376,755
Construction/Utilities	10,358,514	12,119,731	12,349,166	12,504,699	11,841,236	11,336,058
Manufacturing	17,335,913	19,436,555	19,034,336	19,108,565	18,615,722	18,349,966
Transportation and Public Utilities	5,978,951	6,369,407	6,238,811	6,103,789	5,879,793	5,631,080
Wholesale Trade	8,809,301	9,316,739	9,029,271	8,465,151	8,073,239	7,627,621
Retail Trade	10,097,682	10,378,313	10,570,456	10,540,177	10,325,489	9,996,119
Finance, Insurance, and Real Estate	11,093,305	11,009,668	11,193,252	11,405,949	10,865,949	10,480,778
Services	64,278,286	66,500,920	62,592,029	59,934,255	56,500,169	53,613,041
Federal, Civilian	5,603,185	5,312,752	5,011,544	4,852,757	4,689,078	4,524,741
Military	2,858,640	2,593,886	2,323,860	2,109,152	1,972,637	1,828,320
State and Local Government	19,443,495	18,887,151	17,854,129	16,825,963	16,065,575	15,346,234
Total Personal Income	$ 158,383,250	$ 165,146,417	$ 158,312,440	$ 153,805,179	$ 147,026,805	$ 141,658,548
Total Direct Personal Income Tax Rate	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%

*Calendar years 2007 and 2008 have been updated by the Bureau of Economic Analysis.

Sources: Missouri Department of Revenue and Bureau of Economic Analysis

STATE OF MISSOURI
REVENUE RATES
FISCAL YEARS 2005-2010

Personal Income Tax Revenue	2010	2009	2008	2007	2006	2005
Personal Income Tax Revenue	$814,647,826	$872,343,037	$804,377,211	$773,375,291	$662,996,843	$543,193,091
Personal Income (Federal AGI)	$214,909,582,160	$254,573,370,206	$242,481,271,497	$215,491,776,833	$185,705,288,582	$161,726,939,117
Taxable Income	$124,489,765,954	$188,091,389,476	$172,825,313,183	$157,963,987,815	$133,414,355,787	$114,900,652,083
Average Effective Rate:						
Federal Adjusted Gross	0.38%	0.34%	0.33%	0.36%	0.36%	0.34%
Taxable Income	0.65%	0.46%	0.47%	0.49%	0.50%	0.47%

Ranges of Tax Rates on the Portion of Taxable Income (In Thousands of Dollars)	2010	2009	2008	2007	2006	2005
Tax Rate	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
Tax Rate	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
Tax Rate	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
Tax Rate	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
Tax Rate	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
Tax Rate	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
Tax Rate	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
Tax Rate	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
Tax Rate	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+

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/CATEGORY
FISCAL YEARS 2005-2010

Sales Tax

	2010	%	2009	%	2008	%
Agricultural	$ 8,568,748	0.29%	$ 8,871,693	0.28%	$ 8,113,043	0.25%
Mining	3,599,484	0.12%	3,754,656	0.12%	4,516,211	0.14%
Construction	33,209,440	1.12%	37,583,956	1.20%	37,501,898	1.17%
Manufacturing	126,498,178	4.27%	135,338,923	4.34%	126,551,548	3.96%
Transportation & Utilities	352,697,178	11.90%	348,468,776	11.16%	301,269,192	9.42%
Wholesale Trade	241,179,522	8.13%	296,578,387	9.50%	339,197,058	10.61%
Retail Trade	1,802,682,066	60.80%	1,893,678,571	60.65%	1,960,979,708	61.32%
Finance, Insurance, & Real Estate	23,784,937	0.80%	25,017,749	0.80%	22,741,986	0.71%
Services	366,591,414	12.36%	365,404,296	11.70%	389,226,814	12.17%
Government	5,711,115	0.19%	6,707,828	0.22%	6,866,503	0.22%
Non-Classifiable	601,254	0.02%	890,610	0.03%	831,025	0.03%
Total	$ 2,965,123,336	100.00%	$ 3,122,295,445	100.00%	$ 3,197,794,986	100.00%

	2007	%	2006	%	2005	%
Agricultural	$ 8,389,363	0.26%	$ 8,035,272	0.26%	$ 7,311,996	0.25%
Mining	5,430,562	0.17%	6,254,774	0.20%	6,099,229	0.20%
Construction	39,282,083	1.23%	39,256,419	1.25%	33,010,961	1.10%
Manufacturing	120,957,730	3.78%	135,930,915	4.32%	128,179,558	4.29%
Transportation & Utilities	324,197,696	10.12%	307,824,630	9.79%	293,661,236	9.82%
Wholesale Trade	352,288,511	11.00%	363,538,752	11.57%	343,764,423	11.49%
Retail Trade	1,950,519,024	60.91%	1,896,124,858	60.32%	1,814,668,108	60.67%
Finance, Insurance, & Real Estate	22,383,949	0.70%	22,543,866	0.72%	21,435,550	0.72%
Services	371,286,656	11.60%	356,313,304	11.34%	338,655,256	11.32%
Government	6,828,911	0.21%	6,631,039	0.21%	3,583,174	0.12%
Non-Classifiable	655,651	0.02%	705,332	0.02%	688,741	0.02%
Total	$ 3,202,220,136	100.00%	$ 3,143,159,161	100.00%	$ 2,991,058,232	100.00%

Personal Income *

	2010**			
	Number of Filers	% of Total	Personal Income Tax Liability	% of Total
$50,000 and under	3,317,753	77.59%	$ 1,316,171,481	26.34%
$50,000 - $100,000	710,262	16.61%	1,426,186,805	28.54%
$100,000 - $250,000	190,933	4.47%	919,084,565	18.39%
$250,000 - $1,000,000	45,785	1.07%	647,958,606	12.96%
$1,000,000 and over	11,057	0.26%	688,049,159	13.77%
Total	4,275,790	100.00%	$ 4,997,450,616	100.00%

	2005**			
	Number of Filers	% of Total	Personal Income Tax Liability	% of Total
$50,000 and under	3,370,705	82.60%	$ 1,381,799,422	34.47%
$50,000 - $100,000	543,861	13.33%	1,124,700,381	28.05%
$100,000 - $250,000	124,636	3.05%	616,542,538	15.38%
$250,000 - $1,000,000	33,760	0.83%	486,315,065	12.13%
$1,000,000 and over	7,854	0.19%	399,557,445	9.97%
Total	4,080,816	100.00%	$ 4,008,914,851	100.00%

*Federal Adjusted Gross Income

**Per GASB Statement 44 (effective for statistical sections prepared for periods beginning after June 15, 2005), this schedule is to show the current year and nine years ago. Information not available prior to 2005.

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 2005-2010
(In Thousands of Dollars Except Per Capita)

	2010	2009*	2008	2007	2006	2005
Governmental Activities						
General Obligation Bonds	$ 528,910	$ 600,075	$ 666,165	$ 684,515	$ 739,935	$ 790,910
Other Bonds	4,060,855	3,102,685	3,084,670	2,660,875	1,873,140	1,609,815
Leasehold Revenue Bonds	34,935	35,955	36,935	37,880	38,860	---
Certificates of Participation	86,705	96,235	105,325	113,990	122,255	124,490
Capital Leases	158,787	113,147	108,815	74,641	74,049	107,647
Total Governmental Activities	$ 4,870,192	$ 3,948,097	$ 4,001,910	$ 3,571,901	$ 2,848,239	$ 2,632,862
Business-Type Activities						
Capital Leases	$ 116	$ 210	$ 244	$ ---	$ ---	$ ---
Total Business-Type Activities	$ 116	$ 210	$ 244	$ ---	$ ---	$ ---
Total Primary Government	$ 4,870,308	$ 3,948,307	$ 4,002,154	$ 3,571,901	$ 2,848,239	$ 2,632,862
Personal Income	$ 215,180,697	218,992,739	$ 199,655,237	$ 189,623,363	$ 180,508,645	$ 173,905,941
Debt as a Percentage of Personal Income[1]	2.3%	1.8%	2.0%	1.9%	1.6%	1.5%
Debt Per Capita[1]	$ 813	$ 663	$ 681	$ 612	$ 492	$ 458
Legal Debt Margin Calculation for Fiscal Year 2010:						
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	$ 1,686,395	$ 1,646,395	$ 1,606,395
Total Net Debt Applicable to Limit	(1,488,494)	(1,488,494)	(1,488,494)	(1,438,494)	(1,438,494)	(1,438,494)
Legal Debt Margin	$ 237,901	$ 237,901	$ 237,901	$ 247,901	$ 207,901	$ 167,901
Legal Debt Margin to Debt Limit Ratio	13.78%	13.78%	13.78%	14.70%	12.63%	10.45%

[1]These ratios are calculated using personal income and population for the calendar year. See *Demographic Indicators* for personal income and population data.

*Fiscal year 2009 has been restated.

STATE OF MISSOURI
PLEDGED REVENUE COVERAGE
FISCAL YEARS 2006-2010
(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					
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
2008	1,049,645	279,823	769,822	62,515	105,117	4.6
2007	1,024,787	269,210	755,577	73,350	82,049	4.9
2006	727,870	N/A	727,870	63,149	49,248	6.5

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 2004-2009

	2009	2008	2007
Population			
Missouri (In Thousands)	5,988	5,956	5,910
Change	0.5%	0.8%	0.8%
National (In Thousands)	307,007	304,375	301,580
Change	0.9%	0.9%	1.0%
Total Personal Income			
Missouri (In Thousands of Dollars)	$ 215,180,697	$ 218,992,739	$ 208,201,155
Change	-1.7%	5.2%	4.8%
National (In Thousands of Dollars)	$ 12,165,474,000	$ 12,379,745,000	$ 11,899,853,000
Change	-1.7%	4.0%	5.7%
Per Capita Personal Income			
Missouri	$ 35,938	$ 36,766	$ 35,230
Change	-2.3%	4.4%	3.9%
National	$ 39,626	$ 40,673	$ 39,458
Change	-2.6%	3.1%	4.7%
Resident Civilian Labor Force and Employment			
Civilian Labor Force (In Thousands)	3,037	3,047	3,050
Employed (In Thousands)	2,754	2,861	2,896
Unemployed (In Thousands)	283	186	155
Unemployment Rate	9.3%	6.1%	5.1%
National Unemployment Rate	9.3%	5.8%	4.6%

Continues Below

	2006	2005	2004
Population			
Missouri (In Thousands)	5,862	5,807	5,758
Change	0.9%	0.9%	
National (In Thousands)	298,593	295,753	293,046
Change	1.0%	0.9%	
Total Personal Income			
Missouri (In Thousands of Dollars)	$ 198,727,013	$ 186,752,616	$ 180,546,848
Change	6.4%	3.4%	
National (In Thousands of Dollars)	$ 11,256,516,000	$ 10,476,669,000	$ 9,928,790,000
Change	7.4%	5.5%	
Per Capita Personal Income			
Missouri	$ 33,903	$ 32,162	$ 31,353
Change	5.4%	2.6%	
National	$ 37,698	$ 35,424	$ 33,881
Change	6.4%	4.6%	
Resident Civilian Labor Force and Employment			
Civilian Labor Force (In Thousands)	3,034	3,011	2,986
Employed (In Thousands)	2,888	2,850	2,814
Unemployed (In Thousands)	147	162	172
Unemployment Rate	4.8%	5.4%	5.8%
National Unemployment Rate	4.6%	5.1%	5.5%

Sources: Bureau of Economic Analysis, Missouri Economic Research and Information Center, Bureau of Labor Statistics

STATE OF MISSOURI
ECONOMIC INDICATORS
CALENDAR YEARS 2004-2009

	2009-10	2008-09	2007-08
School Enrollment (In Thousands)			
Elementary and Secondary Education	892	893	894
Higher Education - Private Institutions	93	89	88
Total Enrollment	985	982	982
% Change from Prior Year	0.3%	0.0%	-0.2%
Higher Education			
Public Community Colleges			
Number of Campuses	20	19	19
Number of Students (FTE*)	65,034	56,365	54,900
Number of Regular Term Teaching Positions (FTE)	1,402	1,413	1,352
State Technical College			
Number of Campuses	1	1	1
Number of Students (FTE)	1,116	976	891
Number of Regular Term Teaching Positions (FTE)	45	45	45
State Colleges/Universities			
Number of Campuses	14	14	14
Number of Students (FTE)	112,539	108,159	106,056
Number of Regular Term Teaching Positions (FTE)	4,791	4,764	4,731

Continues Below

	2006-07	2005-06	2004-05
School Enrollment (In Thousands)			
Elementary and Secondary Education	898	898	892
Higher Education - Private Institutions	86	84	82
Total Enrollment	984	982	974
% Change from Prior Year	0.2%	0.8%	0.3%
Higher Education			
Public Community Colleges			
Number of Campuses	18	18	18
Number of Students (FTE*)	52,377	51,945	52,204
Number of Regular Term Teaching Positions (FTE)	1,332	1,309	1,291
State Technical College			
Number of Campuses	1	1	1
Number of Students (FTE)	888	885	854
Number of Regular Term Teaching Positions (FTE)	57	51	50
State Colleges/Universities			
Number of Campuses	14	14	14
Number of Students (FTE)	103,856	102,628	100,717
Number of Regular Term Teaching Positions (FTE)	4,638	4,578	4,597

*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 2009 AND 2000

2009

Employer	Number of Employees	Percent of Total State Employment
State of Missouri[1]	63,000	2.29%
Wal-Mart Associates, Inc.	40,000 - 45,000	1.45% - 1.63%
University of Missouri	20,000 - 25,000	0.73% - 0.91%
U.S. Post Office	15,000 - 20,000	0.54% - 0.73%
Washington University	10,000 - 15,000	0.36% - 0.54%
Boeing Corporation	10,000 - 15,000	0.36% - 0.54%
U.S. Department of Defense	7,500 - 10,000	0.27% - 0.36%
Barnes-Jewish Hospital	7,500 - 10,000	0.27% - 0.36%
Schnuck Markets, Inc.	7,500 - 10,000	0.27% - 0.36%
City of St. Louis	7,500 - 10,000	0.27% - 0.36%
Total	188,000 - 223,000	6.81% - 8.08%
Total Missouri Employment		**2,753,762**

2000

Employer	Number of Employees	Percent of Total State Employment
State of Missouri[1]	65,000	2.26%
Wal-Mart Associates, Inc.	32,500 - 35,000	1.13% - 1.22%
Boeing Corporation	12,500 - 15,000	0.43% - 0.52%
Trans World Airlines, Inc.	12,500 - 15,000	0.43% - 0.52%
Washington University	10,000 - 12,500	0.35% - 0.43%
Schnuck Markets, Inc.	10,000 - 12,500	0.35% - 0.43%
Southwestern Bell Telephone Co.	10,000 - 12,500	0.35% - 0.43%
May Department Stores	7,500 - 10,000	0.26% - 0.35%
Barnes-Jewish Hospital	7,500 - 10,000	0.26% - 0.35%
Ford Motor Company	7,500 - 10,000	0.26% - 0.35%
Total	184,000 - 194,500	6.08% - 6.86%
Total Missouri Employment		**2,875,336**

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 2001, State Employee Headcount report

STATE OF MISSOURI
STATE EMPLOYEES BY FUNCTION
FISCAL YEARS 2005-2010
FULL-TIME EQUIVALENTS*

	2010	2009	2008	2007	2006	2005
General Government						
Legislature	725	716	719	732	749	708
Judiciary	3,626	3,755	3,731	3,777	3,826	3,452
Public Defender	570	558	555	558	561	571
Governor	33	24	32	33	34	35
Lt. Governor	6	6	6	7	7	8
Secretary of State	261	272	277	275	266	262
State Auditor	119	124	128	127	132	142
State Treasurer	49	51	51	51	51	50
Attorney General	408	420	451	443	427	423
Office of Administration	2,040	2,091	2,046	1,783	868	899
Revenue	1,421	1,487	1,523	1,586	1,766	2,086
Total General Government	9,258	9,504	9,519	9,372	8,687	8,636
Education						
Elementary and Secondary Education	2,662	2,760	2,650	2,654	2,719	2,261
Higher Education	75	73	67	58	67	73
Total Education	2,737	2,833	2,717	2,712	2,786	2,334
Natural and Economic Resources						
Agriculture	617	494	479	467	456	388
Insurance, Financial Institutions and Professional Registration	734	741	748	192	200	207
Conservation	1,982	2,085	2,065	2,190	2,270	2,047
Economic Development	1,019	994	1,024	1,604	1,681	1,379
Labor and Industrial Relations	924	777	810	913	1,056	1,051
Natural Resources	1,903	2,121	2,102	2,061	2,175	2,019
Total Natural and Economic Resources	7,179	7,212	7,228	7,427	7,838	7,091
Transportation and Law Enforcement						
Transportation	6,970	6,969	6,961	7,196	7,300	7,024
Public Safety	5,336	5,412	5,294	5,085	5,101	4,927
Total Transportation and Law Enforcement	12,306	12,381	12,255	12,281	12,401	11,951
Human Services						
Health and Senior Services	1,826	1,927	1,885	1,877	1,969	2,048
Mental Health	8,961	9,613	9,500	9,602	9,784	9,571
Social Services	8,138	8,584	8,624	8,553	8,794	9,034
Corrections	11,175	11,364	11,020	11,138	11,235	11,493
Total Human Services	30,100	31,488	31,029	31,170	31,782	32,146
State Total	61,580	63,418	62,748	62,962	63,494	62,158

*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 2006-2010

	2010	2009**	2008	2007	2006
General Government					
Individual Income Tax Returns Processed (In Thousands)	2,877	2,946	3,013	3,902	2,770
Sales and Use Tax Returns Processed (In Thousands)	785	772	788	1,055	742
Driver Licenses Processed (In Thousands)	1,090	1,179	964	1,052	1,106
Motor Vehicle Registrations Processed (In Thousands)	3,844	3,502	3,866	3,856	2,994
Audit Reports Issued	151	101	91	88	103
Statewide Court Filings (In Thousands)*	2,359	2,322	2,196	2,027	2,152
Business Services Requests Made on Secretary of State Web Page (In Thousands)	79,974	76,744	44,300	36,000	35,000
Checks Issued (In Thousands)	2,465	2,667	2,807	3,035	3,309
Unclaimed Property Returned (In Thousands)	$ 35,014	$ 26,672	$ 34,531	$ 22,966	$ 21,816
Education					
High School Drop Out Rate*	4.1%	3.9%	4.2%	4.7%	3.8%
Elementary and Secondary Schools Meeting Adequate Yearly Progress*	35.3%	35.7%	40.1%	62.6%	65.2%
Clients Achieving Employment after Receiving Vocational Rehabilitation Services	61.0%	67.1%	67.7%	70.2%	67.6%
Guaranteed Student Loans (In Thousands)	$ 656,656	$ 780,838	$ 901,385	$1,178,692	$1,162,519
Scholarships/Grants Awarded to Eligible Missouri Residents (In Thousands)	$ 98,593	$ 108,981	$ 89,728	$ 41,466	$ 41,845
Natural and Economic Resources					
Job Placement Rate of Unemployed Individuals that Registered on MissouriCareerSource Web Page	57.9%	64.0%	66.0%	62.0%	63.3%
Insurance Policies Filed Electronically	96.0%	94.7%	50.0%	50.0%	50.0%
Initial Unemployment Claims (In Thousands)	582	565	396	411	393
International Agricultural Exports (In Thousands)	$ 38,000	$ 22,700	$ 30,300	$ 19,760	$ 18,191
Hunting License Holders (In Thousands)*	592	591	580	579	570
Visitors to Missouri State Parks and Historic Sites (In Thousands)	15,891	15,307	15,577	16,069	16,650
Transportation and Law Enforcement					
Methamphetamine Labs Seized	245	165	274	259	375
State - Licensed Fire Safety Inspections	10,603	11,008	11,998	11,684	9,848
Buildings Served by Missouri Capitol Police	75	83	82	82	79
Alcohol Arrests	385	845	736	954	1,084
Missouri Major Roads Rated in Good Condition	86.5%	83.4%	78.0%	74.0%	60.8%
Difference Between Awarded and Actual Transportation Construction Costs	(1.9%)	1.1%	0.9%	0.9%	3.1%
Human Services					
Medicaid Enrollees	892,691	850,722	833,112	822,685	830,262
Food Stamp Recipients	909,139	827,639	899,332	826,313	795,963
Doses of Vaccine Issued by Vaccines for Children Providers (In Thousands)	846	1,317	1,360	1,097	1,075
Incarcerated Offenders	30,418	30,476	30,803	29,975	30,185
Individuals Served in State Comprehensive Psychiatric Service Facilities	4,120	6,759	6,882	7,805	7,772

*Previous fiscal year data was used since it was the most recent available.

**Restated for Statewide Court Filings and Food Stamp Recipients.

Sources: State agencies

STATE OF MISSOURI
CAPITAL ASSET STATISTICS
BY FUNCTION
FISCAL YEARS 2005-2010

	2010	2009*	2008	2007	2006	2005
General Government						
Parcels of Land	20	21	21	20	18	15
Land Improvements	38	37	37	35	35	31
Square Footage of Buildings	1,011,732	1,015,214	1,001,281	996,590	991,800	1,071,699
Equipment	35,333	36,813	35,171	42,333	44,469	49,644
Software	168	88	---	---	---	---
Education						
Parcels of Land	31	31	31	32	32	32
Land Improvements	43	32	31	31	31	29
Square Footage of Buildings	133,494	135,230	135,230	135,230	102,719	134,162
Equipment	5,911	6,031	6,010	6,679	6,780	6,723
Natural and Economic Resources						
Parcels of Land	824	823	815	811	815	812
Land Improvements	323	325	323	318	320	216
Temporary Easements	1	---	---	---	---	---
Square Footage of Buildings	622,181	622,285	625,779	622,887	528,136	370,505
Equipment	36,881	38,807	41,145	43,534	46,574	46,915
Software	12	3	---	---	---	---
State Parks and Historic Sites	85	85	84	84	84	84
State Conservation Areas	1,179	1,169	1,165	1,151	1,148	1,140
Transportation and Law Enforcement						
Parcels of Land	819	831	836	853	862	1,608
Land Improvements	264	245	198	184	177	183
Permanent Easements	221	---	---	---	---	---
Temporary Easements	523	---	---	---	---	---
Square Footage of Buildings	164,119	164,119	151,533	158,081	157,658	157,172
Equipment	67,959	67,100	65,074	63,327	62,984	61,965
Software	146	---	---	---	---	---
Miles of State Highway	33,639	33,676	33,685	32,800	32,423	32,402
State-Owned Bridges and Culverts	10,335	10,249	10,276	10,240	10,224	10,190
Highway Patrol Stations	9	9	9	9	9	9
Human Services						
Parcels of Land	83	84	84	84	83	85
Land Improvements	154	130	118	115	115	112
Square Footage of Buildings	932,827	952,117	962,710	967,653	870,129	834,352
Equipment	70,684	78,543	91,178	98,649	107,434	106,334
Software	10	7	---	---	---	---
Correctional Facilities	30	30	28	26	26	24

*Restated Square Footage of Buildings and Software for 2009.

Source: State of Missouri capital asset records by agency.

STATE OF MISSOURI
ACKNOWLEDGEMENTS

Report Prepared by:

Financial Reporting Section

Stacy M. Neal, *CPA, Assistant Director*
Lynn M. Cannon, *CPA, Manager*
Jessica L. Opie, *CPA, Manager*
Nikol A. Enyart, *Specialist*
Christina R. Evans, *Specialist*
Curtis N. Forck, *Specialist*
Diane M. Jurgensmeyer, *CGFM, Specialist*
Shawn P. McCauley, *CGFM, Specialist*
Sarah A. Parker-Fullmer, *Specialist*
Krista G. Porter, *Specialist*
Jessica K. Prater, *Analyst*
Velda M. Staley, *Administrative Assistant*