Thomas A. Schweich

Missouri State Auditor

State of Missouri

Single Audit

Year Ended June 30, 2012

March 2013

Report No. 2013-024

http://auditor.mo.gov

STATE OF MISSOURI
SINGLE AUDIT

TABLE OF CONTENTS

Page

INTRODUCTION AND SUMMARY 1-9

STATE AUDITOR'S REPORTS.. 10-18

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*....................................... 11-13

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 14-16

Independent Auditor's Report on the Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133 17-18

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS... 19-33

Notes to the Schedule of Expenditures of Federal Awards 31-33

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, YEAR ENDED JUNE 30, 2012 34-93

Section I - Summary of Auditor's Results...35

Section II - Financial Statement Findings...37

Number	Description
2012-1.	Financial Reporting Controls - Inter-Fund/Inter-Agency Transactions 37
2012-2.	Financial Reporting Controls - Department of Labor and Industrial Relations 40
2012-3.	Financial Reporting Controls - Department of Revenue 40

Section III - Federal Award Findings and Questioned Costs...42

Number	Description
	Department of Economic Development
2012-4.	Subrecipient Monitoring and Participant Data 42
	Department of Elementary and Secondary Education
2012-5.	Vocational Rehabilitation 44

STATE OF MISSOURI
SINGLE AUDIT

TABLE OF CONTENTS

Page

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, YEAR ENDED JUNE 30, 2012 ... 34-93

Number	Description	
	Department of Health and Senior Services	
2012-6.	Medicaid Home and Community Based Services	47
	Department of Public Safety	
2012-7.	Homeland Security Grant Program	49
	Department of Social Services	
2012-8.	Payroll Cost Allocation Procedures	53
2012-9.	Schedule of Expenditures of Federal Awards	56
2012-10.	Reporting	59
2012-11.	Child Care Eligibility and Payments	61
2012-12.	Child Care Reporting and Earmarking	66
2012-13.	Vocational Rehabilitation	69
2012-14.	Unallowable Costs and Maintenance of Effort	71
2012-15.	Eligibility and TANF Assistance Payments	75
2012-16.	TANF Work Participation and Sanctions	79
2012-17.	LIHEAP and CSBG Subrecipient Monitoring	81
2012-18.	Participant Eligibility	83
2012-19.	Report Reviews	87
2012-20.	Pharmacy Dispensing Fees	89
	Department of Transportation	
2012-21.	Reporting	91

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS IN ACCORDANCE WITH OMB CIRCULAR A-133 ... 94-163

Common Abbreviations

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

INTRODUCTION AND SUMMARY

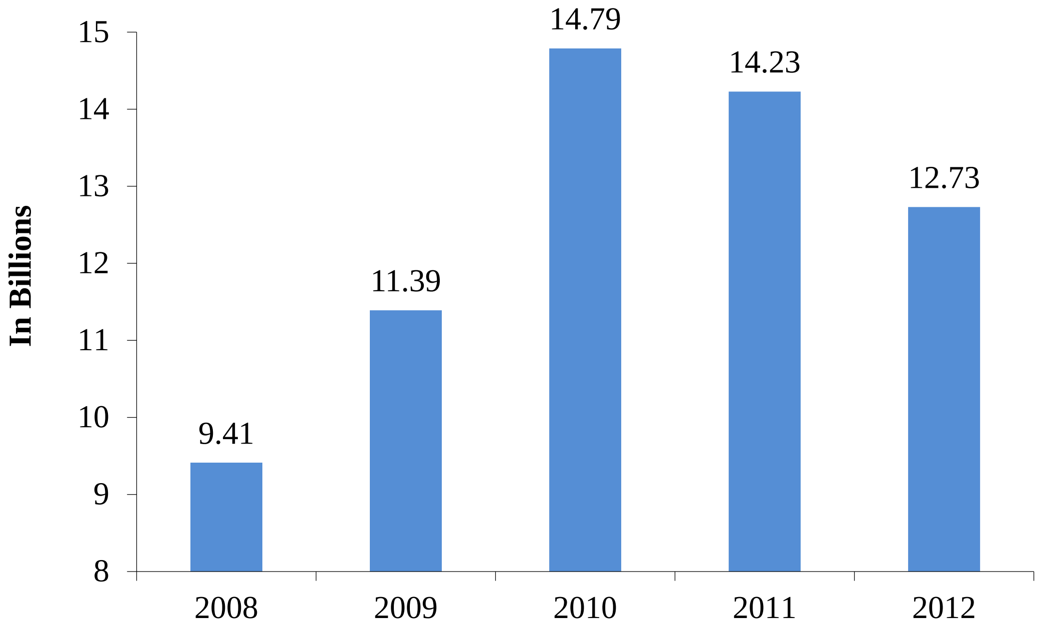
INTRODUCTION AND SUMMARY

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 $12.73 billion in federal awards during the year ended June 30, 2012.

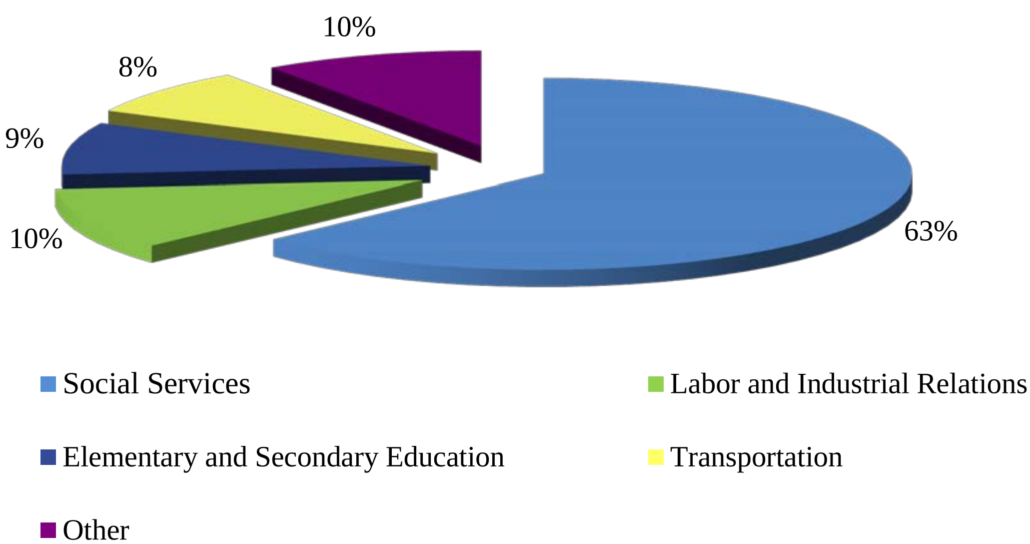
Total Expenditures of Federal Awards
Five Year Comparison



Expenditures of federal awards have increased over the past several years, peaking in fiscal year 2010. A contributing factor to the increase in total expenditures of federal awards during the 2 years ended June 30, 2011, was the additional federal funds made available through the American Recovery and Reinvestment Act of 2009 (ARRA). The majority of ARRA funds were expended by the end of fiscal year 2012; however, some programs will continue to have ARRA expenditures in subsequent fiscal years.

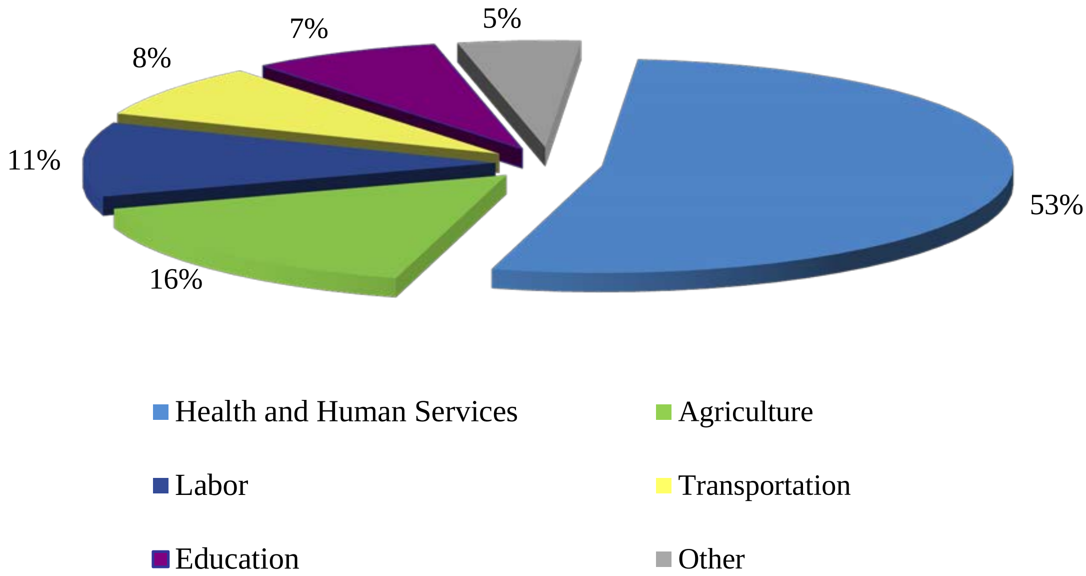
Although 19 state departments and other state offices expended federal awards, 4 state departments expended the bulk of the federal awards (90 percent).

Expenditures of Federal Awards by State Department



The state received federal awards from 23 different federal agencies. Most of the federal awards (95 percent) came from 5 federal agencies.

Expenditures of Federal Awards by Federal Department

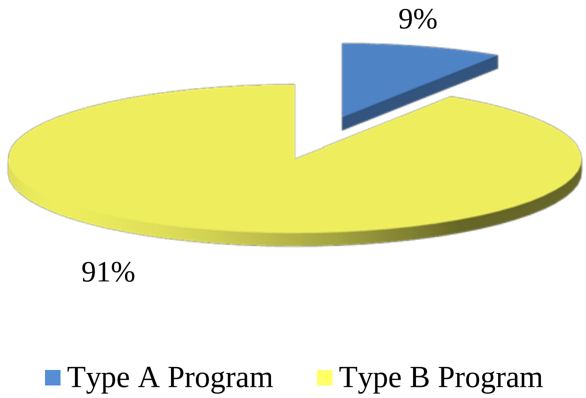


Overall, the state expended federal awards in 355 different programs. Under the audit requirements of OMB Circular A-133, federal programs are divided into Type A and Type B programs based on a dollar threshold. For the state of Missouri, OMB Circular A-133 defines the dollar threshold of a Type A program 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	12,725,677,262	
Fifteen-hundredths of one percent	.0015	
		19,088,516
Dollar Threshold		$30,000,000

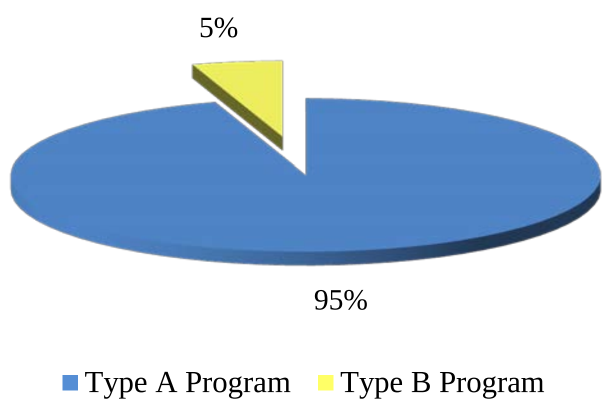
Programs with federal expenditures over $30 million are Type A programs and the programs under $30 million are Type B programs. Of the 355 different federal award programs, 32 were Type A programs and 323 were Type B programs.

Type A and Type B Programs
Number of Programs



The 32 Type A programs had expenditures of federal awards totaling $12 billion, which was 95 percent of the total expenditures for all programs. The 323 Type B programs had expenditures of federal awards totaling $682 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 2012 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 13 of the 32 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 19 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 ($12.73 billion times .0003 = $3,817,703). We performed risk assessments on the 43 larger Type B programs and determined 6 of them were high risk. In accordance with OMB Circular A-133, we audited 3 (50 percent) of these 6 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	19	$	9,901,089,182	
Type B major programs	3		44,947,134	
Total major programs	22	$	9,946,036,316	78%
Type A non-major programs	13	$	2,142,114,149	
Type B non-major programs	320		637,526,797	
Total non-major programs	333	$	2,779,640,946	22%
Total all programs	355	$	12,725,677,262	100%

American Recovery and Reinvestment Act of 2009

As noted above, the state of Missouri expended a total of approximately $12.73 billion in federal awards during the year ended June 30, 2012. Of that total, approximately $432 million (3.4 percent) was expended in ARRA awards. The ARRA awards relate to 45 existing or new federal programs with expenditures at 10 different state agencies. We audited 12 of these programs as major, covering about $384 million, or 89 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, 2012

CFDA Number	Federal Grantor Agency - Program	Federal Grantor Agency	Federal Awards Expended
	SNAP Cluster:		
10.551	Supplemental Nutrition Assistance Program	Agriculture	$ 1,460,337,454
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Agriculture	54,022,825
	Total SNAP Cluster		1,514,360,279
	Child Nutrition Cluster:		
10.553	School Breakfast Program	Agriculture	63,768,228
10.555	National School Lunch Program	Agriculture	220,655,708
10.556	Special Milk Program for Children	Agriculture	588,796
10.559	Summer Food Service Program for Children	Agriculture	9,142,870
	Total Child Nutrition Cluster		294,155,602
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Agriculture	97,380,434
10.558	Child and Adult Care Food Program	Agriculture	51,815,450
12.401	National Guard Military Operations and Maintenance (O&M) Projects	Defense	31,158,066
	CDBG - State-Administered CDBG Cluster:		
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Housing and Urban Development	49,389,570
14.255	ARRA - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Housing and Urban Development	2,986,037
	Total CDBG - State-Administered CDBG Cluster		52,375,607
17.225	Unemployment Insurance	Labor	1,327,493,807
	WIA Cluster:		
17.258	Workforce Investment Act - Adult Program	Labor	13,483,326
17.259	Workforce Investment Act - Youth Activities	Labor	15,696,171
17.278	Workforce Investment Act - Dislocated Workers Formula Grants	Labor	18,106,599
	Total WIA Cluster		47,286,096
	Highway Planning and Construction Cluster:		
20.205	Highway Planning and Construction	Transportation	859,827,789
20.205	ARRA - Highway Planning and Construction	Transportation	80,358,558
20.219	Recreational Trails Program	Transportation	4,086,101
	Total Highway Planning and Construction Cluster		944,272,448
64.015	Veterans State Nursing Home Care	Veterans Affairs	50,501,723
66.458	Capitalization Grants for Clean Water State Revolving Funds	Environmental Protection Agency	53,961,115
66.458	ARRA - Capitalization Grants for Clean Water State Revolving Funds	Environmental Protection Agency	9,703,383
81.041	State Energy Program	Energy	455,671
81.041	ARRA - State Energy Program	Energy	36,256,716
81.042	Weatherization Assistance for Low-Income Persons	Energy	2,318,849
81.042	ARRA - Weatherization Assistance for Low-Income Persons	Energy	44,902,202
	Title I, Part A Cluster:		
84.010	Title I Grants to Local Educational Agencies	Education	247,296,811
84.389	ARRA - Title I Grants to Local Educational Agencies, Recovery Act	Education	14,998,424
	Total Title I, Part A Cluster		262,295,235

STATE OF MISSOURI
SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

CFDA Number	Federal Grantor Agency - Program	Federal Grantor Agency	Federal Awards Expended
	Special Education Cluster (IDEA):		
84.027	Special Education - Grants to States	Education	208,104,892
84.173	Special Education - Preschool Grants	Education	9,048,648
84.391	ARRA - Special Education - Grants to States, Recovery Act	Education	31,256,212
84.392	ARRA - Special Education - Preschool Grants, Recovery Act	Education	2,082,335
	Total Special Education Cluster (IDEA)		250,492,087
84.032	Federal Family Education Loans	Education	144,083,021
	Vocational Rehabilitation Cluster:		
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Education	60,805,280
84.390	ARRA - Rehabilitation Services - Vocational Rehabilitation Grants to States, Recovery Act	Education	143,631
	Total Vocational Rehabilitation Cluster		60,948,911
84.367	Improving Teacher Quality State Grants	Education	47,721,344
	State Fiscal Stabilization Fund Cluster:		
84.394	ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	Education	64,918,743
84.397	ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	Education	3,604,871
	Total State Fiscal Stabilization Fund Cluster		68,523,614
	Immunization Cluster:		
93.268	Immunization Cooperative Agreements	Health and Human Services	63,346,736
93.712	ARRA - Immunization	Health and Human Services	592,752
	Total Immunization Cluster		63,939,488
	TANF Cluster:		
93.558	Temporary Assistance for Needy Families	Health and Human Services	196,828,854
93.714	ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	Health and Human Services	2,007,415
	Total TANF Cluster		198,836,269
93.563	Child Support Enforcement	Health and Human Services	34,104,988
93.568	Low-Income Home Energy Assistance	Health and Human Services	81,309,667
	CCDF Cluster:		
93.575	Child Care and Development Block Grant	Health and Human Services	72,988,101
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Health and Human Services	53,143,933
93.713	ARRA - Child Care and Development Block Grant	Health and Human Services	7,592,213
	Total CCDF Cluster		133,724,247
93.658	Foster Care - Title IV-E	Health and Human Services	49,858,624
93.659	Adoption Assistance	Health and Human Services	37,450,981
93.667	Social Services Block Grant	Health and Human Services	56,500,147
93.767	Children's Health Insurance Program	Health and Human Services	117,177,877

STATE OF MISSOURI
SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

CFDA Number	Federal Grantor Agency - Program	Federal Grantor Agency	Federal Awards Expended
	Medicaid Cluster:		
93.775	State Medicaid Fraud Control Units	Health and Human Services	1,341,498
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	Health and Human Services	17,044,274
93.778	Medical Assistance Program	Health and Human Services	5,654,719,191
93.778	ARRA - Medical Assistance Program	Health and Human Services	73,892,407
	Total Medicaid Cluster		5,746,997,370
	Disability Insurance/SSI Cluster:		
96.001	Social Security - Disability Insurance	Social Security Administration	41,040,166
	Total Disability Insurance/SSI Cluster		41,040,166
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Homeland Security	54,463,845
97.067	Homeland Security Grant Program	Homeland Security	35,338,002
	Total Type A Programs (expenditures greater than $30,000,000)		12,043,203,331
	Total Type B Programs (expenditures less than $30,000,000)		682,473,931
	Total Expenditures of Federal Awards		$ 12,725,677,262

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, 2012, which collectively comprise the state's basic financial statements, and have issued our report thereon dated January 24, 2013. 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 Road Fund; the Missouri Highway 63 Transportation Corporation, a blended transportation corporation; the Missouri Road Bond Fund; the Conservation Employees' Insurance Plan; the Transportation Self-Insurance Plan; the Missouri State Employees' Insurance Plan; the Missouri Consolidated Health Care Plan; and the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan, which represent 78 percent and 12 percent of the assets and revenues, respectively, of the governmental activities.

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2. The State Lottery and the Petroleum Storage Tank Insurance Fund, which represent 37 percent and 42 percent of the assets and revenues, respectively, of the business-type activities.

3. The discretely presented component units.

4. The pension (and other employee benefit) trust funds and the Missouri Department of Transportation Local Fund, which represent 94 percent and 94 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, a blended transportation corporation; 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, a discretely presented component unit; 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. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*.

Internal Control Over Financial Reporting

Management of the state of Missouri is responsible for establishing and maintaining effective 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 previously. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 2012-1, 2012-2, and 2012-3, that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 24, 2013, 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

Thomas A. Schweich
State Auditor

January 24, 2013

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 state of Missouri's compliance 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, 2012. 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, 2012, 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 2012-6, 2012-11, 2012-14, and 2012-15 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 Medicaid Cluster, 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, eligibility, and level of effort requirements applicable to the Temporary Assistance for Needy Families Cluster. 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, 2012. 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 2012-5, 2012-7, 2012-8, 2012-12, 2012-13, 2012-16, 2012-18, and 2012-20.

Internal Control Over Compliance

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 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 was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in 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 *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 2012-11, 2012-14, and 2012-15 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 2012-5, 2012-7, 2012-12, 2012-16, 2012-18, and 2012-19 to be significant deficiencies.

The state of Missouri's responses 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 the responses.

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 8, 2013

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, 2012, which collectively comprise the state's basic financial statements, and have issued our report thereon dated January 24, 2013. 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 Road Fund; the Missouri Highway 63 Transportation Corporation, a blended transportation corporation; the Missouri Road Bond Fund; the Conservation Employees' Insurance Plan; the Transportation Self-Insurance Plan; the Missouri State Employees' Insurance Plan; the Missouri Consolidated Health Care Plan; and the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan, which represent 78 percent and 12 percent of the assets and revenues, respectively, of the governmental activities.

2. The State Lottery and the Petroleum Storage Tank Insurance Fund, which represent 37 percent and 42 percent of the assets and revenues, respectively, of the business-type activities.

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3. The discretely presented component units.

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

The financial statements of the Missouri Highway 63 Transportation Corporation, a blended transportation corporation; 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, a discretely presented component unit; 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. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the state of Missouri's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. The state of Missouri has excluded federal award expenditures of public universities and other component units from the accompanying schedule. In our opinion, except for the effects of the exclusion of federal award expenditures of public universities and other component units, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Thomas A. Schweich
State Auditor

January 24, 2013

SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
Office of National Drug Control Policy			
07.UNKNOWN	HIDTA	$ 2,862,205	2,128,824
	Total Office of National Drug Control Policy	2,862,205	2,128,824
Department of Agriculture			
10.UNKNOWN	School Lunch Commodity Refund	8,702	8,702
10.025	Plant and Animal Disease, Pest Control, and Animal Care	978,282	85,581
10.069	Conservation Reserve Program	410,149	0
10.153	Market News	697	0
10.163	Market Protection and Promotion	70,523	62,186
10.169	Specialty Crop Block Grant Program	25,875	25,875
10.170	Specialty Crop Block Grant Program - Farm Bill	145,064	128,693
10.435	State Mediation Grants	24,031	0
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	581,912	0
10.479	Food Safety Cooperative Agreements	166,639	0
	SNAP Cluster:		
10.551	Supplemental Nutrition Assistance Program	1,460,337,454	0
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	54,022,825	11,121,444
	Total SNAP Cluster	1,514,360,279	11,121,444
	Child Nutrition Cluster:		
10.553	School Breakfast Program	63,768,228	63,768,228
10.555	National School Lunch Program	220,655,708	220,555,172
10.556	Special Milk Program for Children	588,796	588,796
10.559	Summer Food Service Program for Children	9,142,870	8,729,268
	Total Child Nutrition Cluster	294,155,602	293,641,464
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	97,380,434	24,031,236
10.558	Child and Adult Care Food Program	51,815,450	51,218,893
10.560	State Administrative Expenses for Child Nutrition	3,886,833	1,632,148
10.565	Commodity Supplemental Food Program	1,184,639	1,135,673
	Emergency Food Assistance Cluster:		
10.568	Emergency Food Assistance Program (Administrative Costs)	1,648,025	1,569,625
10.569	Emergency Food Assistance Program (Food Commodities)	6,219,194	0
	Total Emergency Food Assistance Cluster	7,867,219	1,569,625
10.574	Team Nutrition Grants	152,687	53,784
10.578	ARRA - WIC Grants to States (WGS)	621,084	0
10.579	Child Nutrition Discretionary Grants Limited Availability	745,468	168,165
10.582	Fresh Fruit and Vegetable Program	2,742,916	2,742,916
10.664	Cooperative Forestry Assistance	1,725,666	314,515
	Forest Service Schools and Roads Cluster:		
10.665	Schools and Roads - Grants to States	7,185,969	7,185,969
	Total Forest Service Schools and Roads Cluster	7,185,969	7,185,969
10.675	Urban and Community Forestry Program	86,598	0
10.678	Forest Stewardship Program	17,398	0
10.680	Forest Health Protection	39,509	0
10.762	Solid Waste Management Grants	118,625	0
10.912	Environmental Quality Incentives Program	29,690	0
	Total Department of Agriculture	1,986,527,940	395,126,869
Department of Commerce			
11.555	Public Safety Interoperable Communications Grant Program	8,152,628	8,152,014
11.558	ARRA - State Broadband Data and Development Grant Program	3,651,535	3,015,742
	Total Department of Commerce	11,804,163	11,167,756

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
Department of Defense			
12.AAG	Drug Interdiction and Counter Drug Activities	1,144,331	0
12.UNKNOWN	Troops to Teachers	131,920	20,308
12.112	Payments to States in Lieu of Real Estate Taxes	1,375,278	1,375,278
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	677,107	0
12.401	National Guard Military Operations and Maintenance (O&M) Projects	31,158,066	0
Total Department of Defense		34,486,702	1,395,586
Department of Housing and Urban Development			
	CDBG - State-Administered CDBG Cluster:		
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	49,389,570	47,772,340
14.255	ARRA - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	2,986,037	2,769,087
	Total CDBG - State-Administered CDBG Cluster	52,375,607	50,541,427
14.231	Emergency Solutions Grants Program	1,393,682	1,393,682
14.238	Shelter Plus Care	10,183,758	10,084,936
14.241	Housing Opportunities for Persons with AIDS	372,312	372,312
14.257	ARRA - Homelessness Prevention and Rapid Rehousing Program	2,563,975	2,386,680
14.401	Fair Housing Assistance Program - State and Local	567,098	0
14.416	Education and Outreach Initiatives	158,870	0
Total Department of Housing and Urban Development		67,615,302	64,779,037
Department of the Interior			
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	247,807	0
15.252	Abandoned Mine Land Reclamation (AMLR) Program	2,630,659	0
15.255	Science and Technology Projects Related to Coal Mining and Reclamation	21,898	0
	Fish and Wildlife Cluster:		
15.605	Sport Fish Restoration Program	8,857,785	0
15.611	Wildlife Restoration and Basic Hunter Education	10,983,096	0
	Total Fish and Wildlife Cluster	19,840,881	0
15.608	Fish and Wildlife Management Assistance	201,087	0
15.615	Cooperative Endangered Species Conservation Fund	29,884	0
15.616	Clean Vessel Act	13,500	0
15.623	North American Wetlands Conservation Fund	304,884	0
15.633	Landowner Incentive Program	197,675	0
15.634	State Wildlife Grants	806,703	0
15.649	Service Training and Technical Assistance (Generic Training)	73,176	0
15.650	Research Grants (Generic)	20,000	0
15.657	Endangered Species Conservation - Recovery Implementation Funds	54,279	0
15.658	Natural Resource Damage Assessment, Restoration and Implementation	885	0
15.807	Earthquake Hazards Reduction Program	17,967	0
15.808	U.S. Geological Survey - Research and Data Collection	55,940	0
15.810	National Cooperative Geologic Mapping Program	132,129	0
15.814	National Geological and Geophysical Data Preservation Program	4,918	0
15.819	Energy Cooperatives to Support the National Coal Resources Data System (NCRDS)	15,576	0
15.904	Historic Preservation Fund Grants-In-Aid	847,600	83,460
15.916	Outdoor Recreation - Acquisition, Development and Planning	358,026	264,858
15.935	National Trails System Projects	9,646	0
15.978	Upper Mississippi River System Long Term Resource Monitoring Program	282,125	0
Total Department of the Interior		26,167,245	348,318
Department of Justice			
16.UNKNOWN	Domestic Cannabis Eradication	233,506	0
16.017	Sexual Assault Services Formula Program	181,074	170,636
16.202	Prisoner Reentry Initiative Demonstration (Offender Reentry)	35,412	0
16.523	Juvenile Accountability Block Grants	841,202	592,598
16.540	Juvenile Justice and Delinquency Prevention - Allocation to States	1,090,281	827,452

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
16.548	Title V - Delinquency Prevention Program	38,171	38,171
16.554	National Criminal History Improvement Program (NCHIP)	250,103	0
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	412,679	288,373
16.575	Crime Victim Assistance	7,103,745	6,917,455
16.576	Crime Victim Compensation	2,906,815	2,906,815
16.585	Drug Court Discretionary Grant Program	148,155	0
16.588	Violence Against Women Formula Grants	2,072,730	1,943,978
16.588	ARRA - Violence Against Women Formula Grants	188,210	170,304
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	42,768	16,875
16.593	Residential Substance Abuse Treatment for State Prisoners	157,792	78,846
16.606	State Criminal Alien Assistance Program	182,422	0
16.610	Regional Information Sharing Systems	4,432,255	4,431,255
16.710	Public Safety Partnership and Community Policing Grants	1,252,513	0
16.726	Juvenile Mentoring Program	318,341	229,251
16.727	Enforcing Underage Drinking Laws Program	167,039	137,724
16.734	Special Data Collections and Statistical Studies	70,705	0
	JAG Program Cluster:		
16.738	Edward Byrne Memorial Justice Assistance Grant Program	6,904,607	6,224,751
16.803	ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	9,400,613	2,593,732
	Total JAG Program Cluster	16,305,220	8,818,483
16.740	Statewide Automated Victim Information Notification (SAVIN) Program	27,968	0
16.741	DNA Backlog Reduction Program	676,474	0
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program	93,311	93,232
16.746	Capital Case Litigation	445	0
16.801	ARRA - State Victim Assistance Formula Grant Program	530	517
16.810	ARRA - Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program	1,202,140	107,537
16.812	Second Chance Act Prisoner Reentry Initiative	194,387	0
16.816	John R. Justice Prosecutors and Defenders Incentive Act	148,700	148,700
16.821	Juvenile Justice Reform and Reinvestment Demonstration Program	147,140	0
Total Department of Justice		40,922,233	27,918,202
Department of Labor			
17.002	Labor Force Statistics	1,122,150	0
17.005	Compensation and Working Conditions	207,828	0
	Employment Service Cluster:		
17.207	Employment Service/Wagner-Peyser Funded Activities	13,659,091	0
17.801	Disabled Veterans' Outreach Program (DVOP)	873,054	0
17.804	Local Veterans' Employment Representative Program	2,266,009	0
	Total Employment Service Cluster	16,798,154	0
17.225	Unemployment Insurance	1,327,493,807	0
17.235	Senior Community Service Employment Program	2,450,803	2,395,703
17.245	Trade Adjustment Assistance	7,635,075	0
	WIA Cluster:		
17.258	Workforce Investment Act - Adult Program	13,483,326	12,126,529
17.259	Workforce Investment Act - Youth Activities	15,696,171	14,414,975
17.278	Workforce Investment Act - Dislocated Worker Formula Grants	18,106,599	15,439,059
	Total WIA Cluster	47,286,096	41,980,563
17.260	Workforce Investment Act - Dislocated Workers	491,090	377,749
17.260	ARRA - Workforce Investment Act - Dislocated Workers	200,619	200,619
17.261	Workforce Investment Act - Pilots, Demonstrations, and Research Projects	263,437	74,349
17.267	Incentive Grants - WIA Section 503	859,928	389,544
17.271	Work Opportunity Tax Credit Program (WOTC)	602,565	0
17.273	Temporary Labor Certification for Foreign Workers	61,615	0
17.275	ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth		

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
	and Emerging Industry Sectors	1,791,935	1,713,098
17.277	Workforce Investment Act (WIA) National Emergency Grants	22,546,388	22,028,414
17.282	ARRA - Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	82,085	0
17.504	Consultation Agreements	1,138,322	0
17.505	OSHA Data Initiative	44,089	0
17.600	Mine Health and Safety Grants	292,389	0
17.807	Transition Assistance Program	9,143	0
Total Department of Labor		1,431,377,518	69,160,039
Department of Transportation			
20.106	Airport Improvement Program	14,983,007	14,637,426
	Highway Planning and Construction Cluster:		
20.205	Highway Planning and Construction	859,827,789	139,655,164
20.205	ARRA - Highway Planning and Construction	80,358,558	19,265,980
20.219	Recreational Trails Program	4,086,101	539,143
	Total Highway Planning and Construction Cluster	944,272,448	159,460,287
20.217	Motor Carrier Safety	917,937	898,370
20.218	National Motor Carrier Safety	3,685,483	745,378
20.231	Performance and Registration Information Systems Management	199,998	0
20.237	Commercial Vehicle Information Systems and Networks	33,500	0
20.240	Fuel Tax Evasion - Intergovernmental Enforcement Effort	121,112	0
20.319	High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants	404,295	404,295
20.319	ARRA - High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants	399,379	399,379
	Federal Transit Cluster:		
20.500	Federal Transit - Capital Investment Grants	4,668,418	4,668,418
	Total Federal Transit Cluster	4,668,418	4,668,418
20.505	Metropolitan Transportation Planning	5,565,929	5,410,541
20.509	Formula Grants for Other Than Urbanized Areas	14,187,111	13,625,432
20.509	ARRA - Formula Grants for Other Than Urbanized Areas	1,987,065	1,987,065
	Transit Services Programs Cluster:		
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	944,816	810,098
20.516	Job Access - Reverse Commute	1,314,817	1,314,817
20.521	New Freedom Program	255,104	255,104
	Total Transit Services Programs Cluster	2,514,737	2,380,019
	Highway Safety Cluster:		
20.600	State and Community Highway Safety	4,163,322	3,222,919
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I	2,512,627	2,161,920
20.610	State Traffic Safety Information System Improvement Grants	870,805	672,892
20.612	Incentive Grant Program to Increase Motorcyclist Safety	162,508	7,703
20.613	Child Safety and Child Booster Seats Incentive Grants	480,123	169,545
	Total Highway Safety Cluster	8,189,385	6,234,979
20.607	Alcohol Open Container Requirements	10,084,118	3,096,657
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	5,067,585	0
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	49,282	0
20.615	Ensuring Needed Help Arrives Near Callers Employing 911	187,901	187,901
20.700	Pipeline Safety Program State Base Grant	601,882	0
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	675,109	410,573
20.720	State Damage Prevention Program Grants	26,922	0
20.721	PHMSA Pipeline Safety Program One Call Grant	9,414	0
20.816	America's Marine Highway Grants	250,277	0
20.930	Payments for Small Community Air Service Development	58,643	0
Total Department of Transportation		1,019,140,937	214,546,720
Equal Employment Opportunity Commission			
30.002	Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	505,683	0
Total Equal Employment Opportunity Commission		505,683	0

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
General Services Administration			
39.003	Donation of Federal Surplus Personal Property	2,084,459	1,763,694
39.011	Election Reform Payments	511,641	510,343
	Total General Services Administration	2,596,100	2,274,037
National Foundation on the Arts and the Humanities			
45.025	Promotion of the Arts - Partnership Agreements	763,537	443,199
45.310	Grants to States	3,097,721	1,724,677
	Total National Foundation on the Arts and the Humanities	3,861,258	2,167,876
Small Business Administration			
59.061	ARRA - State Trade and Export Promotion Pilot Grant Program	274,304	0
	Total Small Business Administration	274,304	0
Department of Veterans Affairs			
64.UNKNOWN	Vocational Training for Certain Veterans Receiving VA Pension	710,639	0
64.005	Grants to States for Construction of State Home Facilities	1,345,054	0
64.015	Veterans State Nursing Home Care	50,501,723	0
64.024	VA Homeless Providers Grant and Per Diem Program	589,058	589,058
	Total Department of Veterans Affairs	53,146,474	589,058
Environmental Protection Agency			
66.032	State Indoor Radon Grants	151,198	0
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	651,955	39,240
66.039	National Clean Diesel Emissions Reduction Program	1,697,120	1,090,513
66.040	State Clean Diesel Grant Program	574,989	311,144
66.202	Congressionally Mandated Projects	874,235	0
66.419	Water Pollution Control State, Interstate, and Tribal Program Support	270,416	0
66.433	State Underground Water Source Protection	101,082	0
66.454	Water Quality Management Planning	230,739	1,189
66.454	ARRA - Water Quality Management Planning	432,220	299,185
66.458	Capitalization Grants for Clean Water State Revolving Funds	53,961,115	39,647,933
66.458	ARRA - Capitalization Grants for Clean Water State Revolving Funds	9,703,383	9,703,383
66.460	Nonpoint Source Implementation Grants	2,112,531	1,217,055
66.461	Regional Wetland Program Development Grants	114,522	0
66.468	Capitalization Grants for Drinking Water State Revolving Funds	16,793,401	8,335,336
66.468	ARRA - Capitalization Grants for Drinking Water State Revolving Funds	2,637,416	2,637,416
66.471	State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	666,760	25,795
66.474	Water Protection Grants to the States	617	0
66.475	Gulf of Mexico Program	1,270	0
66.605	Performance Partnership Grants	13,908,939	377,392
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	16,000	0
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	253,216	0
66.709	Multi-Media Capacity Building Grants for States and Tribes	15,269	0
66.714	Regional Agricultural IPM Grants	2,596	0
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	1,561,802	385,830
66.804	Underground Storage Tank Prevention, Detection and Compliance Program	729,705	0
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	1,297,555	0
66.810	Chemical Emergency Preparedness and Prevention (CEPP) Technical Assistance Grants Program	21,000	21,000
66.817	State and Tribal Response Program Grants	1,364,605	0
66.818	Brownfields Assessment and Cleanup Cooperative Agreements	115,082	0
66.940	Environmental Policy and State Sustainability Grants	73,857	0
	Total Environmental Protection Agency	110,334,595	64,092,411
Department of Energy			
81.039	National Energy Information Center	1,854	0
81.041	State Energy Program	455,671	0
81.041	ARRA - State Energy Program	36,256,716	27,830,290

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
81.042	Weatherization Assistance for Low-Income Persons	2,318,849	2,013,877
81.042	ARRA - Weatherization Assistance for Low-Income Persons	44,902,202	43,419,703
81.089	Fossil Energy Research and Development	57,379	0
81.092	Weldon Springs Site Remedial Action Project	435,481	0
81.104	Office of Environmental Waste Processing	141,598	0
81.122	ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis	441,381	0
81.127	ARRA - Energy Efficient Appliance Rebate Program (EEARP)	46,658	0
81.128	ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	5,057,903	4,667,911
81.138	State Heating Oil and Propane Program	3,940	0
81.902	State Environmental Oversite and Monitoring	72,224	0
Total Department of Energy		90,191,856	77,931,781
Department of Education			
84.UNKNOWN	Cooperative System Grant	86,522	0
84.002	Adult Education - Basic Grants to States	9,953,732	8,676,398
	Title I, Part A Cluster:		
84.010	Title I Grants to Local Educational Agencies	247,296,811	244,181,513
84.389	ARRA - Title I Grants to Local Educational Agencies, Recovery Act	14,998,424	14,998,424
	Total Title I, Part A Cluster	262,295,235	259,179,937
84.011	Migrant Education - State Grant Program	1,357,482	1,328,591
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth	1,438,875	1,424,413
	Special Education Cluster (IDEA):		
84.027	Special Education - Grants to States	208,104,892	178,223,503
84.173	Special Education - Preschool Grants	9,048,648	9,048,648
84.391	ARRA - Special Education - Grants to States, Recovery Act	31,256,212	31,256,212
84.392	ARRA - Special Education - Preschool Grants, Recovery Act	2,082,335	2,082,335
	Total Special Education Cluster (IDEA)	250,492,087	220,610,698
84.032	Federal Family Education Loans	144,083,021	0
84.048	Career and Technical Education - Basic Grants to States	20,928,851	18,671,865
	Vocational Rehabilitation Cluster:		
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	60,805,280	0
84.390	ARRA - Rehabilitation Services - Vocational Rehabilitation Grants to States, Recovery Act	143,631	0
	Total Vocational Rehabilitation Cluster	60,948,911	0
84.144	Migrant Education - Coordination Program	99,549	75,438
	Independent Living State Grants Cluster:		
84.169	Independent Living - State Grants	431,417	375,580
84.398	ARRA - Independent Living State Grants	33,933	0
	Total Independent Living - State Grants Cluster	465,350	375,580
	Independent Living Services for Older Individuals Who Are Blind Cluster:		
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who Are Blind	878,263	0
84.399	ARRA - Independent Living Services for Older Individuals Who Are Blind	217,408	0
	Total Independent Living Services for Older Individuals Who Are Blind Cluster	1,095,671	0
	Early Intervention Services (IDEA) Cluster:		
84.181	Special Education - Grants for Infants and Families	7,864,270	0
84.393	ARRA - Special Education - Grants for Infants and Families, Recovery Act	374,372	0
	Total Early Intervention Services (IDEA) Cluster	8,238,642	0
84.185	Byrd Honors Scholarships	28,154	0
84.186	Safe and Drug-Free Schools and Communities - State Grants	615,406	615,406
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	418,728	0
	Education for Homeless Children and Youth Cluster:		
84.196	Education for Homeless Children and Youth	897,436	888,842
84.387	ARRA - Education for Homeless Children and Youth, Recovery Act	248,152	248,152
	Total Education for Homeless Children and Youth Cluster	1,145,588	1,136,994
84.213	Even Start - State Educational Agencies	397,708	367,790
84.224	Assistive Technology	825,201	604,440

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
84.243	Tech-Prep Education	1,381,285	1,381,214
84.265	Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	48,746	0
84.282	Charter Schools	540,886	537,848
84.287	Twenty-First Century Community Learning Centers	17,584,172	17,305,124
	Educational Technology State Grants Cluster:		
84.318	Educational Technology State Grants	1,038,495	979,394
84.386	ARRA - Education Technology State Grants, Recovery Act	829,839	799,839
	Total Educational Technology State Grants Cluster	1,868,334	1,779,233
84.323	Special Education - State Personnel Development	1,008,435	1,008,435
84.326	Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	181,155	0
84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	253,036	253,036
84.331	Grants to States for Workplace and Community Transition Training for Incarcerated Individuals	45,292	0
84.358	Rural Education	3,017,125	2,960,304
84.365	English Language Acquisition State Grants	4,305,317	4,128,895
84.366	Mathematics and Science Partnerships	2,892,313	2,891,547
84.367	Improving Teacher Quality State Grants	47,721,344	47,146,024
84.369	Grants for State Assessments and Related Activities	5,419,083	0
84.371	Striving Readers	32,105	3,000
	Statewide Data Systems Cluster:		
84.372	Statewide Data Systems	1,688,565	0
	Total Statewide Data Systems Cluster	1,688,565	0
	School Improvement Grants Cluster:		
84.377	School Improvement Grants	137,058	137,058
84.388	ARRA - School Improvement Grants, Recovery Act	17,205,785	17,203,667
	Total School Improvement Grants Cluster	17,342,843	17,340,725
84.378	College Access Challenge Grant Program	1,671,732	1,347,531
	State Fiscal Stabilization Fund Cluster:		
84.394	ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	64,918,743	64,918,746
84.397	ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	3,604,871	3,604,871
	Total State Fiscal Stabilization Fund Cluster	68,523,614	68,523,617
84.410	ARRA - Education Jobs Fund	2,802,893	2,802,893
84.902	National Assessment of Educational Programs	114,274	0
Total Department of Education		943,357,262	682,476,976
National Archives and Records Administration			
89.003	National Historical Publications and Records Grants	97,064	34,690
Total National Archives and Records Administration		97,064	34,690
Elections Assistance Commission			
90.401	Help America Vote Act Requirements Payments	3,471,477	631,477
Total Elections Assistance Commission		3,471,477	631,477
Department of Health and Human Services			
93.003	Public Health and Social Services Emergency Fund	536,543	351,021
93.041	Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	100,983	11,704
93.042	Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	388,800	148,838

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
93.043	Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	421,295	421,295
	Aging Cluster:		
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	8,572,297	7,590,342
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	11,239,956	11,239,956
93.053	Nutrition Services Incentive Program	3,311,172	3,311,172
	Total Aging Cluster	23,123,425	22,141,470
93.048	Special Programs for the Aging - Title IV - and Title II - Discretionary Projects	148,711	71,332
93.051	Alzheimer's Disease Demonstration Grants to States	229,489	215,530
93.052	National Family Caregiver Support, Title III, Part E	2,989,678	2,989,678
93.069	Public Health Emergency Preparedness	15,686,142	8,814,173
93.070	Environmental Public Health and Emergency Response	815,550	449,478
93.089	Emergency System for Advance Registration of Volunteer Health Professionals	60,085	0
93.090	Guardianship Assistance	3,133,866	0
93.090	ARRA - Guardianship Assistance	158,492	0
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	544,082	397,186
93.103	Food and Drug Administration - Research	242,185	0
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	1,128,235	1,093,837
93.110	Maternal and Child Health Federal Consolidated Programs	817,888	110,556
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	757,848	253,429
93.127	Emergency Medical Services for Children	92,997	9,956
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	251,144	48,370
93.135	Centers for Research and Demonstration for Health Promotion and Disease Prevention	37,883	0
93.136	Injury Prevention and Control Research and State and Community Based Programs	715,226	614,653
93.150	Projects for Assistance in Transition from Homelessness (PATH)	949,792	914,656
93.161	Health Program for Toxic Substances and Disease Registry	22,500	22,500
93.197	Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	84,265	56,573
93.230	Consolidated Knowledge Development and Application (KD&A) Program	177,304	22,118
93.234	Traumatic Brain Injury State Demonstration Grant Program	280,168	190,564
93.235	Affordable Care Act (ACA) Abstinence Education Program	1,039,584	852,801
93.240	State Capacity Building	321,623	0
93.241	State Rural Hospital Flexibility Program	592,338	413,649
93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	9,338,931	8,345,521
93.251	Universal Newborn Hearing Screening	281,840	98,685
	Immunization Cluster:		
93.268	Immunization Cooperative Agreements	63,346,736	374,956
93.712	ARRA - Immunization	592,752	1,075
	Total Immunization Cluster	63,939,488	376,031
93.270	Adult Viral Hepatitis Prevention and Control	58,065	0
93.283	The Affordable Care Act: Centers for Disease Control and Prevention - Investigations and Technical Assistance	7,732,609	3,018,753
93.293	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	25,400	25,389
93.301	Small Rural Hospital Improvement Grant Program	339,514	326,776
93.414	ARRA - State Primary Care Offices	73,415	0
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	1,096,939	750,604
93.506	ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers	1,922,181	0
93.507	PPHF 2012 National Public Health Improvement Initiative	197,388	0
93.511	Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	90,733	0
93.518	Affordable Care Act - Medicare Improvements for Patients and Providers	201,241	193,603
93.519	Affordable Care Act (ACA) - Consumer Assistance Program Grants	511,013	0

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
93.520	Centers for Disease Control and Prevention - Affordable Care Act (ACA) - Communities Putting Prevention to Work	93,516	93,291
93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF	210,135	11,640
93.525	State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	820,455	0
93.538	Affordable Care Act - National Environmental Public Health Tracking Program - Network Implementation	731,624	0
93.539	PPHF 2012 - Prevention and Public Health Fund (Affordable Care Act) - Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance Financed in Part by 2012 Prevention and Public Health Funds	264,891	0
93.544	The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) Authorizes Coordinated Chronic Disease Prevention and Health Promotion Program	353,821	18,780
93.556	Promoting Safe and Stable Families	7,122,183	5,195,527
	TANF Cluster:		
93.558	Temporary Assistance for Needy Families	196,828,854	20,306,481
93.714	ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	2,007,415	802,098
	Total TANF Cluster	198,836,269	21,108,579
93.563	Child Support Enforcement	34,104,988	17,473,216
93.566	Refugee and Entrant Assistance - State Administered Programs	2,317,233	0
93.568	Low-Income Home Energy Assistance	81,309,667	40,463,250
	CSBG Cluster:		
93.569	Community Services Block Grant	15,593,716	15,455,294
	Total CSBG Cluster	15,593,716	15,455,294
	CCDF Cluster:		
93.575	Child Care and Development Block Grant	72,988,101	2,394,019
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	53,143,933	0
93.713	ARRA - Child Care and Development Block Grant	7,592,213	0
	Total CCDF Cluster	133,724,247	2,394,019
93.576	Refugee and Entrant Assistance - Discretionary Grants	371,330	188,648
93.584	Refugee and Entrant Assistance - Targeted Assistance Grants	123,184	0
93.586	State Court Improvement Program	1,028,432	0
93.590	Community-Based Child Abuse Prevention Grants	1,155,085	1,148,816
93.597	Grants to States for Access and Visitation Programs	556,102	0
93.599	Chafee Education and Training Vouchers Program (ETV)	1,018,721	1,018,721
	Head Start Cluster:		
93.600	Head Start	197,658	197,658
93.708	ARRA - Head Start	152,983	70,015
	Total Head Start Cluster	350,641	267,673
93.603	Adoption Incentive Payments	1,150,839	0
93.617	Voting Access for Individuals with Disabilities - Grants to States	278,088	278,088
93.630	Developmental Disabilities Basic Support and Advocacy Grants	1,301,132	407,831
93.643	Children's Justice Grants to States	58,091	0
93.645	Stephanie Tubbs Jones Child Welfare Services Program	8,950,309	0
93.652	Adoption Opportunities	441,155	0
93.658	Foster Care - Title IV-E	49,858,624	404,941
93.659	Adoption Assistance	37,450,981	0
93.667	Social Services Block Grant	56,500,147	3,761,034
93.669	Child Abuse and Neglect State Grants	824,759	0
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes	1,782,794	0

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
93.674	Chafee Foster Care Independence Program	2,345,617	0
93.717	ARRA - Preventing Healthcare-Associated Infections	159,701	108,531
93.719	ARRA - State Grants to Promote Health Information Technology	2,657,242	0
93.723	ARRA - Prevention and Wellness - State, Territories and Pacific Islands	911,472	907,605
93.725	ARRA - Communities Putting Prevention to Work: Chronic Disease Self-Management Program	368,970	368,970
93.767	Children's Health Insurance Program	117,177,877	0
	Medicaid Cluster:		
93.775	State Medicaid Fraud Control Units	1,341,498	0
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	17,044,274	0
93.778	Medical Assistance Program	5,654,719,191	0
93.778	ARRA - Medical Assistance Program	73,892,407	0
	Total Medicaid Cluster	5,746,997,370	0
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	1,634,221	308,347
93.791	Money Follows the Person Rebalancing Demonstration	7,136,899	0
93.889	National Bioterrorism Hospital Preparedness Program	6,258,941	4,872,951
93.913	Grants to States for Operation of Offices of Rural Health	186,131	22,621
93.917	HIV Care Formula Grants	8,896,654	8,340,208
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	3,175,080	174,895
93.940	HIV Prevention Activities - Health Department Based	3,801,438	2,100,830
93.943	Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups	515,859	249,668
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	676,438	313,962
93.945	Assistance Programs for Chronic Disease Prevention and Control	14,056	5,370
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	159,877	39,735
93.958	Block Grants for Community Mental Health Services	7,670,948	7,313,363
93.959	Block Grants for Prevention and Treatment of Substance Abuse	25,685,701	23,847,836
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	2,277,917	260,381
93.982	Mental Health Disaster Assistance and Emergency Mental Health	2,221,912	2,164,358
93.991	Preventive Health and Health Services Block Grant	1,095,305	361,159
93.994	Maternal and Child Health Services Block Grant to the States	10,861,708	6,123,573
Total Department of Health and Human Services		6,733,227,371	221,324,440
Corporation for National and Community Service			
94.003	State Commissions	305,775	1,174
94.004	Learn and Serve America - School and Community Based Programs	99,149	90,882
94.006	AmeriCorps	3,294,969	3,266,660
94.007	Program Development and Innovation Grants	67,870	67,870
94.009	Training and Technical Assistance	108,042	14,750
Total Corporation for National and Community Service		3,875,805	3,441,336
Social Security Administration			
	Disability Insurance/SSI Cluster:		
96.001	Social Security - Disability Insurance	41,040,166	0
	Total Disability Insurance/SSI Cluster	41,040,166	0
Total Social Security Administration		41,040,166	0
Department of Homeland Security			
97.005	State and Local Homeland Security National Training Program	432,349	245,544
97.008	Non-Profit Security Program	81,272	81,272
97.012	Boating Safety Financial Assistance	2,153,292	0
97.017	Pre-Disaster Mitigation (PDM) Competitive Grants	464,559	464,559
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	155,313	0
97.029	Flood Mitigation Assistance	70,883	70,883
97.032	Crisis Counseling	836,309	0
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	54,463,845	50,265,999
97.039	Hazard Mitigation Grant	16,151,717	15,881,940

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
97.041	National Dam Safety Program	99,002	0
97.042	Emergency Management Performance Grants	3,357,753	0
97.045	Cooperating Technical Partners	1,912,981	0
97.047	Pre-Disaster Mitigation	3,916	3,916
97.052	Emergency Operations Center	867,796	867,796
97.055	Interoperable Emergency Communications	511,121	487,875
97.056	Port Security Grant Program	511,229	0
97.067	Homeland Security Grant Program	35,338,002	31,774,612
97.075	Rail and Transit Security Grant Program	49,765	49,280
97.078	Buffer Zone Protection Program (BZPP)	726,845	723,959
97.082	Earthquake Consortium	12,309	0
97.088	Disaster Assistance Projects	212,886	181,403
97.091	Homeland Security Biowatch Program	348,577	272,868
97.092	Repetitive Flood Claims	31,881	31,881
Total Department of Homeland Security		118,793,602	101,403,787
		$ 12,725,677,262	1,942,939,220

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 2012 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 financial 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, 2012, 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 the ARRA. The portion of total expenditures for SNAP benefits that is supported by ARRA funds varies according to fluctuations in the cost of the Thrifty Food Plan, and to changes in participating households' income, deductions, and assets. This condition prevents The U.S. Department of Agriculture (USDA) from obtaining the regular and ARRA components of SNAP benefits expenditures through normal program reporting processes. As an alternative, the USDA has computed a weighted average percentage to be applied to the national aggregate SNAP benefits provided to households in order to allocate an appropriate portion thereof to ARRA funds. This methodology generates valid results at the national aggregate level but not at the individual state level. Therefore, the state cannot validly disaggregate the regular and ARRA components of its reported expenditures for SNAP benefits. At the national aggregate level, however, ARRA funds account for approximately 10.95 percent of the USDA's total expenditures for SNAP benefits in the federal fiscal year ended September 30, 2012.

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

The state received cash rebates from an infant formula manufacturer, totaling $34,097,673, on sales of formula to participants in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (CFDA No. 10.557). This amount was excluded from total program expenditures. Rebate contracts with infant formula manufacturers are authorized by 7 CFR Section 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 $1,272,764,214. Reimbursements to other states from the State Unemployment Compensation Fund for benefits paid by those other states, totaling $35,859,459, 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 $8,855,281, 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 $2,773,527,299 as of June 30, 2012. 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 $322,982,336 as of June 30, 2012.

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 $28,147,923.

The Department of Public Safety distributes excess Department of Defense (DOD) equipment to state and local law enforcement agencies under the DOD Surplus Property program (CFDA No. 12.AAG). Property distributions totaled $4,832,480 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 23.68 percent of the historical cost ($1,144,331), 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 $8,802,614 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 23.68 percent of the historical cost ($2,084,459), 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 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 $59,788,106.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATE OF MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

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? __x__ yes ______ 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
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.559	Summer Food Service Program for Children

17.225	Unemployment Insurance
	WIA Cluster:
17.258	Workforce Investment Act - Adult Programs
17.259	Workforce Investment Act - Youth Activities
17.278	Workforce Investment Act - Dislocated Worker Formula Grants
17.277	Workforce Investment Act (WIA) National Emergency Grants
	Highway Planning and Construction Cluster:
20.205	Highway Planning and Construction
20.205	ARRA - Highway Planning and Construction
20.219	Recreational Trails Program
81.041	State Energy Program
81.041	ARRA - State Energy Program
81.042	Weatherization Assistance for Low-Income Persons
81.042	ARRA - Weatherization Assistance for Low-Income Persons
81.128	ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)
	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
84.367	Improving Teacher Quality State Grants
	School Improvement 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

	TANF Cluster:
93.558	Temporary Assistance for Needy Families
93.714	ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program
93.568	Low-Income Home Energy Assistance
	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
93.667	Social Services Block Grant
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
97.067	Homeland Security Grant 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

2012-1. Financial Reporting Controls - Inter-Fund/Inter-Agency Transactions

As noted in the prior report, the Office of Administration - Division of Accounting (DOA) does not have adequate procedures in place to identify improperly recorded inter-fund and inter-agency transactions. In addition, the Department of Social Services (DSS) and the Department of Mental Health (DMH) do not have adequate procedures in place to ensure complete and accurate information regarding inter-fund and inter-agency transactions is submitted to the DOA. Although the DOA implemented procedures in response to the prior audit finding, these procedures did not identify similar improperly recorded transactions totaling $248 million for the fiscal year ending June 30, 2012. Revenues and expenditures related to these improperly recorded transactions would have been double counted and overstated in the *Missouri Comprehensive Annual Financial Report* (CAFR) if they had remained undetected. The corrections for the misstatement were made to the CAFR in November 2012, after we brought this to the attention of the DOA.

Data recorded in the SAM II accounting system is a primary source of information used in compiling the CAFR. Policies and procedures for processing transactions in SAM II are designed to allow the DOA to identify and eliminate inter-fund and inter-agency transactions when compiling the CAFR, as required by governmental accounting standards. These policies require state agencies to record inter-fund and inter-agency transactions using transfer or inter-agency billing documents. Recording inter-fund transfers and inter-agency billings correctly provides the transaction information needed by the DOA to identify necessary adjustments.

Beginning in July 2010, the federal Centers for Medicare and Medicaid Services required a change in the processing of certain Medical Assistance Program claims between the DSS and the DMH to provide for greater transparency. However, this change resulted in overstated revenues and expenditures in SAM II as these transactions flowed between several DSS and DMH funds. As noted in the prior report, these overstatements were corrected when identified during the preparation of the fiscal year 2011 CAFR. In response to the prior audit finding, the DOA developed and distributed a new survey form to state agencies requesting information on inter-fund and inter-agency transactions that were not recorded using the transfer or inter-agency billing process during fiscal year 2012. In addition, the DOA performed a review of SAM II expenditure transactions in an attempt to identify transactions not reported by the state agencies. However, neither the DSS nor the DMH initially reported such Medical Assistance Program inter-fund and inter-agency transactions, totaling $248 million for the fiscal year ended June 30, 2012, on their survey forms and the review performed by the DOA did not identify these additional improperly recorded transactions.

We held several discussions with personnel of the DSS, the DMH, and the DOA from June through early November 2012, to determine the status of the prior audit finding. Agency personnel indicated the process to record the inter-fund and inter-agency transactions was changed in November 2011. The agencies also indicated that under the new process there were no similar improperly recorded transactions and; therefore, no needed corrections for the fiscal year ended June 30, 2012. However, this new transaction recording process only changed the funds involved and did not affect the way the transactions were recorded. As a result, the double counting of revenues and expenditures still existed.

We determined the transactions between the DSS and the DMH continued to result in improperly recorded revenues and expenditures during fiscal year 2012, by reviewing Medical Assistance Program payment data in SAM II. When it became apparent in early November 2012 the DOA's new survey form and internal review of SAM II expenditure transactions had not identified the misstatements, we provided our documentation to the DOA. As a result, the DOA made corrections to the overstated amounts in the fiscal year 2012 CAFR. In subsequent discussions during mid-November 2012, DOA personnel indicated the overstatements would have been detected through analytical procedures performed during their review of the CAFR draft. However, it is not clear if the overstatements would have been identified with this analytical procedure.

In addition, following discussions among the agencies in November 2012 regarding the inter-agency transactions, the DSS and the DMH resubmitted their survey forms to the DOA with revised amounts. However, these revised survey forms reported only a portion of the interagency transactions.

Adequate systems of internal controls include the design and operation of controls which allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements.

WE RECOMMEND the DOA continue to implement and improve controls which allow for the timely detection and correction of inter-agency and inter-fund transactions that are not processed in compliance with SAM II policies and procedures. In addition, the DSS and the DMH should implement controls to ensure complete and accurate information is submitted to the DOA identifying inter-fund and inter-agency transactions.

AUDITEE'S RESPONSE

The DOA provided the following written response:

We disagree that the DOA does not have adequate procedures in place to identify improperly recorded inter-fund and inter-agency transactions. In addition to the new survey, the DOA management conducts an extensive review of the CAFR prior to completion. The State Auditor's office (SAO) presented the transactions in question to the DOA staff in early November, two and a half months before the release of the FY12 CAFR. As such, the DOA management had not completed their review of CAFR. If we had been allowed to complete our review in its entirety, the transactions would have been detected and corrected without any assistance from the SAO.

AUDITOR'S COMMENT

As noted in the finding, a similar issue was first identified and discussed with the DOA in late 2011 and was reported in the prior report. Also as noted above, the additional procedures specifically developed by the DOA subsequent to that report were not successful. While it is possible the DOA's management level review of the CAFR draft may have detected the misstatements, it cannot be assumed as a certainty. The improperly recorded transactions could have been identified through an analysis of SAM II data at any point during the fiscal year and corrected by the DOA long before the CAFR draft was prepared. It appears the DOA had sufficient time and knowledge to ensure the misstatements were corrected during the CAFR compilation process rather than waiting until the DOA's final review of the fiscal year 2012 CAFR draft was performed.

The DMH and the DSS provided the following written response:

The DMH and the DSS did not initially report these inter-fund/inter-agency transactions to the Office of Administration. However, after gaining a better understanding of how the Inter-Governmental Transfer Reimbursement Methodology transactions were processed, the DMH and the DSS reported the transactions to the Office of Administration on November 8, 2012. The

DMH and the DSS have processes in place to identify and accurately report these transactions to the Office of Administration. The DMH and the DSS will continue to ensure complete and accurate information is submitted to the Office of Administration identifying inter-fund and inter-agency transactions.

2012-2. Financial Reporting Controls - Department of Labor and Industrial Relations

The Department of Labor and Industrial Relations (DLIR) does not have adequate procedures in place to ensure the accuracy of financial statements and adjusting entries submitted to the Office of Administration - Division of Accounting (DOA) for the Unemployment Compensation Fund (UCF). The UCF revenues and accounts receivable account balances would have been overstated by $22.5 million in the *Missouri Comprehensive Annual Financial Report* (CAFR) for the year ended June 30, 2012, had an error in the adjusting entries not been identified during our audit.

DLIR personnel properly included a $22.5 million federal assessment charge to employers in revenues and accounts receivable balances of the UCF financial statements for the year ending June 30, 2012. However, our audit identified these federal assessment charges were mistakenly included again in the year-end adjusting entries to accrue revenues and accounts receivable balances for preparation of the CAFR. Although the financial statements and adjusting entries are reviewed by DLIR supervisors, the error was not detected and the incorrect information was submitted to the DOA.

When compiling the draft CAFR, the DOA incorporated the incorrect amounts reported by the DLIR. After we brought this to the attention of the DLIR, a correction of this misstatement was made to the CAFR by the DOA in December 2012, prior to its completion.

Adequate systems of internal controls include the design and operation of controls which allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements.

WE RECOMMEND the DLIR implement controls which allow for the detection and correction of errors when preparing year-end financial statement adjusting entries.

AUDITEE'S RESPONSE

We concur with the finding and we will perform a more thorough review and analysis of all adjusting entries before sending information to the DOA.

2012-3. Financial Reporting Controls - Department of Revenue

The Department of Revenue (DOR) does not have adequate procedures in place to ensure the accuracy of agency fund financial statements submitted to the Office of

Administration - Division of Accounting (DOA). Accounts receivable and the related liability balances of the agency funds would have been understated by $54.4 million in the *Missouri Comprehensive Annual Financial Report* (CAFR) for the year ended June 30, 2012, had an error in the preparation of the DOR financial statements not been identified during our audit.

Agency fund financial statements prepared by the DOR incorrectly reported accounts receivable balances. The DOR financial statements are to include an amount for gross accounts receivable, as well as an offsetting deduction for the portion considered likely to be uncollectible, resulting in expected net accounts receivable. However, when preparing the financial statements, the DOR incorrectly reported as the gross accounts receivable a total which had already been reduced by the expected uncollectible amounts. The uncollectible amount of $54.4 million was then also shown on the financial statement, in effect deducting those amounts twice from gross receivables and resulting in net receivables being understated by $54.4 million. Although the DOR financial statements are reviewed by DOR supervisors, the misstatement was not detected and the incorrect financial statements were submitted to the DOA.

When compiling the draft CAFR, the DOA incorporated the incorrect amounts reported by the DOR. This resulted in an understatement of $54.4 million in accounts receivable and the related liability balances included in the CAFR. After we brought this to the attention of the DOR and the DOA, correction of the misstatement was made to the CAFR in December 2012, prior to its completion.

Adequate systems of internal controls include the design and operation of controls which allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements.

WE RECOMMEND the DOR implement controls which allow for the detection and correction of errors when preparing the Agency Fund financial statements.

AUDITEE'S RESPONSE

The Department of Revenue agrees that it submitted the Combining Schedule of Changes in Assets and Liabilities - All Agency Funds to the Office of Administration, Division of Accounting with a material mistake. The Department reduced agency funds' accounts receivable for allowance for doubtful accounts prior to reporting receivables in the agency fund statement and then also reported allowances for doubtful accounts in the statement, causing double counting of allowances. The Department will analyze its review process and increase controls where needed.

Section III - Federal Award Findings and Questioned Costs

2012-4. Subrecipient Monitoring and Participant Data

Federal Agency:	Department of Labor
Federal Program:	17.258 Workforce Investment Act - Adult Program 2010 - AA-20203-10-55-A-29 2011 - AA-21405-11-55-A-29 17.259 Workforce Investment Act - Youth Activities 2010 - AA-20203-10-55-A-29 2011 - AA-21405-11-55-A-29 17.278 Workforce Investment Act - Dislocated Workers Formula Grants 2010 - AA-20203-10-55-A-29 2011 - AA-21405-11-55-A-29
State Agency:	Department of Economic Development - Division of Workforce Development (DWD)

The DWD has not established adequate procedures to ensure subrecipients are complying with all federal requirements regarding participant enrollment, and has not ensured participant records are complete and accurate for the Workforce Investment Act (WIA) program. The DWD expended approximately $48 million in WIA funding in fiscal year 2012, of which approximately $42.6 million (89 percent) was paid to subrecipients. The majority of subrecipient funds were passed through to 14 Workforce Investment Boards (WIBs) throughout the state for various worker training programs.

A. The DWD did not take action to ensure WIBs were following federal guidelines which require participants be exited from the WIA program if no services have been provided for 90 days.

Services provided to participants, such as assisted job searches, skills assessments, and job training, require contact from a WIB representative (either WIB staff or a WIB subcontractor's staff). An August 2012 report from the Department of Labor, Employment and Training Administration (DOL-ETA) noted the failure of the Central Region WIB to timely exit participants from the program. The review revealed multiple participant files indicated various services had been provided, even though the files also contained repeated case notes documenting the participant had not been directly contacted, and therefore had not actually been provided program services, for over 90 days. Allowing participants to remain enrolled when they have not been directly contacted or provided services allows the WIB and its subcontractors to manipulate performance statistics and potentially receive performance incentives not earned. The DOL-ETA report recommended the DWD ensure subrecipients are exiting participants from the program timely when required.

Our discussions with DWD management in early December 2012 indicated no specific corrective action had yet been taken in response to the DOL-ETA report beyond conducting normal monitoring procedures to identify potential manipulations of the 90 day requirement. Subsequently, DWD management indicated the agency began a process of reviewing 100 percent of Central Region enrollments and has provided additional guidance to all subrecipients to help ensure compliance with federal requirements.

B. The DWD Central Office has approved change requests to participant records which are not in compliance with federal requirements. In addition, changes made via the agency's change order process are documented with hard-copy change requests and logged separately from the electronic participant tracking system. However, the tracking system itself contains no mention or documentation of any changes to the participant record.

The ToolBox Case Tracking System (Toolbox) was created to track information on job seekers and employers who participate in all WIA programs. All WIB representatives are required to enter participant data into the Toolbox system. Only specific fields in electronic Toolbox participant records can be edited by WIB representatives and records can be backdated by the representative no more than 7 days. A change request form must be submitted to DWD Central Office to request modifications to fields not editable by staff. These change request forms are manually numbered, logged, and retained by the DWD. Our review of change requests noted 2 of the 25 (8 percent) tested were approved and processed although the change did not appear appropriate. Both change requests involved participants who were automatically exited by the system due to inactivity, as required. In both cases, a change was made to 'unexit' the participant although case notes clearly showed the participant had not been contacted or provided services for more than 90 days. Such changes are not in accordance with federal requirements.

In addition, the Toolbox system does not adequately track administrative changes made on the system, such as what changes were made, who made the changes, or the date the changes occurred. Record of the change requests are maintained in a spreadsheet separate from the Toolbox system, and change request forms are maintained in hardcopy. A DWD official said an electronic audit trail of information may be available if needed for review of a specific case; however, the information is not readily evident and changes are not identified as such when the files are viewed on Toolbox.

DOL-ETA Training and Employment Guidance Letter (TEGL) No. 17-05 states that a participant is to be exited from the program if a program service has not been received in a 90-day period. In addition, without a sufficient and accurate audit trail of changes to records of participant activity oversight agency personnel, as well as DWD management and monitoring personnel, are less able to adequately monitor subrecipient participant records.

WE RECOMMEND the DWD:

A. Continue to implement additional monitoring of WIB representatives or other staff responsible for documenting program exits to ensure compliance with federal requirements.

B. Ensure administrative changes made to participant records are appropriate, and develop or acquire the functionality to maintain adequate records of all changes made to participant records in the Toolbox Case Tracking System.

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.

2012-5. Vocational Rehabilitation

Federal Agency:	Department of Education
Federal Program:	84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States 2010 - H126A100036C; 2011 - H126A110036-11H and 2012 - H126A120036-12D 84.187 Supported Employment Services for Individuals with Significant Disabilities 2012 - H187A120037-12B
State Agency:	Department of Elementary and Secondary Education (DESE) - Missouri Vocational Rehabilitation (MVR)

An adequate review of community rehabilitation provider (CRP) billings and other supporting documentation, including obtaining independent employment verification, was not performed. As a result, at least $46,030 was paid to a CRP for falsified and erroneous billings. MVR procedures to address concerns identified in annual performance appraisals performed on counselors were not effective. Correction of these concerns may have helped the agency detect the falsified and erroneous billings more timely.

During the year ended June 30, 2012, the MVR expended approximately $54 million through the Vocational Rehabilitation (VR) program, including $20.1 million for MVR staff payroll and operating expenses, $9.4 million for various types of client assistance payments, and $24.5 million paid to CRPs for contracted services. The VR program assists individuals with disabilities prepare for and engage in gainful employment. MVR counselors determine client eligibility and services required. Some clients are provided with assistance for transportation costs, tuition, etc. In addition, many clients are referred to contracted CRPs which provide services such as job readiness training, job placement, and job coaching.

A. An adequate review of CRP billings and other supporting documentation was not performed, and employment of some clients was not independently verified, prior to payment for placement and job coaching services. As a result, 23 payments totaling $33,699 were made during the period March 2011 to July 2012 to a CRP for falsified billings. In addition, another 14 payments totaling $12,331 made to the same CRP during the period March 2011 to May 2012 were determined questionable and may be either billing errors or additional falsified billings. During the year ended June 30, 2012, this CRP was paid approximately $2.8 million by the MVR for contracted services.

CRPs are allowed to bill the MVR when certain services are completed or benchmarks/outcomes are achieved for a client. CRP service invoices are received by the district MVR offices and reviewed by a supervisor or counselor. The supervisor or counselor compares the invoice to the client case file maintained by the MVR to ensure the information agrees, such as, level of service provided, amount of job coaching provided, and if the client has been placed in a job. The supervisor or counselor documents approval on the invoice with initials or a signature. This review does not, however, include independent verification of client employment activity. The billing is then approved by the billing department and processed for payment.

In July 2012, discrepancies in a previously approved billing and other supporting documentation provided by a CRP were identified by a MVR counselor. The CRP had billed for services not received by the clients, and the billing was subsequently determined by the MVR to be falsified. In August 2012, the DESE and the State Auditor's office also received an anonymous tip regarding the falsified billings. As a result, the MVR created a team to review all open cases with payments to this CRP for federal fiscal years 2011 and 2012 and to investigate any discrepancies identified. At our request, the MVR also conducted an additional review of some of the closed cases with payments made to this CRP in federal fiscal year 2011 and 2012. Closed cases are classified as either successful or unsuccessful (meaning the client did not find and retain employment in accordance with the client's employment goals). The MVR review of the 94 unsuccessful closed cases that billed for job placement or job coaching services identified additional falsified or erroneous billings. The MVR did not review closed cases for which no placement activities or services were provided or closed cases with successful closures because the MVR counselor contacts these clients before a case is closed. The MVR believed unsuccessful closed cases were a higher risk for falsified billings.

The MVR review of both open and closed cases identified the 37 questionable payments noted above, totaling $46,030. Questionable payments included, for example, the CRP billing for job coaching and job placement; however, the clients and the employers indicated to the review team the client never worked at the place of employment noted on the billing or received any job coaching. Also, some client signatures on supporting documentation submitted by the CRP did not match signatures maintained in MVR case files. The CRP acknowledged the questionable payments, and as of November 2012, the MVR received full reimbursement of $46,030 from the CRP for the falsified and erroneous billings and terminated the contract with the CRP.

In addition to the MVR review of cases involving this CRP, we conducted a review of 60 program expenditures, which included 20 payments to this and other CRP vendors, as well as other assistance payments, etc. Our review noted employment was also not verified for three payments made to other CRPs and adequate supporting documentation was not retained for two education assistance payments reviewed.

In response to the falsified and erroneous billings identified above, the MVR established new procedures for all contracted CRPs, which includes requiring the CRP to provide proof of outside employment verification such as a client's paycheck stub or a letter from the client's employer. If documentation is not submitted, the MVR counselor is required to document their own verification of employment with the client prior to the payment of invoices.

Federal regulation 34 CFR, Section 74.21 states recipients shall provide effective controls over and accountability for all funds, and have procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the provisions of the federal cost principles. Due to the lack of adequate procedures, these falsified billings and other errors were not detected on a timely basis. Adequate documentation is necessary to ensure the appropriateness of these expenditures. Adequate supervisory reviews and verification of services billed assists in preventing the misappropriation of funds.

B. Procedures have not been established to effectively address concerns related to inadequate client contact identified in annual performance appraisals of counselors. More frequent client contact may have helped the MVR identify the falsified and erroneous billings noted in part A above.

MVR district supervisors perform annual performance appraisals of each MVR counselor. While the appraisals appear oriented toward case outcomes, one of the areas reviewed evaluates whether a counselor provides and documents goal-directed client contact. The MVR client services guide recommends counselors contact clients monthly. We reviewed annual performance appraisals conducted during the period October 2009 through September 2012 for 17 counselors that approved $42,130 of the questionable billings noted above. Annual appraisals for ten of these counselors identified failure of the counselors to adequately contact clients. Additionally, for eight of the ten counselors, this issue was identified in multiple annual appraisals, signifying ongoing deficiencies.

Upon completion of the appraisal, the district supervisor addresses any identified concerns with the counselor. Depending on the type of concern, the district supervisor may monitor the counselor by reviewing his/her casework on the case management system; however, this review is not documented. The district supervisor may also initiate an action plan or performance objective with the counselor. However, action plans and performance objectives are typically initiated to address the MVR's primary objective of employment outcomes rather than focusing on improving client contact.

In addition to contributing to productive outcomes for clients, counselor contact with clients can provide valuable information regarding the services provided by contracted CRPs. Since the MVR was not obtaining independent verification of reported employment as noted in part A, more frequent counselor contact of clients may have detected the falsified and erroneous billings more timely. Procedures should be developed to ensure concerns with inadequate client contact are corrected timely.

WE RECOMMEND the DESE:

A. Continue improving procedures over the billing review process to help prevent and identify falsified or erroneous billings from CRPs in a timely manner and ensure adequate supporting documentation is obtained for all expenditures.

B. Ensure concerns with inadequate client contact identified during annual performance appraisals are corrected timely.

AUDITEE'S RESPONSE

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

2012-6. Medicaid Home and Community Based Services

Federal Agency:	Department of Health and Human Services
Federal Program:	93.778 Medical Assistance Program 2011 - 1105MO5MAP and 1105MO5ADM 2012 - 1205MO5MAP and 1205MO5ADM
State Agency:	Department of Health and Senior Services (DHSS) - Division of Senior and Disability Services (DSDS)
Questioned Costs:	$297,964

As noted in the two prior audits, the DSDS does not ensure annual reassessments are performed, as required, to determine continued need of services of Home and Community Based Services (HCBS) recipients. As a result, the DSDS has not ensured most HCBS recipients have a need for and are receiving the appropriate level of care.

The DSDS is responsible for the direct administration of various Medical Assistance Program (Medicaid)-funded HCBS programs for seniors and adults with disabilities, including the two largest programs, State Plan Personal Care (SPPC) and Aged and Disabled Waiver (ADW). The Medicaid program is administered by the Department of Social Services (DSS) - MO HealthNet Division, while the DSDS is charged with assessing and reassessing the need for, and authorizing HCBS services for these Medicaid recipients. These services, which are authorized in a plan of care, 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, 2012, approximately 59,000 recipients were provided SPPC and ADW services totaling approximately $483 million.

Backlogs of HCBS reassessments due, which have existed for several years, have been compounded by staff reductions in state fiscal years 2010 and 2011 and a failed contract with an assessment administrator. After the contract with the assessment administrator was canceled in September 2011, the DSDS hired approximately 90 staff to perform call center, initial assessment, reassessment, and care plan maintenance functions. In July 2012, the DSDS received additional funding and began paying HCBS providers to also perform some annual reassessments. With these changes, there has been limited improvement and a significant backlog of reassessments due still exists. According to DSDS officials, as of February 15, 2013, reassessments were due for approximately 29,600 Medicaid HCBS recipients.

In May 2011, the DSDS established the new HCBS Web Tool for performing various tasks for each recipient. Most new recipients and those existing recipients who have had a care plan change or reassessment after May 2011 have been entered in the HCBS Web Tool. DSDS staff have been yet unable to add the remaining existing recipients to the HCBS Web Tool. Participating HCBS providers and DSDS staff are responsible for performing reassessments for those recipients in the HCBS Web Tool (approximately 44 percent as of February 2013); while DSDS staff are responsible for performing reassessments for recipients (approximately 56 percent) not yet in the HCBS Web Tool. According to DSDS officials, while reassessments are performed annually for those recipients in the HCBS Web Tool, there is still a backlog of reassessments due for those recipients not yet in the HCBS Web Tool. For those participants in the HCBS Web Tool, participating providers and DSDS staff receive a monthly list of reassessments due within 60 days, and have 45 days to submit the completed reassessments. DSDS staff are assigned to perform initial assessments, care plan changes, and reassessments, with reassessments for participants not in the HCBS Web Tool being lower priority. Recently, in an effort to reduce the backlog of reassessments, the DSDS has been working to increase provider participation in the reassessment process. DSDS officials indicated their goal is to resolve the backlog of reassessments during fiscal year 2014, with current staff levels and full provider participation.

We tested assessment documentation for 60 Medicaid recipients who received SPPC and/or ADW services during the year ended June 30, 2012. Payments totaling $719,980 were made to providers on behalf of these recipients during this period. We found the DSDS did not perform annual reassessments of eligibility for 40 of the 58 (69 percent) recipients requiring a reassessment. The most recent reassessment for these recipients was completed 2 to 7 years ago. As a result, the DSDS could not demonstrate these 40 recipients needed the services for which the payments were made. The payments for SPPC and ADW services provided to these recipients without annual reassessments during the year ended June 30, 2012, totaled $468,570. We question the federal share, or $297,964 (63.59 percent).

The failure to perform annual reassessments as required can result in payments for services which are not necessary. Various regulations, including 42 CFR Section 441.302(c), Missouri statutes Sections 208.906 and 208.930, RSMo, the Cooperative Agreement between the DSS and the DHSS, and the DSDS Home and Community Services Case Management Manual, Section 1606.20, require that annual reassessments be performed for ADW and/or SPPC recipients to ensure the adequacy of the care plan and continued need for the level of care provided.

WE RECOMMEND the DHSS, through the DSDS, resolve the questioned costs with the grantor agency and ensure annual reassessments are performed as required.

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.

2012-7. Homeland Security Grant Program

Federal Agency: Department of Homeland Security
Federal Program: 97.067 Homeland Security Grant Program
2007 - GE-T7-0034
2008 - GE-T8-0014
2009 - SS-T9-0062
2010 - SS-T0-0039
2011 - SS - 00003
State Agency: Department of Public Safety - Office of the Director (OD)
Questioned Costs: $745,978

Controls and procedures over the operation of the Homeland Security program need improvement. During the year ended June 30, 2012, the Homeland Security program disbursed approximately $35.3 million in program funds.

A. The OD did not ensure personnel related expenditures were properly supported by salary certifications and approved activity reports for the Homeland Security program. A similar condition was noted in our prior audit report.

1) Salary certifications were not prepared for the 17 employees the OD identified as working solely on the Homeland Security program from July 2011 to March 2012. Personnel costs charged to the program (excluding benefits) during this period for these employees totaled $511,940. We question the federal share, or $511,940 (100 percent).

In April 2012, in response to a similar finding in our prior audit report, the OD began preparing salary certifications; however, our review identified 1 of the 17 employees noted above still lacked a salary certification for both May and June 2012. An additional employee, newly assigned to the program in May 2012, did not prepare a salary certification until June 2012. Personnel costs charged to the program (excluding benefits) for these two employees during the additional periods without salary certifications totaled $8,762. We question the federal share, or $8,762 (100 percent). Beginning July 2012, all OD employees record time using semi-monthly timesheets.

2) Documentation of employee and supervisor approval for time worked is not always maintained for employees splitting time between multiple programs, including the Homeland Security program. As a result, the OD cannot substantiate some payroll costs charged to the program.

Each pay period, OD employees enter the time spent on each federal program into an internal time tracking system. This data is used by OD officials to determine the allocation of payroll costs to various federal programs. However, the time entered and charged to the program for the period of July 2011 to March 2012 was not approved by the employee or the employee's direct supervisor as required for any of the 10 employees charging part of their time to the Homeland Security program during at least part of that period. Salary costs (excluding benefits) allocated for these employees during July 2011 to March 2012 totaled $215,991. We question the federal share, or $215,991 (100 percent).

In April 2012, in response to a similar finding in our prior audit report, the OD established procedures requiring the employee or the employee's supervisor to approve the time charged to the various programs and activities. Our review of salary costs allocated during May 2012 found three of the five employees during that period working on multiple programs (which included the Homeland Security program), either did not have properly approved activity forms or the allocation made did not agree to the approved form or other supporting documentation. A further review of a pay period in June 2012 found similar errors for two of these three employees. Salary costs (excluding benefits) allocated to the Homeland Security program for these three employees during the periods reviewed in which costs were not fully supported, totaled $9,285. We question the federal share, or $9,285 (100 percent).

OMB Circular A-87 requires salaries or wages charged to the federal award be supported by salary certifications or personnel activity reports or equivalent documentation. These records must account for the total activity for which the employee was compensated and be signed by the employee or supervisor. Without adequate documentation and proper approval of activity charged to the program, the OD has not fully substantiated the payroll costs allocated to the federal program.

B. The OD should improve policies and procedures to provide better assurance that subrecipients of the Homeland Security program are in compliance with applicable federal and grant requirements. During the year ended June 30, 2012, the Homeland Security program disbursed approximately $31.8 million to 68 subrecipients.

1) Although a formal subrecipient monitoring policy was implemented in March 2011 and a revised policy was issued in April 2012 for the Homeland Security program, the OD did not comply with these policies and monitoring procedures could still be improved. A similar condition was noted in our prior audit report.

   Prior to payment of a claim, the OD receives supporting documentation (i.e. invoices, proof of payment, etc.) from the subrecipient. In addition, the OD monitoring policy requires personnel to perform an annual desk monitoring review of each subrecipient. However, the OD did not perform desk monitoring reviews for 57 of the 68 subrecipients with expenditures during fiscal year 2012. In addition, the monitoring policy requires the OD to perform on-site visits to three subrecipients per year; however, the OD only performed one on-site visit during fiscal year 2012.

2) The OD has not established an audit tracking system or ensured Homeland Security program subrecipients expending $500,000 or more in federal funds obtained independent Single Audits as required. In addition, followup was not performed on findings reported in subrecipient Single Audits. A similar condition was reported in our prior audit report.

   Nine Homeland Security subrecipients each received $500,000 or more in federal funds from the Homeland Security program alone. For these nine subrecipients, the OD obtained copies of data collection forms, which accompany Single Audit reports submitted to the federal Single Audit Clearinghouse. These forms summarize various information from the audit reports, including whether material non-compliance or other audit findings were identified by the auditor. The OD performed desktop reviews of the data collection forms for two of the nine subrecipients and identified one of the subrecipients had audit findings. In addition, one of the seven subrecipients with no desktop review also had audit findings. However, the OD did not obtain a copy of the actual audit report from the two subrecipients to determine the significance of the findings and there was no documentation of any follow-up action by the OD. In addition, the OD had no system to identify which of the remaining subrecipients could be expected to need a Single Audit. While remaining subrecipients received Homeland Security program funding of less than $500,000, numerous awardees received significant Homeland Security funds and it is likely, when considering federal awards from other sources, a Single Audit would have been required for some.

Under 28 CFR Section 66.40 and OMB Circular A-133, grantees are responsible for monitoring subrecipient activities to assure compliance with applicable federal requirements. Grantee monitoring must cover each program, function, or activity. In addition, OMB Circular A-133 requires grant recipients to ensure subrecipients obtain a Single Audit when federal grant expenditures exceed $500,000 in a fiscal year. That audit report is required to be filed with the recipient agency and the federal Single Audit Clearinghouse within 9 months of the end of the subrecipient's fiscal year. The recipient agency is also required to issue a management decision on audit findings within 6 months after receipt of the subrecipient's audit report and ensure the subrecipient takes timely and appropriate corrective action. Findings identified in subrecipient Single Audit reports could provide the OD valuable information about the performance of subrecipients.

C. The OD does not have adequate controls and procedures to ensure compliance with the Federal Funding Accountability and Transparency Act (FFATA), and as a result, several subawards were not reported timely as required.

The FFATA requires the reporting of key data elements for certain subawards and subcontracts to promote the transparency and accountability over the use of non-ARRA federal financial awards, and requires such information be made available to the public through a single searchable website. The FFATA requirements relate to direct recipients of grants or cooperative agreements who make first-tier subawards, and to contractors that award first-tier subcontracts. Reporting is required to be made by the end of the month following the month a subaward/subcontract, or an amendment or modification to a subaward/subcontract, greater than $25,000 was made. According to the OMB Circular A-133 Compliance Supplement, due to the relative newness of the

FFATA, the recipient must at least demonstrate a good faith effort to comply with these requirements, and such effort must be adequately documented.

An OD official was assigned to ensure compliance with FFATA. This official provided copies of correspondence indicating there were delays in obtaining information and guidance from the granting agency needed to comply with the FFATA. As of February 2012, the documentation indicated these issues were resolved. However, none of the 16 subawards issued during state fiscal year 2012 that we reviewed, totaling $8.6 million, were reported until after our inquiry in October 2012, approximately a year after the information was required to be reported. As of December 2012, 3 of the 16 subawards still had not been reported.

WE RECOMMEND the OD:

A. Resolve the questioned costs with the grantor agency, and ensure adequate records of time worked are prepared and approved by the employee and/or their supervisor to support the salary costs allocated to the program.

B. Improve procedures to ensure subrecipients are monitored timely. In addition, a system should be established to track Single Audit reports expected and received from applicable subrecipients, and to document the review and follow-up of all subrecipient Single Audit reports received.

C. Establish procedures to ensure the subaward information required to be reported per the FFATA is complete, accurate, and submitted timely.

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.

2012-8. Payroll Cost Allocation Procedures

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
2011 - 2011IS252043, 2011IE251843, 2011CQ270343, and 2011IQ390343
2012 - 2012IS252043, 2012IE251843, and 2012IQ390343
93.558 Temporary Assistance for Needy Families
2011 - G1102MOTANF and 2012 - G1202MOTANF
93.575 Child Care and Development Block Grant
2011 - G1101MOCCDF and 2012 - G1201MOCCDF

	93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund 2011 - G1101MOCCDF and 2012 - G1201MOCCDF 93.658 Foster Care - Title IV-E 2011 - G1101MO1401 and 2012 - G1201MO1401 93.659 Adoption Assistance 2011 - G1101MO1407 and 2012 - G1201MO1407 93.667 Social Services Block Grant 2011 - G1101MOSOSR 2012 - G1201MOSOSR 93.778 Medical Assistance Program 2011 - 1105MO5ADM and 2012 - 1205MO5ADM
State Agency:	Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)
Questioned Costs:	$148,884

DFAS controls and procedures over the allocation of some payroll costs to federal programs were inadequate and, as a result, several errors were not prevented and/or detected.

The DFAS has developed procedures to identify and allocate payroll costs to federal programs administered by the department in accordance with the DSS cost allocation plan. These procedures provide for the classification of payroll costs by labor codes. Payroll costs related to some labor codes are directly charged to specific federal programs while payroll costs related to other labor codes are included in the Income Maintenance (IM) or Children's Services (CS) cost pools. Payroll costs included in the cost pools are allocated to federal programs based on the percentage of time worked by employees on certain federal programs. Costs included in the IM cost pool are primarily allocated to the programs administered by the Family Support Division (FSD) and the costs included in the CS cost pool are primarily allocated to programs administered by the Children's Division (CD).

FSD, CD, and MO HealthNet Division Personnel Unit staff assign a labor code to each employee that reflects the employee's position, division, and other programmatic information related to the employee's duties. Each division has the authority to establish new labor codes or modify existing labor codes, as necessary, to account for new programs or facilitate reorganization of existing employees. The DFAS is primarily responsible for determining how those labor codes are to be processed through the cost allocation plan. DFAS officials indicated the Personnel Unit staff notify and discuss with them changes to labor codes so the DFAS can make necessary changes in the allocation of the labor codes to federal grants. The DFAS does not maintain a master listing of the title/definition of each labor code or periodically review labor codes assigned to employees to ensure payroll costs are allocated appropriately.

Our review of selected labor codes charged to the IM and CS cost pools during state fiscal year 2012 identified 3 of 60 employees reviewed (5 percent) were assigned labor codes that resulted in their payroll costs being charged to the incorrect cost pool. We expanded our review to include all employees assigned the labor codes in question and noted payroll costs were incorrectly charged for two additional employees. The labor codes associated with these errors only include a few employees. DFAS officials indicated the purpose or definition of these labor codes may have changed, but these changes were not properly reflected in the assignment of the labor codes to the cost pools. These errors resulted in overstatements of payroll costs totaling approximately $236,000 ($149,000 federal share) and understatements totaling approximately $139,000 ($86,000 federal share) for seven federal programs for the year ended June 30, 2012. Identified errors include:

- One labor code that included two FSD administrative support employees was charged to the CS cost pool instead of the IM cost pool. This error resulted in overstatements totaling approximately $70,200 to four federal programs and understatements totaling approximately $69,800 to three federal programs. We question the federal share of the overstatements, or $51,255.

- One labor code that included a CD area director was charged to the IM cost pool instead of the CS cost pool. This error resulted in overstatements totaling approximately $68,300 to three federal programs and understatements totaling approximately $68,700 to four federal programs. We question the federal share of the overstatements, or $35,191.

- One labor code was charged to the CS cost pool; however, the labor code included two employees whose entire payroll costs should have been directly charged to the federal programs related to their duties. These employees provide administrative support for the Caring Communities program funded by the Promoting Safe and Stable Families or the Social Services Block Grant programs. 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 the allocation of similar Caring Community partnership costs through the CS cost pool would be discontinued and the costs would be charged directly to the applicable federal programs. This resulted in overstatements to four federal programs totaling approximately $97,800. We question the federal share of the overstatements, or $62,438.

As noted above, the identified errors resulted in both understatements and overstatements for various federal programs. We question the federal share of payroll 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 the overstatements:

CFDA	Program	Amount
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	$ 17,086
93.558	Temporary Assistance for Needy Families	36,618
93.575/ 93.596	Child Care and Development Block Grant / Child Care Mandatory and Matching Funds of the Child Care and Development Fund	2,429
93.658	Foster Care Title IV-E	47,459
93.659	Adoption Assistance	6,363
93.667	Social Services Block Grant	22,795
93.778	Medical Assistance Program	16,134
Total		$ 148,884

OMB Circular A-87, Attachment A, Section C states that 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. In addition, federal regulation 45 CFR Section 96.30(a) requires the DSS to have sufficient controls over block grants to ensure expenditures are allowable. Without proper controls to periodically review the purpose and definition of labor codes and labor codes assigned to employees, the DFAS cannot ensure payroll costs are allowable and allocable to the various federal programs.

WE RECOMMEND the DSS, through the DFAS, resolve the questioned costs with the grantor agency, and establish controls and procedures to ensure payroll costs are allowable and allocable. These procedures should include a periodic documented review of labor codes assigned to employees and the purpose and definition of labor codes to ensure associated payroll costs are charged to appropriate federal programs directly or through the proper cost pool.

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.

2012-9. Schedule of Expenditures of Federal Awards

Federal Agency: Department of Education
Department of Health and Human Services
Federal Program: 84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States
2011 - H126A110037 and 2012 - H126A120037
93.090 Guardianship Assistance
2012 - 1201MO1409
93.090 ARRA - Guardianship Assistance

2012 - 1201MO1408
93.558 Temporary Assistance for Needy Families
2011 - G1102MOTANF and 2012 - G1202MOTANF
93.714 ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families State Program
2009 - G0901MOTAN2 and 2010 - G1001MOTAN2
93.563 Child Support Enforcement
2010 - G1004MO4004
2011 - G1104MO4004
2012 - G1204MO4005
93.568 Low-Income Home Energy Assistance Program
2011 - G11B1MOLIEA and 2012 - G12B1MOLIEA
93.575 Child Care and Development Block Grant
2011 - G1101MOCCDF and 2012 - G1201MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2011 - G1101MOCCDF and 2012 - G1201MOCCDF
93.713 ARRA - Child Care and Development Block Grant
2009 - G0901MOCCD7
93.658 Foster Care - Title IV-E
2011 - G1101MO1401 and 2012 - G1201MO1401
93.667 Social Services Block Grant
2009 - 0901MOSOS2
2011 - G1101MOSOSR
2012 - G1201MOSOSR
93.767 Children's Health Insurance Program
2010 - 1005MO5021 and 2011 - 1105MO5021
93.778 Medical Assistance Program
2011 - 1105MO5MAP and 1105MO5ADM
2012 - 1205MO5MAP and 1205MO5ADM
93.778 ARRA - Medical Assistance Program
2011 - 1105MOARRA, 1105MOHIMP, 1105MOINCT and 1105MOEXTN
2012 - 1205MOIMPL and 1205MOINCT

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

As noted in the prior audit report, DFAS controls and procedures over the preparation of the Schedule of Expenditures of Federal Awards (SEFA) are not sufficient, and as a result, errors on the SEFA were not prevented and/or detected. Expenditures reported on the SEFA for 7 of 18 (39 percent) programs reviewed were overstated by a net amount of approximately $16.9 million (overstatements totaled approximately $23.4 million and understatements totaled approximately $6.5 million). Listed below are the misstatements applicable to each program:

CFDA	Program	Overstated/ (Understated)
93.090	Guardianship Assistance	$ (3,133,866)
93.090	ARRA - Guardianship Assistance	(158,492)
93.563	Child Support Enforcement	(401,163)
93.575	Child Care and Development Block Grant	22,975,559
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	5,520
93.658	Foster Care - Title IV-E	435,043
93.667	Social Services Block Grant (SSBG)	(2,771,173)

In addition to the above errors, the amount provided to subrecipients was understated by approximately $6.4 million for the Low-Income Home Energy Assistance Program (LIHEAP). The DFAS revised the schedule after we brought the above errors to management's attention.

DFAS personnel prepare the SEFA from various records, including the program federal reports, the cost allocation plan, and other internal spreadsheets. In response to our prior finding, the DSS implemented new written procedures over the preparation of the SEFA in fiscal year 2012 including additional reviews and the use of a checklist by the preparer and reviewers. The checklist requires the reviewers to perform a comparison of expenditure amounts by program to federal reports, the cost allocation plan, or other documentation. The reviewers did not document which specific programs were verified and which documents were used to verify the SEFA amounts. The errors discussed above were not detected during the review process.

The majority of the above errors resulted from the incorrect compilation of data from program federal reports or other documentation during preparation of the SEFA. In addition, the amount paid to subrecipients for the LIHEAP program was understated because DFAS personnel were not aware how to identify the applicable population of payments in SAM II. The SSBG expenditure amount was understated because DFAS personal preparing the SEFA did not include amounts expended by another state agency. DFAS personnel also stated Guardianship Assistance expenditures were not included on the SEFA schedule because the federal grantor agency did not allow the DSS to draw down grant funds until fiscal year 2013 although the expenditures were claimed for reimbursement in fiscal year 2012. However, the DSS properly recognized similar expenditures for other grants in the year claimed for reimbursement rather than when the funds were drawn down. It is unclear why the DSS reconciliation of the federal reports and other documentation to the prepared SEFA failed to detect these misstatements.

OMB Circular A-133, section .310(b)(3), requires the DSS prepare a schedule of expenditures of federal awards showing the financial activity for each federal program. To ensure the SEFA is complete and accurate, effective procedures should be established, including a documented reconciliation to federal reports and detailed supervisory review.

WE RECOMMEND the DSS, through the DFAS, continue to implement controls and procedures to ensure the schedule of expenditures of federal awards is complete and accurate.

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.

2012-10.	**Reporting**

Federal Agency:	Department of Health and Human Services
Federal Program:	93.558 Temporary Assistance for Needy Families 2011 - G1102MOTANF and 2012 - G1202MOTANF 93.568 Low-Income Home Energy Assistance Program 2011 - G11B1MOLIEA and 2012 - G12B1MOLIEA 93.575 Child Care and Development Block Grant 2011 - G1101MOCCDF and 2012 - G1201MOCCDF 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund 2011 - G1101MOCCDF and 2012 - G1201MOCCDF 93.667 Social Services Block Grant 2011 - G1101MOSOSR and 2012 - G1201MOSOSR
State Agency:	Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)

The DFAS does not have adequate controls and procedures to ensure compliance with the Federal Funding Accountability and Transparency Act of 2006 (FFATA) and, as a result, several subawards were not reported as required.

The FFATA requires the reporting of key data elements for certain subawards and subcontracts to promote the transparency and accountability over the use of non-ARRA federal financial awards, and requires such information be made available to the public through a single searchable website. The FFATA requirements relate to direct recipients of grants or cooperative agreements who make first-tier subawards, and to contractors that award first-tier subcontracts. Reporting is required to be made by the end of the month following the month a subaward/subcontract, or an amendment or modification to a subaward/subcontract, greater than $25,000 was made. According to the OMB Circular A-133 Compliance Supplement, due to the relative newness of the FFATA, the recipient must at least demonstrate a good faith effort to comply with these requirements, and such effort must be adequately documented.

The DFAS has developed written procedures for FFATA reporting. The procedures require a designated DFAS employee to ask the Purchasing Unit monthly which federally funded subaward contracts or agreements exceeding $25,000 were issued during the month. The Purchasing Unit manager is required to respond and provide copies of the applicable contracts or agreements. The Purchasing Unit manager identifies the subaward contracts by the inclusion of certain attachments. Subaward contracts identify the recipient as a subrecipient and the DSS requires an attachment identifying information about the grantor agency, federal grant, grant terms and conditions, and audit requirements. Additionally, the DSS requires the contract/agreement recipient complete a separate FFATA attachment that includes certain details required to be reported for the FFATA. DFAS officials indicated there is no supervisory review of the FFATA entries or the information submitted to the DFAS and DFAS staff do not compare subawards for a grant to prior year submissions.

We reviewed 24 of the 41 subawards for four federal grants. For 23 of the 24 subawards reviewed, totaling approximately $35.3 million, FFATA information was either not reported or not reported timely.

- The DFAS did not timely report a Child Care and Development Block Grant subaward totaling approximately $3.5 million. After our inquiry, approximately 9 months after the information was required to be reported, the DSS reported this subaward. The employee responsible for entering data in the federal system indicated Purchasing Unit staff did not inform her of this agreement.

- The DFAS did not timely report two Social Services Block Grant subawards totaling approximately $6.8 million. These subawards were not reported until 4 and 5 months, respectively, after required. DFAS officials indicated these awards were likely reported late because the grantor agency did not upload the prime award information timely. DFAS officials did not document this delay and could not provide evidence that a good faith effort had been previously taken to comply with FFATA requirements.

- The DFAS did not report increases in the amount of Low-Income Home Energy Assistance Program monies obligated to ten Community Action Agencies as required. While the original subawards were reported as required in October 2011, each of the ten contracts were subsequently amended by more than $25,000 in February 2012. The subaward increases totaled approximately $5 million. DFAS procedures do not address whether Purchasing Unit staff should identify amendments increasing subawards for FFATA reporting.

- The DFAS did not report Temporary Assistance for Needy Families subawards, totaling approximately $20 million, to ten contractors. The DSS indicated the amounts were not reported because the fiscal year 2012 subaward contracts did not designate the contractors as subrecipients, so they were not identified as contracts to be reported. The fiscal year 2013 contracts do designate the contractors as subrecipients and the DSS intends to report the current subawards in accordance with the FFATA.

Strengthening procedures over FFATA reporting would provide the DSS more assurance information included in the FFATA data for the various programs is complete, accurate, and reported timely.

<u>WE RECOMMEND</u> the DSS, through the DFAS, improve controls to ensure the subaward information required to be reported per the FFATA is complete, accurate, and submitted timely. In addition, the DSS should report the 2012 subawards not yet reported as required.

<u>AUDITEE'S RESPONSE</u>

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

2012-11. Child Care Eligibility and Payments

Federal Agency:	Department of Health and Human Services
Federal Program:	93.575 Child Care and Development Block Grant 2011 - G1101MOCCDF and 2012 - G1201MOCCDF 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund 2011 - G1101MOCCDF and 2012 - G1201MOCCDF 93.713 ARRA - Child Care and Development Block Grant 2009 - G0901MOCCD7
State Agency:	Department of Social Services (DSS) - Children's Division (CD), Family Support Division (FSD), and Division of Legal Services (DLS)
Questioned Costs:	$298,847

As noted in our prior two audit reports, significant weaknesses exist in DSS controls over Child Care Development Fund (Child Care) eligibility and provider payments. Controls are not sufficient to prevent and/or detect payments on behalf of ineligible clients or improper payments to child care providers. Eligibility and payment documentation could not be located for many child care cases reviewed and overpayments were made to some providers. In addition, controls over investigations of potentially fraudulent child care payments need improvement. During the year ended June 30, 2012, the DSS paid over 8,200 child care providers approximately $172 million for services provided to about 85,000 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.

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; and maintain case file documentation, including the child care application or a signed system-generated interview summary and copies of income (including work hours) or educational program verifications to support eligibility determination. The DSS Income Maintenance manual also limits the number of absences and holidays eligible for reimbursement.

In addition, the Child Care policy manual and provider agreements require that providers submit a monthly invoice electronically via the internet through the Child Care Online Invoicing System (CCOIS) or manually through the Child Care Provider Relations Unit. The CCOIS system interfaces with the Family Assistance Management Information System (FAMIS) eligibility and payment system to process provider payments. Additionally, providers are required to 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.

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 only limited procedures to review eligibility determinations and current procedures are inadequate to monitor payments to providers.

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 $151,000 were made to child care providers on behalf of these children during state fiscal year 2012. We noted the following:

- The DSS could not locate the child care eligibility file for 5 of 60 (8 percent) cases reviewed. For two files, the DSS could not locate any original signed information and provided only reprinted information from the FAMIS system. The remaining three files included information related to other benefit programs or child care information for other time periods; however, child care eligibility information for the audit period was missing. In addition, the DSS could not locate an additional two files until approximately 5 months after our initial request. Child care payments made on behalf of these children and their siblings during the year ended June 30, 2012, totaled $51,884. We question the federal share of $42,026 (81 percent).

- Eligibility documentation was not sufficient to support a valid need for child care for 5 of 60 (8 percent) cases reviewed. For one case, the client did not report all sources of income and additional income identified later by the DSS made her ineligible for benefits. For the remaining four cases, there was no documentation supporting the need for child care while enrolled in an educational program for all or part of the year. Payments totaling $12,603, made on behalf of these children and their siblings, were unallowable and/or unsupported by adequate documentation. We question the federal share of $10,208 (81 percent).

- For child care payments, 22 of 60 (37 percent) payments reviewed were not supported by adequate documentation and/or were not in compliance with DSS policies. Attendance records were not provided by child care providers upon our request, some provider invoices did not agree to the corresponding attendance records, and one provider was paid more than the authorized number of days. In addition, documentation supporting some authorizations for payments at enhanced evening/weekend rates could not be located. Of these 22 payments, 6 were for cases which also lacked eligibility documentation and were included in the questioned costs above or were absence and/or holiday payment errors and are questioned in Part B. Payments for the remaining 16 cases totaled an additional $3,989. We question the federal share of $3,231 (81 percent).

During the fiscal year ended June 30, 2012, there was a lack of overall quality control for the Child Care program. 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. At least three significant factors contributed to the weak control system including: limited supervisory review of child care eligibility determinations, failure to perform on-site contract compliance reviews of child care providers and minimal other procedures in place to review provider attendance records, and poor case management and document retention.

In response to deficiencies identified in previous audit reports, the DSS implemented new controls over eligibility determinations. Although the DSS has a system for monthly supervisory reviews of eligibility determinations by caseworkers statewide for other DSS assistance programs, the review system did not previously include the Child Care program. Effective March 1, 2012, the DSS requires all FSD eligibility supervisors to review a minimum of three child care cases each month in the case review system. While the new procedures improve controls over eligibility determinations, there are no requirements for random case selection and only limited procedures to ensure the monthly case reviews are performed.

The DSS needs to review and strengthen policies and procedures to ensure child care payments are made only on behalf of eligible clients, invoices agree to the corresponding attendance records, attendance records are complete, payments are in accordance with department policy, and appropriate child care services are authorized. These procedures should include sufficient monitoring of eligibility determinations and provider payments, and follow-up on errors identified. Complete and accurate case records are critical in properly administering the program.

Payments associated with known questioned costs represented approximately 20 percent of payments reviewed. If similar errors were made on the remaining population of child care payments, questioned costs could be significant.

B. Controls and procedures over absence and holiday payments are inadequate and, as a result, the DSS paid at least $300,000 to providers who did not actually provide child care for the children claimed. In addition, some payment edit checks in the FAMIS and CCOIS systems were not operating effectively.

Child care providers are allowed to bill for a limited number of absences and/or holidays during a month if the child has not left the provider's care. Our review of DSS expenditure data determined the DSS paid at least 680 providers on behalf of at least 2,900 children for absences and/or holidays in months with no attendance reported for the child during either the month reported or the subsequent month. For many of these the provider billed and was paid for the maximum number of absences and/or holidays allowed even though no other services were provided or billed. Identified payments made on behalf of these children with fiscal year 2012 service dates totaled $300,471. We question the federal share, or $243,382 (81 percent). For at least two children, the DSS paid the provider for absences and/or holidays for all 12 months when there was no other claimed attendance. We also identified an additional $133,645 in potentially unallowable payments on behalf of children who had attendance in the subsequent month but their case was not reviewed by the DSS in accordance with policy or the service date was outside of the audit period, and we could not confirm if they had additional attendance. DSS officials confirmed there is no system edit in place to prevent providers from billing for only absences and/or holidays.

We also noted additional weaknesses in the FAMIS (eligibility and payments) and CCOIS (web invoicing) systems. In some instances the FAMIS system paid providers more than the allowed number of absences and/or holidays when a child care authorization ended during the month and a new authorization subsequently began in the same month. For example, the DSS paid one provider for nine absences and one holiday in November 2011 because the FAMIS system allowed five absences and/or holidays for the child's authorization period that ended on November 17 and also the new authorization period that began on November 18. CD officials were not aware edit checks were not operating correctly. Providers are limited to a maximum of three or five absences and holidays combined, per calendar month, depending on the child's authorized level of care. In addition, the CCOIS system does not limit the service dates that can be claimed for payment.

Some payments made during state fiscal year 2012 were for services provided as old as February 2007. Payments for service dates prior to January 2011 totaled over $388,000. While some older service date payments may be allowable or correcting entries, CD officials stated they were not aware older entries by providers were possible and thought the FAMIS system would limit the service dates that could be paid even if the CCOIS allowed the service dates to be entered by providers.

Current DSS policy prohibits providers from billing for absences and/or holidays after a child has left the care of a provider. Officials indicated there may be times when a child is temporarily absent from the provider, but the determination of whether the provider would be allowed to claim absences and/or holidays would need to be addressed on a case by case basis. Policy instructs employees to review the child's authorization and circumstances when a provider claims only absences. However, this does not occur in practice, because procedures do not exist to review any web invoices prior to payment, including those submitted with only absences and/or holidays. Without adequate controls and procedures in place, including appropriate computer system edits, the DSS is unable to effectively prevent and detect improper payments.

C. Controls over child care fraud investigations are not sufficient to ensure cases are investigated timely and effectively. The Division of Legal Services - Welfare Investigations Unit (WIU) is responsible for investigating cases of suspected fraud for all DSS public assistance programs, including the Child Care program. The WIU closed 27 fraud investigations that included child care benefits during the year ended June 30, 2012, and as of December 31, 2012, had 165 open fraud investigations (both client and provider fraud) that included child care benefits. Approximately 30 percent of the open investigations were opened prior to January 2012.

We reviewed ten investigations closed during fiscal year 2012 and noted two of these investigations were not reviewed by the WIU timely. One of the investigations was open for over 5 years and eventually closed without a repayment agreement because the statute of limitations had expired. The other investigation was open for 3 years with no repayment agreement. The WIU referred this client to the CD and the CD did not deny eligibility to the client as required until 6 months later.

Officials indicated there is no specific method established to prioritize pending investigations. The supervisor in each of the five regional offices assigns new cases to investigators and monitors caseloads, but procedures vary between offices. DSS officials stated current DLS staffing levels may affect the number of cases that can be investigated.

45 CFR Section 98.60 requires states recover child care payments from the responsible party that are the result of fraud. The DSS Child Care Policy manual

states upon application for child care benefits the eligibility specialist is required to check for outstanding claims against the client and contact the WIU to determine if the family is paying restitution. If the client is not paying restitution as required the eligibility specialist is required to reject the application.

WE RECOMMEND the DSS through the CD, FSD, and DLS 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. Implement procedures to ensure payments for absences and holidays are allowable and reviewed in accordance with policy. In addition, system controls should be strengthened to ensure claimed absences are limited in accordance with policy and services dates claimed are timely.

C. Improve controls and procedures over fraud investigations and ensure cases are investigated timely, appropriate actions are taken to recover overpayments, and eligibility is not approved when the client is not repaying.

AUDITEE'S RESPONSE

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

2012-12. Child Care Reporting and Earmarking

Federal Agency:	Department of Health and Human Services
Federal Program:	93.575 Child Care and Development Block Grant 2011 - G1101MOCCDF and 2012 - G1201MOCCDF 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund 2011 - G1101MOCCDF and 2012 - G1201MOCCDF
State Agency:	Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)

DFAS controls over the preparation of quarterly federal financial reports are inadequate and, as a result, some reports were inaccurate. Additionally, DFAS procedures need improvement to ensure Child Care and Development Fund (CCDF) federal earmarking requirements (targeted funds) are met. As a result, the DFAS did not report meeting two of three targeted fund requirements for federal fiscal year 2012.

A. Expenditure amounts reported on CCDF quarterly financial reports (ACF-696) for two quarters exceeded actual expenditures because formula errors in a supporting spreadsheet were not detected. The ACF-696 reports Mandatory, Matching, and Discretionary grant cumulative expenditure and obligation information for the federal fiscal year as well as required Maintenance of Effort (MOE) expenditures.

The DFAS Grants Unit Manager prepares the ACF-696 reports quarterly. A spreadsheet is used to determine the federal amounts for each grant type and the MOE amount to be included. The manager enters the quarterly federal allotment amounts from grantor agency award letters and actual administrative and earmark expenditures from cost allocation spreadsheets. A spreadsheet formula then calculates the direct services (assistance) expenditure amount by deducting the cumulative actual administrative and earmark expenditures from the cumulative allotment amount. When actual expenditures exceed the allotted amount, the formula accurately limits the reported expenditures to the allotment. However, when actual expenditures are less than the allotment, the balance of the allotment is inappropriately reported as direct services expenditures. DFAS officials indicated, in the past, actual expenditures always exceeded the grant allotment. In fiscal year 2012, the number of child care recipients decreased causing two quarters of expenditures to be less than the quarterly allotment. The DFAS Deputy Director reviews the quarterly reports and the DFAS Director electronically signs the reports before they are electronically submitted to the Administration for Children and Families (ACF). The report review does not include a detailed comparison of amounts to source documentation or a review of formulas in supporting spreadsheets.

Our review of the federal fiscal year 2012 quarterly ACF-696 reports noted the assistance amounts reported for the quarters ended March 31, 2012, and December 31, 2011, exceeded total assistance expenditures reported on the respective quarterly cost allocation spreadsheets. The spreadsheet formula error discussed above caused the DSS to improperly report the full grant allotment as expended rather than the lesser actual expenditures amount. For these two quarters the DSS reported approximately $7.9 million (federal, state match, and MOE) more in expenditures than the amount supported by the quarterly cost allocation spreadsheets. While the actual assistance expenditures were overstated for these two quarters, by year-end total federal fiscal year 2012 eligible assistance expenditures exceeded the grant award by $150,000. If eligible expenditures had not exceeded the available grant award by year end, the errors could have resulted in claiming unallowable expenditures on federal reports and likely questioned costs.

ACF report guidance states all amounts reported on required quarterly reports must be actual obligations or expenditures made under the State's plan and in accordance with all applicable statutes and regulations. Additionally, the grant terms require the grantee's fiscal and accounting procedures be sufficient to permit the preparation of required reports and tracing of expenditures to a level of expenditure adequate to establish that such funds have not been used in violation of 45 CFR Part 98. Inadequate supervisory reviews of federal reports and supporting spreadsheets could hinder the ability to manage federal funds effectively and to comply with federal regulations.

B. The DFAS initially reported two of three targeted fund requirements were not met for federal fiscal year 2012. After our review, the DFAS revised the federal reports to show earmarking requirements were met; however some revised amounts were not supported. Federal CCDF appropriations require states to spend funds on three targeted quality activities including Child Care Resource and Referral and School-Aged Child Care (school age), Quality Expansion Activities (quality), and Infant and Toddler Care Activities. The DSS subgrants monies to other state agencies to provide services to satisfy a portion or all of the target requirements.

The amount reported for the quality target was approximately $1.6 million less than the $3.7 million targeted spending requirement. The amount reported for the school age target was approximately $188,000 less than the $361,000 targeted spending requirement. After our initial review, the DFAS determined the quality target was actually met, but misreported on the federal reports due to a formula error in a supporting spreadsheet which resulted in the exclusion of some expenditures for the quarters ended September 30, 2012, and June 30, 2012. The DFAS revised the federal report for the quarter ended September 30, 2012, correctly reporting expenditures in excess of the required quality target amount.

The DFAS also revised school age target amounts by adding $200,000 to the reported amount for a total of $373,000. The Grants Unit Manager stated she discussed the target requirement with the other agency that provides school age services, which indicated at least a portion of the agency's other CCDF expenditures would likely qualify for inclusion under the school age target. The Grants Unit Manager increased the reported amount for the school age target based on this assumption; however, the DFAS has no documentation to support which other expenditures would qualify and in what amount. It is unclear, based on the funded activities described in the DSS agreement with the other agency, which, if any, of the other expenditures would qualify. Officials indicated they are considering requiring the other state agency submit more detailed reports of monthly expenditures to allow the DFAS to clearly identify which expenditures satisfy this target.

CCDF grant terms and conditions require states to spend their full allotment of targeted funds and these expenditures must be separately reported on quarterly financial reports. To ensure earmarking requirements are met and tracked, and amounts claimed are adequately supported and allowable, earmarking procedures should be improved.

WE RECOMMEND the DSS, through the DFAS:

A. Improve controls and procedures to ensure quarterly federal financial reports are complete and accurate and reflect actual expenditures. Controls and procedures should include a supervisory review of quarterly reports sufficient to detect errors.

B. Ensure earmarking requirements are met and improve controls for tracking and reporting targeted fund expenditures. Controls should be sufficient to ensure targeted fund expenditures are allowable and supported.

AUDITEE'S RESPONSE

A. 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.

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

2012-13. Vocational Rehabilitation

Federal Agency:	Department of Education
Federal Program:	84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States 2011 - H126A110037; 2012 - H126A120037
State Agency:	Department of Social Services (DSS) - Family Support Division (FSD) - Rehabilitation Services for the Blind (RSB)
Questioned Costs:	$5,903

The RSB did not adequately review provider billings or obtain independent employment verification for employment services (ES) paid through the Vocational Rehabilitation (VR) program. Additionally, the RSB did not adequately document annual reviews of Individualized Plans for Employment (IPE).

A. The RSB did not adequately review ES provider billings and other supporting documentation and did not obtain independent verification of employment of the clients prior to payment for job placement services. The RSB contracts with ES providers for functional assessments, job coaching, job development and placement, and on-going support services for clients. During the year ended June 30, 2012, the RSB paid approximately $215,000 to nine ES providers. We were made aware of concerns regarding billings of one ES provider which was paid about $104,500 for services for 69 RSB clients. We reviewed 8 of the 69 cases, covering payments totaling $9,927.

For seven of the eight cases, payments totaling $7,501 were made even though at least one or more of the required reports or monthly logs was not submitted by the provider. In addition, a monthly log for one case appeared to be a duplicate of the prior month's log, and the client signature on that log was not consistent with other signatures made by the client in the file. We question the federal share of payments for ES services for these seven cases, or $5,903 (78.7 percent).

For one of the seven cases, the provider received a payment of $1,852 for placing the client in employment. While the vendor provided the RSB with a placement notice listing the position and employer name, the case file contained no documented contact between the RSB and the client or employer verifying the job placement.

Invoices, monthly progress reports and monthly logs showing the hours of services provided, if applicable, are received by the district VR offices and reviewed by the RSB counselor or rehabilitation assistant. An RSB official indicated the vendor is expected to obtain a signature from the client verifying receipt of services for hours reported on the monthly log. RSB staff compare the invoice to the progress report or monthly log and the case file to ensure the information agrees and the services were authorized. Their approval to authorize payment is documented on the invoice with initials or a signature. We noted this review lacked independent verification of client employment activity with the client or employer and clients are generally not contacted about invoices unless something unusual is noted. Based on the issues we noted with the files tested, the RSB review of provider billings and supporting documentation does not appear adequate or thorough. Given the high rate of exceptions and questionable documentation noted in our review, the RSB should consider more closely reviewing the remainder of the billings reimbursed to this provider.

Federal regulation 34 CFR Section 74.21 states recipients shall provide effective controls over and accountability for all funds, and have procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the provisions of the federal cost principles. Adequate documentation is necessary to ensure the appropriateness of these expenditures.

B. The RSB does not always conduct or adequately document annual reviews of IPEs. Without adequate documentation, it is unclear whether the reviews were performed as required. During the year ended June 30, 2012, purchased services and products for VR clients totaled approximately $5.2 million.

An IPE is developed for each individual determined to be eligible for vocational rehabilitation services. The IPE is designed to achieve a specific employment outcome for each individual based on their strengths, resources, priorities, and capabilities. The IPE generally outlines the services authorized to achieve the set goals and employment outcome. An annual review of the IPE is required by federal regulation to assess the progress of each individual and to determine the continued need for the services outlined in the IPE.

We noted documentation of the annual review was not included in the case file for 14 of 47 (30 percent) cases tested. The case files generally included documentation indicating the cases were being actively managed and IPEs were often amended. In addition, case counselors regularly approved payments for VR services authorized in the individual's IPE; however, the case file contained no documentation of an annual review of the IPE. RSB officials indicated they are implementing, in February 2013, a new management report from the RSB case management system that will allow RSB management and caseworkers to more easily identify cases in need of an annual review of the IPE.

Federal regulation 34 CFR Section 361.45(d)(5) requires the IPE to be reviewed at least annually by a qualified vocational rehabilitation counselor to assess the eligible individual's progress in achieving the identified employment outcome.

WE RECOMMEND the DSS, through the FSD and RSB:

A. Resolve the questioned costs with the grantor agency. In addition, the FSD should establish procedures to improve the billing review process for ES providers, conduct independent verification of job placement for VR clients, and ensure adequate supporting documentation is obtained for all expenditures. The RSB should also consider more closely reviewing the remainder of the billings reimbursed to this provider.

B. Ensure annual reviews of the IPE for VR clients are performed and documented as required.

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.

2012-14. Unallowable Costs and Maintenance of Effort

Federal Agency:	Department of Health and Human Services
Federal Program:	93.558 Temporary Assistance for Needy Families 2011 - G1102MOTANF and 2012 - G1202MOTANF
State Agency:	Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs:	$56,625,807

The DSS does not have adequate controls in place to ensure costs claimed under the Temporary Assistance for Needy Families (TANF) program meet federal requirements. The DSS claimed unallowable foster care, adoption assistance, and subsidized guardianship costs totaling over $32.4 million under the TANF program. The DSS included unallowable educational program costs as qualifying under the maintenance of effort (MOE) requirement for the TANF program. In addition, the DSS claimed unallowable scholarship program costs totaling about $24.2 million directly under the TANF program. Similar findings were noted in our two prior audit reports. The federal oversight agency has not provided any formal resolution on these issues.

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 claimed unallowable state foster care, adoption assistance, and subsidized guardianship costs under the TANF program. Federal regulation, 45 Section 263.11, includes a grandfather clause allowing states to continue to claim 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 claimed 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 claiming certain child welfare expenditures in state fiscal year 2006 including some state foster care, adoption assistance, and subsidized guardianship under the TANF program. Expenditures claimed 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 claimed included non-emergency assistance, and the costs claimed for emergency assistance are not separately identified; therefore all costs are unallowable. We question all state fiscal year 2012 costs for foster care, adoption assistance, and subsidized guardianship claimed under the TANF program, totaling $32,412,572 (100 percent federal share).

B. The DSS included unallowable early childhood educational expenditures of the Missouri Pre-School Program totaling $14,307,089 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 meet certain criteria. The MOE must meet a threshold based on either 80 percent ($128.1 million) or 75 percent ($120.1 million) of the 1994 base year expenditures, depending on whether 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 Section 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 year 2009 and forward, 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 Department of Health and Human Services (DHHS), 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 2011 and noted the DSS had insufficient documentation to support the inclusion of the Missouri Pre-School Program as an allowable source of MOE. The program was operated by the Missouri Department of Elementary and Secondary Education. The DSS began including this educational program in MOE in 2007.

The Missouri Pre-School Program appears to fall under the category of early childhood education programs which have been deemed by the ACF as meeting TANF purposes 3 and 4 under certain conditions. However, for this program activity to be includable in MOE, the activity 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 this program benefit only TANF eligible families. The DSS has also not determined and documented how this program was 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 the Missouri Pre-School Program are an allowable source of MOE. For this program, the DSS claimed unallowable costs totaling approximately $14 million in federal fiscal year 2011.

For federal fiscal year 2011, DSS reported MOE total expenditures of $178.9 million including the unallowable Missouri Pre-School Program costs of $14 million. It appears the allowable MOE expenditures were $164.9 million which exceeds the required MOE for federal fiscal year 2011. The DSS did not comply with TANF program requirements related to MOE and continuing to claim unallowable MOE expenditures increases the risk the DSS could fail to meet the MOE requirements. 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. In addition, the amount of MOE in excess of required levels is a critical factor in the case load reduction credit that is used by the ACF to determine if the state meets the minimum work participation rate. Failure to meet the work participation rate could result in additional significant penalties.

C. For the quarter ended September 30, 2011, the DSS claimed costs under the TANF program, totaling $24,213,235, related to two scholarship programs: A+ Schools, and Bright Flight 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. We question the state fiscal year 2012 costs for scholarship programs that were claimed under the TANF program, totaling $24,213,235 (100 percent federal share).

D. The DSS control system has not been effective in ensuring the types of costs claimed under 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 claimed under the TANF program or recorded as TANF MOE meet all federal regulatory and grant requirements.

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

A. Ensure prior approved program costs claimed under the TANF program comply with federal regulations.

B. Ensure expenditures claimed as MOE are allowable.

C. Ensure program costs claimed under the TANF program comply with federal regulations.

D. Establish a formal control system to ensure the types of costs claimed under 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.

2012-15. Eligibility and TANF Assistance Payments

Federal Agency:	Department of Health and Human Services
Federal Program:	93.558 Temporary Assistance for Needy Families 2011 - G1102MOTANF and 2012 - G1202MOTANF
State Agency:	Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs:	$20,261

The FSD did not act promptly or properly on information affecting recipient eligibility and eligibility documentation was not complete for some Temporary Assistance for Needy Families (TANF) recipients reviewed. In addition, sanctions were not imposed on recipients who failed to cooperate with Child Support Enforcement (CSE) procedures. During the state fiscal year ended June 30, 2012, the DSS expended federal funding of about $199 million for the TANF program, of which about $95 million was basic assistance payments to families. Similar conditions were noted in our prior audit.

A. The FSD paid TANF benefits to some recipients who may not have been eligible or were ineligible for the full amount of TANF payments received. We sampled 60 recipients, with payments totaling $135,618 for the year ended June 30, 2012, and noted concerns with 13 (22 percent) of the cases tested. The purpose of the test was to determine whether the proper eligibility determinations were made, and whether payments were calculated in accordance with program requirements, including obtaining any required documentation.

- For five recipients tested, the eligibility specialist did not act promptly or properly on available information affecting recipient eligibility, resulting in payment of improper benefits. In four cases, the eligibility specialist did not take action after receiving system alerts of changes in recipient income and employment identified by periodic matches between various federal and state databases. In another case, the eligibility specialist did not act promptly to close the case after being notified of client ineligibility by the FSD medical review team. The FSD failed to detect four of the five instances noted here. The FSD indicated the cases have now been closed and claims for repayment of the improper benefits have been established for all five recipients. We question the amount of improper benefits paid to these five recipients, totaling $6,342 (100 percent federal share).

Under 45 CFR Section 206.10, an individual's eligibility must be reconsidered or redetermined: (1) when required on the basis of information the agency has obtained previously about anticipated changes in the individual's situation; (2) promptly, after a report is obtained which indicates changes in the individual's circumstances that may affect the amount of assistance to which he is entitled or may make him ineligible; and (3) periodically, within agency established time standards. for certain other eligibility factors subject to change. The FSD has established a policy requiring all factors of eligibility for recipients of TANF to be redetermined at least annually or more often for certain cases.

- For four recipients tested, the FSD identified unreported income and took action to close the case; however, the FSD did not establish claims for improper benefits until we inquired about these cases. The FSD determined improper benefits for three cases totaled $2,369, but has not determined the amount of improper benefits for the third case. We question the amount of the improper benefits identified totaling $2,369 (100 percent federal share).

  Prompt determination of overpayment and claims establishment are necessary as amounts recovered offset future program costs.

- For four recipients tested, the FSD did not maintain adequate documentation. In three instances, the case file did not contain the recipient's signed assistance application/eligibility statement or system-generated interview summary. In another instance, the case file contained an application/eligibility statement but no interview summary. Additionally, for two of these cases, there was no documentation of the verification of a minor child living in the household. In two of these cases, the FSD identified unreported income, but did not take timely action to close the case and establish a claim. The assistance application/eligibility statement and interview summary contain questions concerning income, reasons for need, and required federal prohibitions and requirements, and must be signed by the applicant certifying compliance with the requirements and attesting to the accuracy of the information provided. The verification of a minor child living in the home is a federal eligibility requirement.

  Under 45 CFR Section 206.10(a)(ii), applications for program participation must be in writing on an agency prescribed form and signed by the applicant or an appropriate representative. In addition, 45 CFR Section 205.60(a) requires the agency to maintain records for the proper and efficient operation of the plan, including records regarding applications, determination of eligibility, the provision of financial assistance, and other pertinent information obtained.

Because the FSD did not maintain required case file documentation, it could not ensure or demonstrate compliance with federal requirements related to eligibility for the TANF program. Payments made for these four cases during the year ended June 30, 2012, totaled $9,313, for which we question the entire amount (100 percent federal share).

B. The FSD did not act upon some notices of non-cooperation from the CSE Unit to sanction recipients and the CSE Unit did not always notify the FSD of non-cooperating clients. We obtained a listing of CSE cases flagged in the child support case management system for non-cooperation during the year ended June 30, 2012, and matched it against a listing of TANF cases. There were 2,628 TANF cases flagged for non-cooperation, with payments totaling nearly $5.2 million during the fiscal year ended June 30, 2012. We tested 60 of these TANF recipients to determine whether the FSD was properly sanctioning recipients who were not cooperating with CSE procedures. TANF payments for the fiscal year for the 60 recipients totaled about $127,000. For 34 of the 60 items (57 percent) tested, either the CSE Unit did not promptly notify the FSD of the non-cooperation or the FSD did not act to sanction the recipient upon notification.

- The CSE Unit did not notify the FSD of 23 non-cooperating clients tested. When non-cooperation occurs, the CSE Unit is to alert the FSD eligibility specialist via email comments or by sending a notice of non-cooperation form. For one case, the notification occurred about 4 months after the non-cooperation began, delaying the imposition of the sanction. For 12 cases, neither the FSD nor CSE had documentation to support the FSD had received a notice of non-cooperation. For 10 of the 23 cases, notes in the Missouri Automated Child Support System indicated no notification was sent because either there was no currently active TANF case or the TANF case was currently sanctioned for other reasons. As a result of the failure of CSE to notify FSD of the non-cooperation, sanctions were not entered or not entered timely into the Family Assistance Management Information System (FAMIS) system and of the 23 cases reviewed, 6 recipients received overpayments totaling $1,199 during the year ended June 30, 2012. We question the federal share of overpayments totaling $1,199 (100 percent federal share).

- The FSD did not sanction 11 recipients when notified of referral for non-cooperation. For four of these recipients, the TANF case was either inactive or already sanctioned for other reasons when the notification was received, and consequently the FSD entered no additional sanction for the child support non-cooperation in the FAMIS system. As a result, no sanction would be in effect if the case was re-activated or the other sanction currently being imposed was removed. Only one sanction at a time can be imposed upon a

TANF case. For another case, the client subsequently cooperated before the next benefit payment. For the other six recipients, the active TANF case was not sanctioned by the FSD resulting in overpayments totaling $1,038 during the year ended June 30, 2012. We question the federal share of overpayments, totaling $1,038 (100 percent federal share).

Under 45 CFR 264.30, the FSD must refer to the CSE all appropriate individuals in the family of a child, for whom paternity has not been established or for whom a child support order needs to be established, modified, or enforced. Referred individuals must cooperate in establishing paternity and in establishing, modifying, or enforcing a support order with respect to the child. If the CSE determines an individual is not cooperating, and the individual does not qualify for a good cause or other exception established by CSE, the FSD, or federal law, the CSE agency must notify the FSD promptly. The FSD must then take appropriate action by either deducting an amount equal to at least 25 percent from the TANF assistance that would otherwise be provided to the family of the individual or denying the family assistance entirely. The DSS has determined the sanction will be 25 percent of the assistance amount.

The FSD and CSE did not have a system to track cases requiring notification of non-cooperation and ensuring the notifications were sent and received, and sanctions entered. As a result, the FSD could not ensure or demonstrate compliance with federal requirements related to sanctioning of recipients who were not cooperating with CSE program requirements. Notifications should be sent and sanctions entered on all non-cooperating cases, including inactive cases and cases sanctioned for other reasons, so the sanction can be applied if the TANF case becomes active or the other sanctions expire.

WE RECOMMEND the FSD resolve the questioned costs with the grantor agency and:

A. Strengthen controls to ensure information affecting eligibility is properly reviewed periodically and proper and timely action is taken regarding the information, including case closures and recoupment of overpayments if warranted. In addition, the FSD should maintain required eligibility documentation in all case files.

B. Develop additional controls to ensure sanctions are imposed on TANF recipients who fail to cooperate with CSE program requirements.

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.

2012-16. TANF Work Participation and Sanctions

Federal Agency:	Department of Health and Human Services
Federal Program:	93.558 Temporary Assistance for Needy Families 2011 - G1102MOTANF and 2012 - G1202MOTANF
State Agency:	Department of Social Services (DSS) - Family Support Division (FSD)
Questioned costs:	$393

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 2012 and, as a result, the FSD has less assurance the data used to calculate the work participation rate is accurate. In addition, controls were not adequate to ensure recipients were sanctioned when they were not in compliance with federal and state requirements.

The FSD contracted with 10 community organizations for the 19 regions in the Missouri Work Assistance (MWA) program to perform many of the required TANF work activity functions. These duties include case management, enrollment and assistance to TANF recipients who are required to participate in eligible work activities, and reporting recipient noncompliance and hours of participation to the FSD. The FSD expenditures to the MWA contracted community organizations for the MWA program totaled about $20 million during the year ended June 30, 2012.

The FSD has adopted procedures to monitor the performance of the MWA contractors for compliance with the Work Verification Plan policies and procedures. Those procedures include periodic reviews of 3 to 5 percent of cases for proper handling, and quarterly testing of a sample of cases with no recorded hours of work activity for proper sanctioning. The FSD has also provided training to the MWA contractors based on the case testing results. However, our review indicates monitoring activities and training were not effective in ensuring adequate contractor compliance. As a result, the FSD failed to ensure MWA contractors complied with the state Work Verification Plan and policies for reporting recipients who do not comply with work requirements.

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 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.

A. The FSD was not in compliance with certain work activity reporting requirements contained in the Work Verification Plan in effect for state fiscal year 2012. A similar condition was noted in our prior two audit reports.

We obtained a February 2012 listing of those TANF recipients referred to the MWA contractors which included data on the status of each recipient's compliance with the work participation requirements and number of hours of participation in the various work related activities. Of the 21,025 TANF recipients included in the report, 4,547 recipients had at least an hour of work activity reported. We selected 60 recipients with reported work activity for testing and obtained their case files. We noted for 25 (42 percent) of the cases tested, the work participation hours were either not documented, not verified, and/or not reported correctly in accordance with the Work Verification Plan. In five instances the errors led to incorrectly reporting the recipient as meeting or not meeting the work participation requirements. The net effect of the errors was a slight understatement of the work participation compliance rate of approximately 2 percent for this group of 60 individuals.

The failure to maintain adequate 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.

B. The FSD did not have adequate procedures in place to ensure MWA contractors notified the FSD when TANF recipients failed to meet work participation requirements. As a result, many TANF recipients who failed to meet work participation requirements were not sanctioned and continued to receive full benefits. A similar condition was noted in our prior audit report.

Of 21,025 individuals on the February 2012 listing of TANF recipients referred to the MWA contractors, there were 16,478 recipients for which no work activities were reported. About 2,300 of these recipients were not subject to sanction due to various allowable waivers and exemptions, leaving about 14,200 recipients who were not participating in work activities and subject to sanction. We tested 57 of the 14,200 cases and noted 6 (11 percent) of the recipients were not appropriately sanctioned for non-compliance with work participation requirements. Twenty-five recipients were appropriately sanctioned and the remainder were not subject to sanction during February 2012 due to various reasons such as the recipient began participation, or the FSD or recipient closed the case. The DSS has established the sanction at 25 percent of the monthly benefit amount. We question the amount of the sanctions that were not imposed on these six recipients for the month of February 2012, which totaled $393 (100 percent federal share).

For the cases with errors, MWA program contractors had multiple contacts with the recipients to get them engaged with the program and to reschedule missed appointments. However, the contractors did not place the recipients in conciliation or report them to the FSD to begin the sanctioning process.

Under 45 CFR Section 261.14, for an individual who refuses to engage in work required under Section 407 of the Social Security Act, the state must reduce or terminate the amount of assistance payable to the family, subject to any good cause or other exceptions the state may establish. The state has determined the sanction shall be 25 percent of the monthly benefit. A state that fails to impose penalties on individuals in accordance with the provisions of Section 407(e) of the Social Security Act may be subject to penalty. Under 45 CFR Section 261.54, the federal agency may impose a penalty amount for a fiscal year of no less than 1 percent and no more than 5 percent of the annual grant amount.

The failure to maintain adequate controls to ensure recipients who are not in compliance with the work requirements are appropriately sanctioned has resulted in overpayment of benefits totaling $393.

In 2010 and 2011, the Department of Health and Human Services, Administration for Children and Families (ACF) determined the state failed to meet the overall work participation rates for federal fiscal years 2008 and 2009 and indicated the state was subject to potential penalties totaling $44.4 million. The DSS has appealed the ACF's determinations. Failure to comply with the requirements regarding data accuracy and imposition of sanctions for failure to meet work requirements increases the risk additional penalties may be imposed.

WE RECOMMEND the FSD:

A. Develop additional controls to ensure work activities are adequately documented, verified, and reported in accordance with the FSD Work Verification Plan.

B. Develop additional controls to ensure TANF recipients failing to meet work participation requirements are sanctioned as required. In addition, the FSD should resolve the questioned costs with the grantor agency.

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.

2012-17. LIHEAP and CSBG Subrecipient Monitoring

Federal Agency: Department of Health and Human Services
Federal Program: 93.568 Low-Income Home Energy Assistance
2011 - G11B1MOLIEA and 2012 - G12B1MOLIEA
93.569 Community Services Block Grant
2009 - G09B1MOCOSR, 2010 - G10B1MOCOSR, and 2011 - G11B1MOCOSR

93.710 ARRA - Community Services Block Grant
2009 - 0901MOCOS2

State Agency: Department of Social Services (DSS) - Family Support Division (FSD) - Low-Income Home Energy Assistance Program Unit and the Division of Finance and Administrative Services - Compliance and Quality Control (CQC) Unit

The DSS conducted close out reviews of the Low-Income Home Energy Assistance program (LIHEAP) and the Community Services Block Grant (CSBG) program funds provided to the Human Development Corporation of Metropolitan St. Louis (HDC), a former DSS subrecipient. The DSS questioned costs totaling over $660,000 related to the CSBG program.

As noted in our prior audit report, the DSS determined the HDC misused at least $669,704 of LIHEAP funds that were due to an energy supplier. The DSS issued payment of additional state funds to satisfy the amounts due to the energy supplier. In February 2012, the DSS paid the energy supplier an additional $1,878 of state funds for amounts due. The DSS did not allow the HDC to participate in the LIHEAP during federal fiscal year 2012. The HDC voluntarily withdrew from the CSBG program in September 2011 and filed for corporate dissolution in December 2011. The DSS filed a claim in the HDC corporate dissolution case for the amount of LIHEAP funds misused, totaling $671,582.

In July and August 2012, the DSS conducted a closeout monitoring review of the LIHEAP and CSBG program funds provided to the HDC for federal fiscal years 2009, 2010, and 2011. No additional misuse of LIHEAP funds was identified by the DSS. However, the DSS identified payments for CSBG services totaling $660,239 for which the HDC lacked adequate supporting documentation and the DSS filed another claim in the HDC corporate dissolution case for those costs in August 2012. According to DSS officials, no court decision has been made on the DSS claims. DSS officials indicated the appropriate federal officials have been notified of the results of the closeout monitoring, but the DSS has not been notified of any requirements for the state to repay the CSBG costs questioned.

The DSS formed the CQC Unit in April 2012 to develop and implement extensive monitoring tools and processes for the fiscal review of all Community Action Agencies (CAA). The CAAs administer the LIHEAP and CSBG program at the local level. DSS officials indicated the changes will allow the DSS to more effectively monitor LIHEAP and CSBG service providers. The DSS should continue to evaluate the effectiveness of those monitoring procedures and make improvements as necessary to help timely identify any problems at the subrecipient level.

WE RECOMMEND the DSS continue to review its subrecipient monitoring efforts and determine if further improvements are needed.

AUDITEE'S RESPONSE

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

2012-18.	**Participant Eligibility**

Federal Agency:	Department of Health and Human Services
Federal Program:	93.767 Children's Health Insurance Program 2010 - 1005MO5021 2011 - 1105MO5021 93.778 Medical Assistance Program 2011 - 1105MO5MAP and 1105MO5ADM 2012 - 1205MO5MAP and 1205MO5ADM
State Agency:	Department of Social Services (DSS) - Family Support Division (FSD) and MO HealthNet Division (MHD)
Questioned Costs:	$3,545,095

Effective controls are not in place to ensure or demonstrate compliance with participant eligibility requirements of the Medical Assistance Program and the Children's Health Insurance Program (CHIP). In addition, ineligible payments were made related to these programs, but have not been reported to, or resolved with, the grantor agency.

The Medical Assistance Program, also known as Medicaid, and the CHIP are administered by the MHD under the federally approved Medicaid and CHIP State Plans. The FSD is responsible for determining the eligibility of Medicaid and CHIP participants. During the year ended June 30, 2012, Medicaid and CHIP payments totaled approximately $9.1 billion, of which approximately $5.8 billion was claimed as federal expenditures. There were approximately 1.2 million Medicaid and CHIP participants active for at least part of fiscal year 2012.

A. Controls are not adequate to ensure participants transferred to the new eligibility determination system are completely converted to the new system. As a result, some annual redeterminations were not conducted timely to evaluate the continued eligibility of participants in the Medicaid and CHIP programs.

Over the last several years, participants have been moved in batches from the legacy eligibility determination system to the Family Assistance Management Information System (FAMIS). The FAMIS has features to automatically initiate annual redeterminations. However, the conversion to the FAMIS must be manually finalized for these features to take effect. FSD county offices receive monthly reports of participants whose conversions have not been finalized, and it is the responsibility of personnel in the county offices to complete conversion. Central office personnel do not review these reports or have other procedures in place to ensure the county offices are completing these conversions to the FAMIS.

We reviewed 60 Medicaid and CHIP participants to ensure eligibility requirements were met and found 1 participant had not received a redetermination during the fiscal year ended June 30, 2012. The participant's case was transferred to the FAMIS in November 2010, but the conversion had not been finalized and eligibility had not been redetermined since that time. As of October 31, 2012, there were 894 Medicaid and CHIP cases (which include one or more participants) that had not been fully converted in the FAMIS. The last eligibility redeterminations for these cases ranged from 1996 to 2012 and were performed before the cases were moved to the FAMIS. Of these, 747 cases did not receive a redetermination during the year ended June 30, 2012, as required. If these participants are not fully converted in the FAMIS, future redeterminations will not be automatically initiated by the system. FSD personnel said the conversions are now being finalized as work priorities allow.

Participants in 584 of the 747 cases had payments made on their behalf after the date a redetermination was due. These ineligible payments totaled $5,207,584 for the year ended June 30, 2012. We question the federal share of the total payments or $3,311,503 (63.59 percent). In addition, since many of these cases have still not been redetermined as of December 2012, there are likely ineligible payments made on behalf of these participants during fiscal year 2013 as well.

Federal regulations 42 CFR Sections 435.916 and 457.320 require a redetermination of eligibility at least every 12 months to ensure Medicaid and CHIP participants continue to be eligible for benefits. The failure to perform annual redeterminations as required can result in medical payments made on behalf of ineligible individuals.

B. The MHD has identified Medicaid and CHIP payments made on behalf of approximately 400 children from 2009 to 2012 who were later determined to be ineligible for these programs at the time of service; however, the MHD has not taken steps to resolve these questioned costs with the grantor agency.

DSS, Children's Division (CD) personnel determine and track the Medicaid and CHIP eligibility of children in the CD's custody, such as children in foster care. After upgrading to a new eligibility determination system in 2011, CD personnel discovered eligibility had not always been correctly determined in the previous system. In January 2012, CD personnel retroactively redetermined eligibility based on the placement and legal status of children who were in state custody at any point during 2009 to 2012. As a result of the updated information, some children who were previously classified as eligible for Medicaid or CHIP for specific time periods were, in fact, determined to be ineligible during those periods. CD personnel stated adjustments were made to federal programs administered by the CD as a result of the eligibility changes; however, the MHD has not made similar adjustments to the Medical Assistance Program and CHIP programs.

MHD personnel indicated because payments were made to providers in good faith while participants were determined to be eligible for benefits, the MHD does not believe it is reasonable to recoup these payments from the providers. Overpayments are typically recouped when false information has been provided on behalf of a participant. MHD personnel referred to 42 CFR 435.10, and 42 CFR 435, Subparts B and C, which state that a Medicaid agency must provide services to individuals who apply and are found eligible. While 42 CFR 435.1002 states federal financial participation is available for services provided to eligible participants, it does not include provisions for services that were provided in good faith to ineligible participants.

Since there were errors in eligibility made by the state, the federal program should not be charged for payments made on behalf of these ineligible participants. The ineligible payments made on behalf of the 122 participants with Medicaid or CHIP payments during the year ended June 30, 2012, totaled $345,602. We question the federal share of the total payments or $219,768 (63.59 percent).

C. The FSD did not obtain or maintain all documentation required to support eligibility for 6 of 60 (10 percent) cases reviewed. As a result, the DSS could not demonstrate these participants were eligible to receive benefits during the year ended June 30, 2012. The following issues and questioned costs were noted during our testing:

- A signed application was not obtained or retained for five participants reviewed. Federal regulation 42 CFR Section 435.907 requires a written application signed under penalty of perjury to ensure individuals meet the financial and categorical requirements for Medicaid. In addition, the CHIP State Plan requires applicants complete the same application as used for Medicaid. The application must include facts to support the agency's decision when determining an individual's eligibility. Payments totaling $21,414 were made on behalf of these five participants during the year ended June 30, 2012. We question the federal share of the payments, or $13,617 (63.59 percent).

- As similarly noted in the prior audit report, citizenship was not verified during determination of eligibility for one Medicaid participant reviewed. Federal regulation 42 CFR Sections 435.406 and 435.407 and the CHIP State Plan require applicants provide documentary evidence of citizenship or national status. If the applicant does not have proof of citizenship, the state may grant a grace period to furnish the documentation. This participant's grace period expired May 21, 2012, at which time the eligibility should have ended. When we brought this issue to management's attention in October 2012, management agreed the benefits should be closed and subsequently stopped benefits effective October 11, 2012. The ineligible payments made on behalf of this participant after expiration of the grace period totaled $326 during the year ended June 30, 2012. We question the federal share of the total payments or $207 (63.59 percent).

Eligibility specialists are to obtain and document various information, including a signed application and citizenship verification, from applicants and enter it into the FAMIS. The FAMIS automates the application process and determines eligibility for Medicaid, CHIP and other DSS programs based on the information entered. If a case has missing information for which the applicant has been given a grace period to provide, there is no control to ensure this information is eventually received. While eligibility specialists can set their own system reminders, the system does not automatically set reminders. In addition, the FAMIS does not automatically close benefits if required documentation is not received.

Because the FSD did not obtain or maintain required case file documentation, it could not ensure or demonstrate compliance with federal requirements related to eligibility.

D. The DSS did not ensure at least four monthly supervisory reviews of eligibility determinations were completed as required by internal policy for 4 of 60 (7 percent) eligibility specialists reviewed. These monthly case reviews are the primary control used to ensure information obtained to determine eligibility in compliance with federal regulations is properly and accurately entered into the FAMIS.

An internal memorandum, dated April 2006, established the policy requiring supervisors to perform a minimum of four monthly case reviews for each eligibility specialist and states management is responsible for ensuring mandatory supervisory case reviews are performed. However, this internal policy is not applied consistently across the state. For example, during our test we noted an eligibility specialist for whom case reviews were not completed for multiple months due to the supervisor being reassigned to other duties. During this time, other supervisors oversaw the daily work of the eligibility specialists, but did not perform the required case reviews. The internal memorandum does not include guidance for handling this type of situation. Clarifying the written policy regarding the completion of case reviews is necessary to ensure reviews are consistently performed.

WE RECOMMEND the DSS:

A. Establish controls to ensure all participants transferred to the FAMIS are finalized in the system so annual redeterminations of eligibility will be automatically initiated. In addition, the DSS should resolve questioned costs with the grantor agency.

B. Resolve questioned costs regarding payments for ineligible children with the grantor agency.

C. Ensure all information required to determine participant eligibility is obtained, verified, and retained to ensure compliance with applicable federal requirements. In addition, the DSS should resolve questioned costs with the grantor agency.

D. Ensure case reviews are performed as required by internal policy. In addition, the DSS should clarify written case review policies as needed to ensure case reviews are consistently and accurately completed.

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.

2012-19.	**Report Reviews**

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 Children's Health Insurance Program
2010 - 1005MO5021
2011 - 1105MO5021
93.778 Medical Assistance Program
2011 - 1105MO5MAP and 1105MO5ADM
2012 - 1205MO5MAP and 1205MO5ADM
State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)

The MHD does not have effective controls in place for the production and review of some reports necessary to ensure compliance with paid claim or participant enrollment requirements of the Medical Assistance Program. The Medical Assistance Program, also known as Medicaid, and the Children's Health Insurance Program (CHIP) are administered by the MHD.

A. As noted in the prior audit report, the MHD did not review daily exception reports of Medicaid and CHIP claims requiring post-payment reviews during the year ended June 30, 2012.

Providers submit claims for payment through the state's Medicaid Management Information System (MMIS). Claims are processed through various edits in the system to ensure the data is valid and the billing of the services complies with DSS policies. The MMIS edits have various status codes, which identify a claim as paid, suspended, or denied. One status allows the claims to be paid, but posts the claims to a daily exception report to be reviewed further for possible recoupment. This daily report only lists claims with exceptions for each specific day the report is run and is not a cumulative report. Therefore, each daily report would need to be reviewed to ensure all identified exceptions are properly evaluated. As an example, claims listed on the June 30, 2012, daily exception report totaled approximately $4 million.

The DSS could provide no documentation the daily exception report had been reviewed in at least 2 and a half years. DSS personnel indicated the staff previously responsible for review of the report were transferred to a new unit in the DSS in January 2011. The report review duty was not re-assigned until January 2013 when it was given to personnel within the Clinical Program Development unit of MHD. No reviews of the report had yet occurred as of late January 2013. Without reviewing paid claims that have been identified as possible erroneous billings, there is less assurance abusive billing practices will be detected on a timely basis.

B. Reports identifying participants shown as eligible to receive Medicaid and CHIP benefits in both Missouri and another state were generated incorrectly and were not fully reviewed by MHD personnel during the year ended June 30, 2012.

An interstate match report is produced quarterly and reviewed by MHD personnel to identify existing Missouri Medicaid and CHIP managed care program participants who were reported with overlapping periods of eligibility for benefits in another state. MHD personnel then contact the corresponding state to determine if eligibility for Missouri benefits should be ended. If necessary, MHD personnel will end a participant's eligibility when verification of out-of-state residence is acquired and recoup any payments made after the participant left Missouri. During the year ended June 30, 2012, there was an average of 2,440 participants listed on each quarterly report.

We reviewed 60 participants identified on the November 2011 and February 2012 quarterly interstate match reports to determine whether MHD took proper follow-up actions. MHD personnel did not investigate 2 of 60 (3 percent) interstate match report items reviewed. Personnel overlooked one of the test items and did not perform a review. The other test item was not reviewed because the eligibility dates on the report for Missouri Medicaid were not current. A programming error for the interstate match report caused reports to be incorrectly produced. The system properly identified participants receiving benefits in other states using the correct eligibility dates, but did not always reflect the correct dates on the report for Missouri managed care benefits when the participant had multiple periods of eligibility. For the participant in question, the report listed Missouri benefits stopping in 2007 even though benefits were not actually stopped until March 2012. The MHD has not taken steps to determine how much, if any, in improper claims were paid due to the programming error.

Without properly identifying and investigating participants who have been receiving benefits in another state, MHD may continue paying benefits unnecessarily. If items on the interstate match reports are not investigated, fees for services and monthly managed care payments might be made for up to a year before a scheduled reinvestigation of benefits to clarify the residency of the participant.

Federal regulation 42 CFR Section 435.403 defines the requirements for an individual to be considered a resident of the state and requires the state to provide Medicaid benefits to eligible residents. Federal regulations do not include requirements for a state to pay benefits for participants who reside in another state. Investigating entries on the interstate match reports ensures Medicaid payments are not made for participants residing in another state.

WE RECOMMEND the DSS:

A. Review the report of claims that have been identified for post-payment reviews to ensure erroneous billings are properly recouped.

B. Update programming for the interstate match report to ensure Missouri eligibility dates are displayed correctly. In addition, the MHD should determine the full extent of the issue and determine how much, if any, in improper claims were paid due to this programming error. The MHD should also ensure matches are properly investigated in the future.

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.

2012-20. Pharmacy Dispensing Fees

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 Children's Health Insurance Program
2010 - 1005MO5021
2011 - 1105MO5021
93.778 Medical Assistance Program
2011 - 1105MO5MAP and 1105MO5ADM
2012 - 1205MO5MAP and 1205MO5ADM
State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)

Questioned Costs: $6,319,991

The MHD has periodically changed the rate paid pharmacies for dispensing prescription drugs under the Medical Assistance Program and the Children's Health Insurance Program (CHIP); however, the state regulation authorizing these dispensing fees has not been updated since 1988. In addition, the MHD does not have adequate documentation to support the determination of the current dispensing fee structure. The Medical Assistance Program, also known as Medicaid, and the CHIP are administered by the MHD under the federally approved Medicaid and CHIP State Plans.

In addition to paying pharmacies for the cost of each prescribed drug, the MHD also pays pharmacies a base fee of $4.84 for dispensing each participant's prescription. However, this dispensing fee is higher than the amount established under 13 CSR 70-20.060(1), which states, "a dispensing fee of three dollars shall be added to the Medicaid Maximum allowable payment for each Missouri Medicaid reimbursable prescription filled or refilled by a pharmacy provider." In addition, in 1991 the DSS, as part of a settlement agreement, agreed to amend the Medicaid State Plan to increase the Medicaid pharmacy dispensing fee to $4.09 per prescription. However, while the payment amount was increased as required by the agreement, neither the State Plan nor the CSRs were updated to reflect this amount. The State Plan was updated to add general wording indicating the state would pay the applicable fee at the time the prescription is filled, but again, no specific dollar amount was noted.

Federal regulation 42 CFR Section 431.10(b)(2) requires the state to establish the legal authority for the Medicaid agency to administer the Medicaid State Plan, including making rules and regulations to follow in administering the plan. In accordance with this CFR, the Medicaid State Plan lists the various statutes allowing the DSS to establish rules and regulations to administer the plan. The MHD has created CSRs, such as the one mentioned above, to administer the Medicaid program. However, failure to update the related regulations when fee structures are changed causes the MHD to be noncompliant with its own regulations in administering the Medicaid State Plan.

In addition, the MHD does not have adequate documentation to support the dispensing fee amounts currently paid. MHD personnel stated the dispensing fee is based on a 2007 national survey of pharmacy companies, which shows the median cost of dispensing prescription drugs nationwide. However, the MHD cannot demonstrate the amount used is reasonable for Missouri.

Federal regulations 42 CFR, Sections 447.203 and 457.238, indicate the Medicaid and CHIP agencies, respectively, must maintain documentation of payment rates. Further, 42 CFR Section 447.203, requires when payment rates are increased, the Medicaid agency must record, in state manuals or other official files, the various information to support the increases. This includes, "an estimate of the percentile of the range of customary charges ... and a description of the methods used to make the estimate," as well as, "an estimate of the composite average percentage increase of the revised payment rates over the preceding rates." Furthermore, the CHIP State Plan indicates, "the state assures that services are provided in an effective and efficient manner through free and open competition or through basing rates on other public and private rates that are actuarially sound." Without ensuring the basis for the increased dispensing fee was properly documented or showing the new rates are actuarially sound, the MHD cannot demonstrate the increases in these fees are allowed under federal law.

The MHD paid pharmacies base dispensing fees totaling $64,137,459 during the year ended June 30, 2012. Had the dispensing fees been paid in accordance with the 1991 settlement agreement, the fees would have totaled $54,198,803, a difference of $9,938,656. We question the federal share of the increased payments, or $6,319,991 (63.59 percent).

A similar finding was included in our prior audit report and MHD personnel stated steps are being taken to update state regulations in response to our recommendation; however, MHD personnel would not provide documentation to support this statement.

WE RECOMMEND the MHD ensure state regulations related to administration of the Medicaid program and the CHIP are updated when changes are justified, and resolve questioned costs with the grantor agency. In addition, the MHD should ensure increases in payment rates are adequately supported and actuarially sound, as required by federal guidelines.

AUDITEE'S RESPONSE

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

2012-21. Reporting

Federal Agency: Federal Highway Administration
Federal Program: 20.205 Highway Planning and Construction
State Agency: Missouri Department of Transportation (MoDOT)

The MoDOT did not have adequate controls and procedures to ensure compliance with the Federal Funding Accountability and Transparency Act (FFATA), and as a result, subawards issued were not reported timely as required.

The FFATA requires the reporting of key data elements for certain subawards and subcontracts to promote the transparency and accountability over the use of non-ARRA federal financial awards, and requires such information be made available to the public through a single searchable website. The FFATA requirements relate to direct recipients of grants or cooperative agreements who make first-tier subawards and to contractors that award first-tier subcontracts. Reporting is required to be made by the end of the month following the month a subaward/subcontract greater than $25,000 was made. According to the OMB Circular A-133 Compliance Supplement, due to the relative newness of the

FFATA, the recipient must at least demonstrate a good faith effort to comply with these requirements, and such effort must be adequately documented.

As of December 13, 2012, the MoDOT had not reported any subawards issued after November 2011. Less than 1 week after our inquiry, the MoDOT reported 174 subawards, totaling $67.6 million, issued during the period December 2011 to October 2012, including 54 subawards totaling $27.2 million issued during state fiscal year 2012. The MoDOT could provide no evidence a good faith effort had been taken to comply with FFATA requirements. MoDOT officials indicated due to staff shortages and turnover, Financial Services Division management had to prioritize responsibilities and FFATA reporting was not performed. Officials also indicated staff had collected the FFATA information, but had failed to stay current with data entry in the computer system. In addition, there was no supervisory review process in place to ensure the accuracy of the information reported. Financial Services Division management indicated since December 2012, subawards are being reported monthly in compliance with the FFATA, the employee responsible for FFATA reporting provides periodic reporting status updates to her supervisor, and reports are reviewed by the supervisor.

WE RECOMMEND the MoDOT continue performing the current FFATA reporting procedures to ensure subaward information is complete, accurate, and submitted timely; and to prevent future noncompliance with FFATA reporting requirements.

AUDITEE'S RESPONSE

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

Additional State Auditor's Reports:

The Missouri State Auditor's Office regularly issues audit reports on various programs, agencies, divisions, and departments of the state of Missouri. Audit reports may include issues relating to the administration of federal programs. Reports issued during fiscal year 2012 and through current were reviewed and 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
2012-73	Administration/Information Technology Services Division
2012-117	Economic Development/Division of Business and Community Services

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, 2011, and the findings from the prior audits for the years ended June 30, 2010, 2009, and 2008, 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, 2010, is as follows:

Findings numbered 1, 2B, 4A, 4B, 5, 8-12, 14B, 14C, 18A, 18B, 20, 22, 24A and 24B were corrected.

Findings numbered 2A, 3, 4C, 6, 7, 13A, 13B, 14A, 15, 16A, 16B, 17, 18C, 19, 21A-D, 23 and 25 are included in the Summary Schedule of Prior Audit Findings.

For the year ended June 30, 2009, all findings were corrected, no longer valid, or did not warrant further action, except for findings numbered 6A, 6B, 12, 15A and 18, which are included in the Summary Schedule of Prior Audit Findings.

For the year ended June 30, 2008, all findings were corrected, no longer valid, or did not warrant further action, except for findings numbered 2A, 2B and 9A, which are included in the Summary Schedule of Prior Audit Findings.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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, the AG should 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:
Implemented.

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 a 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:
Implemented.

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

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 - H126A080037
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/RSB has modified and implemented the processes to ensure compliance with regulations regarding personnel cost allocations effective July 1, 2009, with more recent modifications to improve the quality management and verification of accuracy. Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards as dictated in regulations. The RSB and the Division of Finance and Administrative Services continue to meet on a regular basis to improve communications, ensure compliance with regulations and documentation for auditors.

Status of Questioned Costs:
This finding is the subject of continued discussion with the grantor agency, but no resolution has yet been finalized.

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

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 had not been properly accounted for in the AG's internal capital asset tracking system or the SAM II accounting system's capital asset tracking system, and some assets had not received a property tag and asset number. In addition, the AG had not performed 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:
Implemented.

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 had not completed 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 had not been 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:
Digital information pertaining to FY2002-2007 fixed assets was lost during a state of Missouri software conversion making the reconciliation process difficult because it requires searching through records manually. We will continue to work the issue until the remaining difference of $91,552.43 is corrected.

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

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
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:
The DSS is working in consultation with the Department of Health and Human Services (DHHS) to rewrite the cost allocation plan to better define its methodologies for allocating costs to various DHHS grants. The DSS has contracted with a third party to

help develop and implement a new cost allocation plan and system. The first phase/portion of the new cost allocation plan should be submitted and implemented by July 1, 2013. The plan will be tested and finalized by December 31, 2013. The remaining portion of the plan will be implemented after successful completion of phase one.

The DSS has also assigned a senior level staff person to manage the cost allocation plan. That person is responsible and accountable for updates/revisions to the plan.

Status of the Questioned Costs:
Questioned costs were partially settled on federal reports during the quarter ended December 31, 2011. Remaining questioned costs will be settled during the quarter ended March 31, 2013. The DSS is waiting on clearance from the grantor agency.

Contact Person: Patrick Luebbering
Phone Number: (573) 751-2170

2009-15A. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States
2007 - H126A0070037
2008 - H126A0080037
2009 - H126A0090037
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) 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:
To ensure compliance with OMB Circular A-87 to document personnel salaries and wages to the benefiting grant, and to verify that dollars intended for specific costs are in fact covering those and only those costs as dictated in relevant regulations, underlying formulas used to calculate the distribution of the salaries and wages to the appropriate grant on a monthly spreadsheet used by the designated state unit (RSB) have been corrected. The RSB has also implemented a monthly verification process of comparing each person's monthly salary and wages from the RSB monthly spreadsheet to a monthly payroll extraction report from the DFAS, addressing any inconsistencies. The RSB and the DFAS continue to meet on a regular basis to improve communications, ensure compliance with federal requirements for personnel cost allocations and allocable costs, and appropriate documentation for auditors.

Status of Questioned Costs:
This finding is the subject of continued discussion with the grantor agency, but no resolution has yet been finalized.

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

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 (Medicaid). 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 questioned 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 reported by the FSD

Income Maintenance Section, the reinvestigation currency percentage was 98.76 percent for state fiscal year 2012.

Status of Questioned Costs:
Questioned costs were adjusted on the September 30, 2010, and December 31, 2011, quarterly reports. The DSS is waiting on clearance from the grantor agency.

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

2010-2A. 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 Costs:	$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. We questioned the federal share of payments made in excess of the documented approved budget category, or $225,680 (100 percent).

Recommendation:
The DESE 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.

Status of Finding:
Implemented.

Status of Questioned Costs:
The department received a determination letter indicating that the questioned costs have been resolved with no payback required.

Contact Person: Andrea Beck
Phone Number: (573) 751-8292

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.

Recommendation:
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.

Status of Finding:
Resolved with the federal agency. The Department of Education concluded that DESE followed its standard monitoring procedures in reviewing the ARRA funds and had procedures in place to perform the necessary monitoring and thus required no corrective action.

Contact Person: Andrea Beck
Phone Number: (573) 751-8292

2010-4C. 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 did not have a formal written plan in place to address the Section 1512 reporting process.

Recommendation:
The DESE establish a formal written plan for all programs that require Section 1512 reporting.

Status of Finding:
Resolved with the federal agency. The Department of Education (DE) determined that there was no basis to require the DESE to have a formal written plan for carrying out its Section 1512 reporting responsibilities. Therefore, the DE concluded that DESE had taken sufficient steps to ensure an accurate and complete report of Section 1512 data and required no further corrective action.

Contact Person: Andrea Beck
Phone Number: (573) 751-8292

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 did not have effective controls in place to ensure annual reassessments to determine the eligibility of recipients receiving State Plan Personal Care or Aged and Disabled Waiver services were conducted, as required. The DHSS did not perform annual reassessments of eligibility for 49 of 66 cases reviewed. The payments made on behalf of the recipients without annual reassessments during the year ended June 30, 2010, totaled $806,967. We questioned the federal share of these payments or $598,286 (74.14 percent).

Recommendation:
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.

Status of Finding:
The fiscal year 2013 state budget includes funding for Home and Community Based Services (HCBS) providers to conduct reassessments. Reassessments for level of care of current clients will be scheduled for completion based upon the anniversary date of the last assessment. DHSS staff will review and approve all reassessments submitted by HCBS providers.

Status of Questioned Costs:
DHSS staff has met with staff from the Centers for Medicare and Medicaid Services to discuss the issues raised in the audit. The meetings are ongoing, but there has been no resolution regarding the questioned costs.

Contact Person: Celesta Hartgraves
Phone Number: (573) 526-3626

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 identified 184 of these claims were paid untimely. We questioned the federal share of the 184 untimely claim payments, or $1,408,723.

Recommendation:
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.

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

Status of Questioned Costs:
The DHE disagreed with the questioned costs. To date, the 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

2010-13A. Section 1512 Reporting

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

The DNR needed to strengthen controls and procedures in place to provide assurance Section 1512 report information submitted by subrecipients of the Weatherization Assistance for Low-Income Persons (WAP) program was complete and accurate. For some elements submitted by subrecipients, DNR personnel reviewed information submitted for reasonableness and compared expenditure data to SAM II; however, the DNR relied 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. Additionally, field visits did not include a review of documentation supporting the data submitted by subrecipients and relied on for Section 1512 reporting purposes.

Recommendation:
The DNR strengthen procedures for the WAP program to ensure the accuracy and completeness of data submitted by the subrecipients for Section 1512 reporting purposes.

Status of Finding:
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.

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

2010-13B. 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 did not have a formal written plan in place for the Section 1512 reporting process for the Weatherization Assistance for Low-Income Persons, Clean Water State Revolving Fund, or Drinking Water State Revolving Fund programs.

Recommendation:
The DNR establish a formal written plan for all programs that require Section 1512 reporting.

Status of Finding:
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 Section 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. In addition, a letter from the Environmental Protection Agency (EPA) dated October 25, 2011, concurs with the DNR. The EPA believes procedures are adequate and no inaccuracies or errors were identified. In addition, a letter from the Department of Energy (DOE) dated March 5, 2012, states that the DOE has decided not to issue a management decision letter and has taken into consideration the stance of the EPA, which concurs with DNR that the procedures appear adequate.

Contact Person: John Madras
Phone Number: (573) 522-9912

2010-14A. 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)

Some assets purchased during state fiscal year 2010 had not been properly accounted for in the AG internal capital asset tracking system or the SAM II, Fixed Asset subsystem, and some assets had not received a property tag and asset number. Also, the AG had only performed physical inventories during fiscal year 2010 for 2 of 56 different property books used to track assets purchased.

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:
Implemented.

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

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 were not sufficient and as a result, numerous cost allocation errors were not prevented and/or detected. 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 for 5 federal programs and understatements totaling approximately $3.2 million for 11 federal programs due to spreadsheet formula and data entry errors. We questioned the federal share of costs related to the overstatements, or $2,168,919.

Recommendation:
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.

Status of Finding:
The DSS is working in consultation with the Department of Health and Human Services (DHHS) to rewrite the cost allocation plan to better define its methodologies for allocating costs to various DHHS grants. The DSS has contracted with a third party to help develop and implement a new cost allocation plan and system. The first phase/portion of the new cost allocation plan should be submitted and implemented by July 1, 2013. The plan will be tested and finalized by December 31, 2013. The remaining portion of the plan will be implemented after successful completion of phase one.

The DSS has also assigned a senior level staff person to manage the cost allocation plan. That person is responsible and accountable for updates/revisions to the plan.

Status of Questioned Costs:
Questioned costs were settled on quarter ending March 31, 2011, and quarter ending June 30, 2011, federal reports. The DSS is waiting on clearance from the grantor agency.

Contact Person: Patrick Luebbering
Phone Number: (573) 751-2170

2010-16A. 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: $73,315

Controls over eligibility and provider payments were not sufficient to prevent and/or detect payments on behalf of ineligible clients or improper payments to child care providers.

- 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. We questioned the federal share of payments made on behalf of these children and siblings of these children, 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. 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 questioned the federal share, or $3,223 (84 percent).

Recommendation:
The DSS, through the CD and FSD, resolve the questioned costs with the grantor agency and 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.

Status of Finding:
Corrective actions that have been taken since the finding was issued follow:

Case Adjustments - Funds have been returned to the federal government or claims have been entered on either a parent or provider.

Case Review Tool - On July 27, 2011, the FSD presented to the CD a walkthrough of the base Case Review System (CRS) to which a child care component was added. A webinar providing detail on the child care component of the system was completed with the Rushmore Group (provider of current CRS) on August 11, 2011. On September 2, 2011, the Rushmore Group began coding child care into the existing CRS. In the spring of 2012, the CD trained 232 supervisors and program managers on the CRS. The CRS was implemented in March 2012. The CD is utilizing the output from the CRS to identify programmatic strengths and challenges and areas for policy, field and training improvement.

Self-Employment Training - Effective August 1, 2011, the FSD eligibility specialists (ES) and eligibility supervisors are required to complete the on-line Self-Employment Income Budgeting training course found in the Employee Learning Center. ES and eligibility supervisors were required to complete the training by December 31, 2011. The self-employment training is to assist in reducing the error rates for all income maintenance programs.

FSD Workers Online Child Care Training - The FSD administers the child care assistance program for income maintenance households. The majority of the families accessing child care receive services through their local FSD office. As of September 1, 2011, FSD frontline workers and supervisors were able to access online child care training through the FSD Training Unit intranet page. New FSD employees are required to complete the online training with a 70 percent accuracy rate or above prior to enrolling in the in-person Basic Child Care Orientation training. New staff access and complete the training through the DSS Employee Learning Center with the online assessment component.

Casework Reference Guide - The FSD Training Unit, in collaboration with Child Care Program and Policy staff, developed a Case Reference Guide (CRG) for FSD workers. The CRG is an informational tool that can be utilized by workers when processing applications and completing other case actions. The CRG does not replace the policy and forms manuals. It is intended to be an additional resource for workers. Workers are to use this guide in conjunction with the policy and forms manuals and memorandums.

Child Care Manual Revisions - The CD continues to review and revise its child care manual. Several manual revisions are forthcoming that will support program integrity and accountability. Also, both FSD and CD staff receive support through Practice Points and Practice Alerts, as needed, to enforce and clarify program policy.

Child Care Steering Committee - During the summer of 2012, the DSS formed a steering committee to address child care issues. The steering committee meets on a regular basis.

Status of Questioned Costs:
The questioned costs were adjusted on the federal report for quarter ended June 30, 2011. The DSS is waiting on clearance from the grantor agency.

Contact Person: Alicia Jenkins
Phone Number: (573) 526-3899

2010-16B. 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: $2,732

Controls over eligibility for the newly established non-Temporary Assistance for Needy Families (TANF) client ARRA Child Care initiative were 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. We noted 8 of 82 (10 percent) clients reviewed received TANF benefits, although the initiative provided that clients receiving TANF benefits were not eligible. We questioned the federal share of the payments made on behalf of these clients, or $2,732 (100 percent).

Recommendation:
The DSS, through the CD and FSD, resolve the questioned costs with the grantor agency and 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.

Status of Finding:
On April 29, 2011, memorandum CD11-41/OEC11-110 was sent to field staff to reinforce the use of the non-TANF job search. Along with the memo, a listing of TANF recipients who potentially received the non-TANF job search child care benefit anytime between May 2010 and March 2011 was issued to FSD eligibility staff. During the subsequent months in which the program was in effect, the CD issued to field staff a non-TANF job search list for review and potential cleanup. The non-TANF job search program ended August 2011. The CD worked with the FSD to identify cases with unallowable costs. The case reviews were completed and inappropriately claimed funds have been repaid.

Status of Questioned Costs:
Questioned costs were adjusted on the federal report for the quarter ended June 30, 2011. The DSS is waiting on clearance from the grantor agency.

Contact Person: Alicia Jenkins
Phone Number: (573) 526-3899

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

Recommendation:
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.

Status of Finding:
The DSS believes that its current process for claiming performance based case management contractor payments is in accordance with federal regulations. However, to validate and improve our claiming process, the DSS awarded a work order to Public Consulting Group to review and recommend improvements to the cost allocation methodology for foster care case management claiming. The current projected completion date for activities under the work order is the summer of 2013.

Contact Person: Patrick Luebbering
Phone Number: (573) 751-2170

2010-18C. 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:	$5,596

Controls over maintenance payments were not sufficient; and as a result, some payments were not allowable or not supported by adequate documentation. For 17 of 60 (28 percent) cases reviewed, Foster Care maintenance payments were not allowable and/or not supported by adequate documentation. For these 17 cases, payments totaling $7,951 were unallowable and/or unsupported by adequate documentation. We questioned the federal share, or $5,596 (70.38 percent).

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

Status of Finding:
Effective August 1, 2010, the CD implemented a new payment system as the final component of its Statewide Automated Child Welfare Information System (SACWIS), along with new business practices and controls for processing Foster Care eligibility and assistance payments. Under the new payment system, an internal control structure was

implemented requiring Central Office Payment Unit approval, in addition to local county office approval, for all clothing, transportation and many other foster care payments. Filing of the final payment documentation is now maintained by the Central Office Payment Unit. Also, effective August 1, 2010, the CD implemented a new system and business practices for child care assistance payments for protective services clients. Under the new system, additional edits are in place to ensure child care payments are made on behalf of eligible children.

Department of Health and Human Services, Administration for Children and Families (ACF) staff responsible for oversight of the SACWIS was onsite during the week of March 29, 2011, to conduct a preliminary review of the system and to make recommendations to improve the system. The CD understood from ACF feedback that its SACWIS eligibility and payment components were strong points in the system design. The ACF did make recommendations to the DSS to improve systems design and operation. The recommendations have been taken under advisement as the DSS continues to enhance the SACWIS to ensure the system complies with federal requirements.

The CD issued a practice point to staff reminding them of the policies around payment documentation, retention and filing (dated May 11, 2011). In August 2011, the Central Office Payment Unit was transferred to the Division of Financial and Administrative Services to further segregate payment duties and provide enhanced oversight of fiscal responsibilities.

Status of Questioned Costs:
Questioned costs were adjusted on the quarter ended June 30 and December 31, 2011, federal reports. The DSS is waiting on clearance from the grantor agency.

Contact Person: Sheila Tannehill
Phone Number: (573) 751-8962

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 had 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. Of the $30,656 in training reimbursements reviewed, payments totaling $25,957 (85 percent) were unsupported and/or unallowable, of which we questioned $19,467 claimed as the federal share.

Recommendation:
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.

Status of Finding:
On May 3, 2011, the CD issued to residential treatment providers reimbursed for training costs a letter outlining enhanced procedures that will ensure there is adequate documentation to support claiming those costs for Title IV-E training reimbursement. Residential treatment providers are now required to code the training course to one of a list of Title IV-E allowable topics and to provide a rationale/justification for Title IV-E reimbursement of the course costs. Additionally, the Division of Finance and Administrative Services has strengthened department quality assurance and compliance functions to provide enhanced monitoring of programs and technical assistance to staff with fiscal responsibilities.

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

Contact Person: Sheila Tannehill
Phone Number: (573) 751-8962

2010-21A. 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 charged unallowable state foster care, adoption assistance, and subsidized guardianship costs to the Temporary Assistance for Needy Families (TANF) program. The foster care, adoption assistance, and subsidized guardianship costs charged included non-emergency assistance, and the costs charged for emergency assistance were not separately identified; therefore all costs were unallowable. We questioned all state fiscal year 2010 costs for foster care, adoption assistance, and subsidized guardianship charged to the TANF program, totaling $29,638,870 (100 percent federal share).

Recommendation:
The DSS 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.

Status of Finding:
The DSS disagreed with this finding. The DSS's previous response to the finding is unchanged. The DSS is using a manual, developed with the assistance of a third party, to evaluate whether costs are allowable under TANF and/or TANF maintenance of effort (MOE). This desk manual will help the DSS ensure that it has appropriately categorized costs as TANF or TANF MOE as the definitions of allowable costs vary between the two. The desk manual was finished December 2012 and was submitted on January 24, 2013, to our grantor agency for review.

Status of Questioned Costs:
The status is still under discussion with the grantor agency.

Contact Person: Patrick Luebbering
Phone Number: (573) 751-2170

2010-21B. 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)

The DSS included unallowable educational program costs as qualifying under the maintenance of effort (MOE) requirement for the Temporary Assistance for Needy Families (TANF) program and, as a result, the DSS failed to meet the MOE funding requirements by at least $30.9 million.

Recommendation:
The DSS ensure expenditures claimed as MOE are allowable and resolve the potential penalty with the grantor agency.

Status of Finding:
The DSS disagreed with this finding. The DSS's previous response to the finding is unchanged. The DSS is using a manual, developed with the assistance of a third party, to evaluate whether costs are allowable under TANF and/or TANF MOE. This desk manual will help the DSS ensure that it has appropriately categorized costs as TANF or TANF MOE as the definitions of allowable costs vary between the two. The desk manual was finished December 2012 and was submitted on January 24, 2013, to our grantor agency for review.

Additionally, during this process, the third party validated the allowability of the claim in question, citing 1999 TANF Final Rule (page 17825), which supports the DSS's contention that it claimed these funds correctly.

We would like to point out that federal TANF funds may also be used to pay for ‘‘nonassistance’’ activities (such as those identified in this finding) that meet the purposes of the program as given in Sections 401(a)(1)-(4) of the Social Security Act (Act) and 45 CFR Section 260.20. Federal TANF funds may also be used for activities that benefit non-needy families in some cases, e.g., activities that meet the purpose of either Section 401(a)(3) or (a)(4) of the Act. In this respect, there may be more flexibility in the expenditures that are allowable uses of federal funds than those that are allowable for MOE purposes. This is because federally funded services or benefits do not necessitate a determination of financial eligibility (need) if they do not meet the definition of assistance. Thus, states may use federal TANF funds (in accordance with Section 404 of the Act) to provide ‘‘nonassistance’’ services or benefits to eligible individuals who meet the state’s other, nonfinancial, objective criteria for the delivery of such benefits.

The DSS has changed its claiming process to claim these funds as TANF, instead of TANF MOE to align its claiming with the above information.

The status is still under discussion with the grantor agency.

Contact Person: Patrick Luebbering
Phone Number: (573) 751-2170

2010-21C. 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)

For the quarter ended September 30, 2010, the DSS charged costs to the Temporary Assistance for Needy Families (TANF) program, totaling $18,493,665, relating to three scholarship programs: A+ Schools, Bright Flight Scholarships, and Ross-Barnett Scholarships; however, the DSS had not determined and documented whether there was any correlation between these programs and the four purposes of the TANF program. As a result, these scholarship program costs charged to the TANF program in state fiscal year 2011 did not appear allowable.

Recommendation:
The DSS ensure program costs charged to the TANF program for state fiscal year 2011 comply with federal regulations.

Status of Finding:
The DSS disagreed with this finding. The DSS’s previous response to the finding is unchanged. The DSS is using a manual, developed with the assistance of a third party, to evaluate whether costs are allowable under TANF and/or TANF maintenance of effort

(MOE). This desk manual will help the DSS ensure that it has appropriately categorized costs as TANF or TANF MOE as the definitions of allowable costs vary between the two. The desk manual was finished December 2012 and was submitted on January 24, 2013 to our grantor agency for review. The status is still under discussion with the grantor agency.

Contact Person: Patrick Luebbering
Phone Number: (573) 751-2170

2010-21D. 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)

The DSS control system was not effective in ensuring the types of costs charged to the TANF program or recorded as TANF maintenance of effort (MOE) met all federal regulatory and grant requirements, resulting in unallowable costs and unqualified sources of MOE claimed against the federal TANF grant.

Recommendation:
The DSS 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.

Status of Finding:
The DSS disagreed with this finding. The DSS's previous response to the finding is unchanged. The DSS is using a manual, developed with the assistance of a third party, to evaluate whether costs are allowable under TANF and/or TANF MOE. This desk manual will help the DSS ensure that it has appropriately categorized costs as TANF or TANF MOE as the definitions of allowable costs vary between the two. The desk manual was finished December 2012 and was submitted on January 24, 2013, to our grantor agency for review. The status is still under discussion with the grantor agency.

Contact Person: Patrick Luebbering
Phone Number: (573) 751-2170

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. 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. Personnel costs charged to the CSE grant for these 15 employees totaled $126,196, of which we questioned the federal share of costs totaling $83,289 (66 percent).

Recommendation:
The DSS through the FSD and DFAS resolve the questioned costs with the grantor agency.

Status of Finding:
Although DSS disagreed with the finding, after a similar finding in 2009, DSS through the FSD reviewed the salary certification process and enhanced written policies and procedures, in accordance with OMB Circular A-87, to ensure salary certifications were completed for all employees who are 100 percent claimed to a specific grant. These enhancements were effective April 2010. Under Missouri's current procedures, twice a year the supervisor/administrator receives and verifies a comprehensive electronic listing of all employees working solely on a grant so that salary certifications are complete. The Department of Health and Human Services (DHHS), Administration for Children and Families (ACF) decision issued July 30, 2012, concurred with the finding and recommendation, did not sustain the questioned costs and noted that Missouri's corrective actions sufficiently addressed the finding and prevent its recurrence.

Status of Questioned Costs:
The DHHS - ACF did not sustain the questioned costs.

Contact Person: Patrick Luebbering
Phone Number: (573) 751-2170

2010-25. Provider Eligibility and Improper Payments

Federal Agency: Department of Health and Human Services
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 Social Services (DSS) - MO HealthNet Division (MHD)

Questioned Costs: $122

The MHD had 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. We questioned 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 had not established controls to ensure providers continually meet federal requirements for disclosure of convictions of criminal offenses against Medicare, Medicaid, or the Title XX service program.

Recommendation:
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.

Status of Finding:
The DSS corrective action plan includes addressing the provider's date of death issue through the current fraud, waste and abuse contract with Thomson Reuters. The contractor purchased a license for the Social Security Master Death file and monthly updates. Additionally, the contractor provided the information for this match and planned on assessing a monthly charge for ongoing services. However, it was determined by the DSS it would not be cost effective to pay for this information given the limited effectiveness gained from this enhancement.

Thus, the DSS addressed the provider's required criteria for eligibility in the Request for Proposal for the Provider Enrollment/Case Management system, section 2.3.29, which states "The solution shall provide ongoing monitoring of provider eligibility by automated matching against external databases for exclusions, licenses, death records, criminal records, National Provider Identifier deactivations, sanctions, and suspensions. Suspicious data and non-matches shall generate alerts for the end user for review and possible corrective action." The collection of social security numbers from providers will make validation through an external database of death records feasible through the provider enrollment system. The promulgation of regulations to address the new contract requirements should be effective by June 2013.

The DSS corrective action plan also includes addressing the controls to ensure providers continually meet federal requirements for disclosure of convictions of criminal offense against Medicare, Medicaid, or Title XX service programs. Currently, the state of Missouri is working on a new provider enrollment system. However, forms have been updated manually to require this information from all new initial applications. Additionally, 42 CFR Section 424.514 (effective March 25, 2011) requires prospective institutional providers submitting an initial application or currently enrolled institutional providers submitting an application establishing a new practice location to submit enrollment credentials, which includes disclosure information.

Status of Questioned Costs:
An adjustment was made on the December 31, 2011, quarterly report. The DSS is waiting for clearance from the grantor agency.

Contact Person: Mark Cicka
Phone Number: (573) 751-6967

2011-2. Cash Management

Federal Agency: Department of Education
Federal Program: 84.010 Title I Grants to Local Educational Agencies
2010 - S010A090025 and 2011 - S010A100025
84.389 ARRA - Title I Grants to Local Educational Agencies, Recovery Act
2010 - S389A090025
84.027 Special Education - Grants to States
2010 - H027A090040 and 2011 - H027A100040
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
84.410 ARRA - Education Jobs Fund
2011 - S410A100026
State Agency: Department of Elementary and Secondary Education (DESE)

The DESE did not always ensure subrecipients spent grant funds received within 3 days of receipt as required.

Recommendation:
The DESE utilize the problems identified during monitoring visits to provide feedback and additional guidance to all schools receiving funding. The DESE should consider additional targeted monitoring procedures or other alternatives to ensure school districts expend funds received within the required time-frame.

Status of Finding:
Implemented.

Contact Person: Andrea Beck
Phone Number: (573) 751-8292

2011-3A. Subrecipient Monitoring

Federal Agency: Department of Education
Federal Program: 84.388 ARRA - School Improvement Grants, Recovery Act
2010 - S388A090026
State Agency: Department of Elementary and Secondary Education (DESE)

The DESE did not monitor the School Improvement Grant (SIG) monies provided to school districts on a timely basis to ensure compliance with federal guidelines. Although the DESE began expending fiscal year 2011 ARRA SIG monies in October 2010, the DESE did not perform a risk analysis of these funds or begin monitoring procedures until November 2011. Additionally, the DESE could have improved controls and procedures to ensure ARRA Section 1512 reports were complete and accurate for the SIG program. Due to timing of SIG program expenditures and the DESE's current monitoring process, some reporting elements for the SIG program had not been reviewed for accuracy and completeness.

Recommendation:
The DESE perform subrecipient monitoring procedures of SIG ARRA expenditures and pertinent Section 1512 reporting data elements on a timely basis and utilize the problems identified during monitoring visits to provide feedback and additional guidance to all the school districts receiving funding.

Status of Finding:
Resolved with the federal agency. The Department of Education (DE) has determined that the DESE has followed its normal monitoring procedures which have been found compliant. In addition, because neither ARRA legislation nor program guidance published by the DE required additional monitoring specifically for ARRA funds, it was concluded that DESE performed the necessary monitoring of ARRA funds and required no corrective action.

Contact Person: Andrea Beck
Phone Number: (573) 751-8292

2011-3B. Subrecipient Monitoring

Federal Agency: Department of Education
Federal Program: 84.010 Title I Grants to Local Educational Agencies
2010 - S010A090025 and 2011 - S010A100025
84.389 ARRA - Title I Grants to Local Educational Agencies,
Recovery Act

2010 - S389A090025
84.027 Special Education - Grants to States
2010 - H027A090040 and 2011 - H027A100040
84.391 ARRA - Special Education - Grants to States, Recovery Act
2010 - H391A090040

State Agency: Department of Elementary and Secondary Education (DESE)

The DESE could have improved policies and procedures in place to ensure a sufficient number and amount of expenditures were reviewed and could have better ensured actual expenditures reviewed during on-site visits were adequately documented.

Recommendation:
The DESE update on-site monitoring policies and procedures related to expenditure selection methodology and documentation.

Status of Finding:
Resolved with the federal agency. The Department of Education (DE) determined that DESE had followed its standard monitoring procedures which were determined to be compliant. Neither ARRA legislation nor program guidance published by the DE required additional monitoring procedures specifically for ARRA funds. Further, regulations and guidance do not prescribe the details a state must include in its monitoring methodology. Thus, it was concluded that the DESE performed the necessary monitoring and required no corrective action.

Contact Person: Andrea Beck
Phone Number: (573) 751-8292

2011-4A. Medicaid Home and Community Based Services

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
2010 - 1005MO5MAP and 1005MO5ADM
2011 - 1105MO5MAP and 1105MO5ADM
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA
2010 - 1005MOARRA
2011 - 1105MOARRA
2011 - 1105MOEXTN

State Agency: Department of Health and Senior Services (DHSS) - Division of Senior and Disability Services (DSDS)
Questioned Costs: $387,576

The DSDS did not have effective controls in place to ensure annual reassessments were performed, as required, to determine continued need of services of Home and Community Based Services (HCBS) recipients. The DSDS did not perform annual reassessments of eligibility for 46 of 59 (78 percent) recipients reviewed. The payments for State Plan Personal Care and Aged and Disabled Waiver services provided to these recipients without annual reassessments during the year totaled $534,219. We questioned the federal share of $387,576 (72.55 percent).

Recommendation:
The DHSS, through the DSDS, resolve the questioned costs with the grantor agency and establish effective controls to ensure the annual reassessments are performed as required. Such controls should include diligent monitoring of reassessments, if any, performed by HCBS providers.

Status of Finding:
The fiscal year 2013 state budget includes funding for HCBS providers to conduct reassessments. Reassessments for level of care of current clients will be scheduled for completion based upon the anniversary date of the last assessment. DHSS staff will review and approve all reassessments submitted by HCBS providers.

Status of Questioned Costs:
DHSS staff has met with staff from the Centers for Medicare and Medicaid Services to discuss the issues raised in the audit. The meetings are ongoing, but there has been no resolution regarding the questioned costs.

Contact Person: Celesta Hartgraves
Phone Number: (573) 526-3626

2011-4B. Medicaid Home and Community Based Services

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
2010 - 1005MO5MAP and 1005MO5ADM
2011 - 1105MO5MAP and 1105MO5ADM
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA
2010 - 1005MOARRA
2011 - 1105MOARRA
2011 - 1105MOEXTN
State Agency: Department of Health and Senior Services (DHSS) - Division of Senior and Disability Services (DSDS)
Questioned Costs: $4,483

The DSDS could not locate the case file with documentation supporting the authorization of services provided to 1 of 60 (2 percent) Home and Community Based Services (HCBS) recipients tested. Payments totaling $6,179 were made to State Plan Personal Care and Aged and Disabled Waiver providers on behalf of this recipient during the year ended June 30, 2011. We questioned the federal share of $4,483 (72.55 percent).

Recommendation:
The DHSS, through the DSDS, resolve the questioned costs with the grantor agency and ensure case files are maintained for all HCBS recipients.

Status of Finding:
HCBS case records are transitioning to a web-based electronic system (WebTool). Doing so will safeguard records, simplify/accelerate record retrieval, and reduce the amount of paper files that must be maintained.

Status of Questioned Costs:
DHSS staff has met with staff from the Centers for Medicare and Medicaid Services to discuss the issues raised in the audit. The meetings are ongoing, but there has been no resolution regarding the questioned costs.

Contact Person: Celesta Hartgraves
Phone Number: (573) 526-3626

2011-5. 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
State Agency: Department of Higher Education (DHE)

Subrecipient monitoring of the State Fiscal Stabilization Fund (SFSF) program was not adequate. While the DHE made improvements since the fiscal year 2010 audit by contracting with a firm to monitor subrecipients, the DHE did not ensure corrective action was taken by Institutions of Higher Education (institutions) on issues noted during subrecipient monitoring reviews.

Recommendation:
The DHE follow-up with institutions and request corrective action on any findings noted during subrecipient monitoring reviews. In addition, the DHE should issue a management decision on any findings identified in Single Audits of the institutions relating to the SFSF program.

Status of Finding:
The DHE confirmed with the institutions that were requested to implement corrective action that all deficiencies identified were corrected in accordance with OMB Circular A-133. In addition, the DHE issued a management decision letter dated June 25, 2012, that addressed that no further action needs to be done.

Contact Person: William R. Thornton
Phone Number: (573) 526-1577

2011-6. Benefit Payments

Federal Agency: Department of Labor
Federal Program: 17.225 Unemployment Insurance
2010 - UI-19592-10-55-A-29
2011 - UI-21109-11-55-A-29
17.225 ARRA - Unemployment Insurance
2010 - UI-19592-10-55-A-29
State Agency: Department of Labor and Industrial Relations (DLIR)
Questioned Costs: $189,423

Controls and procedures used to manage unemployment benefits were not adequate, resulting in errors in benefits paid.

- Due to a programming error, the computer system did not accurately calculate the maximum benefits amount for 2 of 42 claimants tested, resulting in the overpayment of benefits. We questioned the federal share of $73 for the errors noted during our review.

- Due to additional programming errors, the computer system generated Federal Additional Compensation (FAC) program benefit payments to some claimants after eligibility for the program ended. We questioned the federal share of $189,350 for the errors noted during our audit.

Recommendation:
The DLIR resolve questioned costs with the grantor agency, and work with the Office of Administration Information Technology Services Division (ITSD) to reanalyze all changes made recently to the computer 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 and continue efforts to recover overpayments caused by the programming errors.

Status of Finding:
The DLIR resolved the questioned costs with the Department of Labor (DOL) in August 2012. The DOL accepted the corrective actions that were completed. The following information was provided to the DOL and summarizes the corrective actions taken by the DLIR:

- The ITSD staff implemented new programming on February 14, 2012, to correct the calculation of the maximum benefit amount (MBA) on all Emergency Unemployment Compensation (EUC) claims. ITSD staff identified and generated a listing of all improperly calculated MBAs on EUC claims. The DLIR staff reviewed the list of improper MBA calculations and took corrective action on each EUC claim. The corrective actions included making additional payments to claimants who were underpaid and pursuing collection activities on claimants who were overpaid according to state and federal law.

The DLIR staff use the following methods and tools to collect improperly paid unemployment benefits:

- Send monthly billing notices
- Establish pay plans
- Accept credit card payments
- Intercept state income tax refunds
- Intercept state lottery winnings
- Offset weekly Unemployment Insurance/EUC benefits at 100 percent
- Missouri participates in Interstate Reciprocal Overpayment Recovery Arrangement (IRORA), so other participating states offset weekly benefits to repay Missouri overpayments
- Garnish wages on delinquent pay plans

In addition, the DLIR is in the process of implementing the Treasury Offset Program. The DLIR plans to have its program operational by December 2012.

The listing of all EUC claims with improperly calculated MBAs was provided to the DOL for review. DOL staff selected five claimants for further review. For those claimants, the DLIR provided copies of notices and computer system screen prints along with handwritten notations made by DLIR employees. In addition, the dates and amounts of overpayment recoveries were noted on the documentation provided to the DOL.

Due to the DLIR's archaic computer system, DLIR employees are continually making hand adjustments to EUC claims to accommodate special situations. If there were another problem with the MBA calculation, staff would notice it while making hand adjustments to EUC claims. A copy of the Instructions for Correcting Underpayments and Overpayments - EUC and Extended Benefit MBA Calculations was provided to the DOL.

Effective September 2012, the weeks and percentages changed for EUC Tiers I and III. At that time, the DLIR thoroughly tested the computer system to ensure the proper MBA is being calculated on all EUC claims and issued revised instructions to staff.

- All improperly paid FAC benefit payments were identified by DLIR staff in June 2010, November 2010, and December 2010. As of April 16, 2011, overpayments were established on each of the improper FAC payments. DLIR staff are continuing collection activities on these overpayments according to state and federal law. An example FAC overpayment file, including claimant notice, computer system screen prints and documentation of overpayment recovery, was provided to the DOL for review.

In response to the recommendation to reanalyze all recent changes made to the computer programming, when any type of error is detected by DLIR staff, a request is made to the

ITSD to both correct the error and review files to ascertain if any other claims are affected by the problem(s). The DLIR will continue to work with the ITSD to identify all recent changes to the computer programming and to identify any other issues that may affect payment of benefits. In addition, the Division of Employment Security has hired a contractor to document the mainframe system to be able to better track changes that are made and to make changes if an error is discovered.

All corrective actions were completed in May 2012, except the recovery of overpayments which is ongoing.

Status of Questioned Costs:
The DOL has allowed all questioned costs.

Contact Person: Carol Luecke
Phone Number: (573) 751-4012

2011-7A. Allowable Costs and Activities

Federal Agency: Department of Homeland Security
Department of Justice
Federal Program: 16.738 Edward Byrne Memorial Justice Assistance Grant Program
2007 - DJ-BX-0051
2008 - DJ-BX-0731 and DJ-BX-0027
2009 - DJ-BX-0090
2010 - DJ-BX-0066
16.803 ARRA - Edward Byrne Memorial Justice Assistance Grant Program/Grants to States and Territories
2009 - SU-B9-0032
97.067 Homeland Security Grant Program
2006 - GE-T6-0067
2007 - GE-T7-0034
2008 - GE-T8-0014
2009 - SS-T9-0062
2010 - SS-T0-0039
State Agency: Department of Public Safety - Office of the Director (OD)
Questioned Costs: $740,054

The OD did not ensure personnel related expenditures were properly supported by salary certifications and approved activity reports for the Homeland Security or the Justice Assistance Grant (JAG) programs. Salary certifications were not prepared for the eight employees working solely on the Homeland Security program or the eight employees working solely on the JAG program during the year ended June 30, 2011. We questioned the federal share of the salary costs for these 16 employees, or $671,287 (100 percent). In addition, the OD did not ensure the personnel activity reported for the 23 employees working on multiple programs was approved by the employee or the employee's supervisor. We questioned the federal share of salary costs for these employees for the month reviewed, or $68,767 (100 percent).

Recommendation:
The OD resolve the questioned costs with the grantor agency, and ensure salary certifications are prepared and approved for all employees who work solely on a single program and activities reported by employees working on multiple programs are approved as required.

Status of Finding:
The OD, Office of Homeland Security (OHS), has since updated and revised time and accounting sheets to capture the salary certifications.

Status of Questioned Costs:
The OHS has since provided certifications of time reported on the months in question. We are currently working towards ensuring all employees' time is certified by someone in their chain of command, normally their immediate supervisor. Our federal grant agency has not contacted us regarding the questioned cost as cited by the Auditor.

Contact Person: Bruce Clemonds
Phone Number: (573) 522-6125

2011-7B. Allowable Costs and Activities

Federal Agency: Department of Homeland Security
Department of Justice
Federal Program: 16.738 Edward Byrne Memorial Justice Assistance Grant Program
2007 - DJ-BX-0051
2008 - DJ-BX-0731 and DJ-BX-0027
2009 - DJ-BX-0090
2010 - DJ-BX-0066
16.803 ARRA - Edward Byrne Memorial Justice Assistance Grant Program/Grants to States and Territories
2009 - SU-B9-0032
97.067 Homeland Security Grant Program
2006 - GE-T6-0067
2007 - GE-T7-0034
2008 - GE-T8-0014
2009 - SS-T9-0062
2010 - SS-T0-0039
State Agency: Department of Public Safety - Office of the Director (OD)

Expenditure processing and approval duties were not adequately segregated. The OD had two employees with access to both enter and approve their own procurement transactions in the state accounting system.

Recommendation:
The OD segregate incompatible duties and implement independent reviews to ensure all transactions are proper.

Status of Finding:
The SAM II security settings for both employees have been edited so that they cannot enter and approve their own documents.

Contact Person: Carol Willhite
Phone Number: (573) 522-9576

2011-8A. Subrecipient Monitoring

Federal Agency: Department of Homeland Security
Federal Program: 97.067 Homeland Security Grant Program
2006 - GE-T6-0067
2007 - GE-T7-0034
2008 - GE-T8-0014
2009 - SS-T9-0062
2010 - SS-T0-0039
State Agency: Department of Public Safety - Office of the Director (OD)

A formal subrecipient monitoring policy for the Homeland Security program was not implemented until March 2011 and monitoring procedures could have been improved. The delay in implementing the policy resulted in the OD not performing desk monitoring reviews for the majority of subrecipients during fiscal year 2011. Additionally, the monitoring policy required the OD to perform site visits at two subrecipients per year; however, the OD had not adequately documented the criteria and methodology for selecting Homeland Security subrecipients for a site visit, or specific procedures to be performed during each site visit.

Recommendation:
The OD establish and implement policies and procedures to ensure subrecipients are adequately monitored.

Status of Finding:
The Office of Homeland Security has since hired a 1,000 hour employee to perform site visits on the selected recipients. Monitoring of subrecipients is occurring and a schedule of monitoring has been developed. We have implemented a new site monitoring report. We will select subrecipients for monitoring as stipulated in our policy on monitoring subrecipients, recordkeeping, and internal operation and accounting control system, Information Bulletin OHS-GT-2012-001, April 15, 2012, as approved by our grant agency.

Contact Person: Bruce Clemonds
Phone Number: (573) 522-6125

2011-8B. Subrecipient Monitoring

Federal Agency: Department of Justice
Federal Program: 16.738 Edward Byrne Memorial Justice Assistance Grant Program
2007 - DJ-BX-0051
2008 - DJ-BX-0731 and DJ-BX-0027
2009 - DJ-BX-0090
2010 - DJ-BX-0066
16.803 ARRA - Edward Byrne Memorial Justice Assistance Grant Program/Grants to States and Territories
2009 - SU-B9-0032
State Agency: Department of Public Safety (DPS) - Office of the Director (OD)

The OD had not established a formal subrecipient monitoring policy for the Justice Assistance Grant program and could have better ensured actual expenditures reviewed during on-site visits were adequately documented.

Recommendation:
The OD establish and implement policies and procedures to ensure subrecipients are adequately monitored.

Status of Finding:
Site monitoring policies and procedures were put in place to provide consistent policy and procedures for Criminal Justice/Law Enforcement (CJ/LE) staff with site monitoring procedures. The policies and procedures are used as a foundation for all monitoring of funded projects of the DPS CJ/LE Unit.

Contact Person: Eric Shepherd
Phone Number: (573) 751-5997

2011-8C. Subrecipient Monitoring

Federal Agency: Department of Homeland Security
Department of Justice
Federal Program: 16.738 Edward Byrne Memorial Justice Assistance Grant Program
2007 - DJ-BX-0051
2008 - DJ-BX-0731 and DJ-BX-0027
2009 - DJ-BX-0090
2010 - DJ-BX-0066
16.803 ARRA - Edward Byrne Memorial Justice Assistance Grant Program/Grants to States and Territories

2009 - SU-B9-0032
97.067 Homeland Security Grant Program
2006 - GE-T6-0067
2007 - GE-T7-0034
2008 - GE-T8-0014
2009 - SS-T9-0062
2010 - SS-T0-0039

State Agency: Department of Public Safety - Office of the Director (OD)

The OD had not established an audit tracking system or ensured Homeland Security and Justice Assistance Grant (JAG) program subrecipients expending $500,000 or more in federal funds obtained independent Single Audits as required. In addition the OD had not documented that Single Audit reports received were reviewed.

Recommendation:
The OD establish a system to track Single Audit reports expected and received from applicable subrecipients. In addition, the OD should document its review and follow-up of all subrecipient Single Audit reports received.

Status of Finding:
As it relates to the JAG program, a Single Audit report system has been put into place wherein audits are scanned and added to our grant management system, and we have tracking in place to show audits have been received, reviewed, and can track follow-up required.

We have incorporated into our Homeland Security program application an Audit Certification Form to ensure compliance with the A-133 Single Audit requirements. Once we receive the application we check the audit form to see when the last audit was conducted. We then check the Federal Clearinghouse website to ensure the results of the audit are there. If not, we request a hard copy of the last audit from the applicant. Moving forward, all applicable subrecipient audits will be reviewed for compliance issues. If issues/findings are discovered, we will contact the respective subrecipients and request the current status of the issues/findings. At this time, we will request written documentation as to the current status of their corrective action plan and provide a management decision in relation to our award and the status of their findings. Single Audit requirements will also be reviewed for compliance during monitoring.

As of October 2012, we are working to fully implement the Office of Homeland Security's monitoring policy which includes reviewing reports and providing written follow-up to actionable items. We will develop a schedule of monitoring, on-site and desktop, and ensure that all subrecipients receive monitoring action within any calendar year. Additionally, a tracking system will be put in place to ensure all subrecipients are monitored.

Contact Person: Carol Willhite
Phone Number: (573) 522-9576

2011-9. Reporting

Federal Agency: Department of Justice
Federal Program: 16.738 Edward Byrne Memorial Justice Assistance Grant Program
2007 - DJ-BX-0051
2008 - DJ-BX-0731 and DJ-BX-0027
2009 - DJ-BX-0090
2010 - DJ-BX-0066
16.803 ARRA - Edward Byrne Memorial Justice Assistance Grant Program/Grants to States and Territories
2009 - SU-B9-0032
State Agency: Department of Public Safety - Office of the Director (OD)

The OD did not have adequate controls and procedures over the preparation of the Federal Financial Report (SF-425) or the Schedule of Expenditures of Federal Awards (SEFA), and as a result, errors were not prevented and/or detected.

Recommendation:
The OD establish procedures to ensure the SEFA and SF-425 reports are complete and accurate.

Status of Finding:
Procedures are now in place where in the SF-425 and the SEFA are prepared and expenses are compared using expenditure reports from our WebGrant grant management system, the Drawdown Transaction Report from Department of Justice Grant Payment Request System, and web interface reports from SAM II to complete the quarterly SF-425 and yearly SEFA reports.

Contact Person: Carol Willhite
Phone Number: (573) 522-9576

2011-10. Cash Management

Federal Agency: Department of Homeland Security
Federal Program: 97.067 Homeland Security Grant Program
2006 - GE-T6-0067
2007 - GE-T7-0034
2008 - GE-T8-0014
2009 - SS-T9-0062
2010 - SS-T0-0039
State Agency: Department of Public Safety - Office of the Director (OD)

The OD did not always ensure the time elapsed between the receipt of federal funds and subsequent disbursement to vendors and subrecipients was minimized.

Recommendation:
The OD follow established cash management procedures to ensure cash advances are limited to the minimum amounts needed, timed with the actual, immediate cash requirements. Monies received should be disbursed timely.

Status of Finding:
The Office of Homeland Security will ensure procedures are followed and funds disbursed in a timely manner. If for some reason cash advances are needed for a period of time in excess of what is recommended, we will seek approval from our granting agency for the exception.

Contact Person: Bruce Clemonds
Phone Number: (573) 522-6125

2011-11A. Social Services Block Grant

Federal Agency: Department of Health and Human Services
Federal Program: 93.667 Social Services Block Grant
2010 and 2009 - 0901MOSOS2
State Agency: Department of Public Safety - State Emergency Management Agency (SEMA)
Questioned Costs: $2,507,444

The SEMA did not have adequate controls and procedures in place to ensure the Social Services Block Grant (SSBG) disaster funds were used for allowable costs and activities.

1) Documentation was not adequate to support the allowability of disbursements made for a relocation buyout program. We questioned the federal share of all payments made for the buyout, or $1,751,588 (100 percent). In addition, the SEMA did not have a written agreement with a regional planning commission documenting the funding to be provided and the responsibilities of each party.

2) Documentation was not adequate to support the allowability of payments made for 2 of 17 individual assistance projects reviewed. We questioned the federal share of the payments, or $213,949 (100 percent). In addition, several project files lacked some other required documentation.

3) Documentation was not reviewed by the SEMA to ensure payments made to a regional planning commission for individual assistance projects were allowable. We questioned the federal share of these payments, or $541,907 (100 percent).

Recommendation:
The SEMA review payments made to ensure they were adequately supported and an allowable use of the SSBG Disaster funds. In addition, the SEMA should resolve the questioned costs with the grantor agency.

Status of Finding:
The SEMA has dedicated staff to resolve the questioned costs. That staff is continuing to work on the project to ensure all documentation is filed correctly in the SEMA files and any missing paperwork is located.

Status of Questioned Costs:
The SEMA is continuing to work with all partners on this grant project to ensure the necessary paperwork is in place to satisfy the concerns that led to the questioned costs. Once the project review is completed, the SEMA feels the questioned costs will be determined as eligible, allocable, necessary and reasonable within the grant guidelines.

Contact Person: Dante Gliniecki
Phone Number: (573) 526-9132

2011-11B. Social Services Block Grant

Federal Agency: Department of Health and Human Services
Federal Program: 93.667 Social Services Block Grant
2010 and 2009 - 0901MOSOS2
State Agency: Department of Public Safety - State Emergency Management Agency (SEMA)

The SEMA did not have monitoring procedures in place to ensure subrecipients were in compliance with applicable grant and project requirements and that project performance goals were achieved.

Recommendation:
The SEMA implement subrecipient monitoring policies and procedures for all monies paid to subrecipients, as required.

Status of Finding:
The SEMA has completed the recommended action. The SEMA reviewed existing guidance established for this grant to determine items necessary for file compliance and vendor payment. Additionally, the SEMA reviewed the approved nature of projects granted to subrecipients. The SEMA then sent staff on-site to review subrecipient files and processes to determine if proper procedures were followed, sufficient documentation was retained, and only allowed projects were completed.

Contact Person: Tracy Farris
Phone Number: (573) 526-9106

2011-12. Disaster Assistance Subrecipient Monitoring

Federal Agency: Department of Homeland Security
Federal Program: 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
2006 - FEMA-DR-1631-MO and FEMA-DR-1635-MO
2007 - FEMA-DR-1673-MO, FEMA-DR-1676-MO, FEMA-DR-1708-MO, and FEMA-DR-1728-MO
2008 - FEMA-DR-1736-MO, FEMA-DR-1742-MO, FEMA-DR-1748-MO, FEMA-DR-1749-MO, and FEMA-DR-1773-MO
2009 - FEMA-DR-1809-MO, FEMA-DR-1822-MO, and FEMA-DR-1847-MO
2010 - FEMA-DR-1934-MO
2011 - FEMA-DR-1961-MO and FEMA-DR-1980-MO
State Agency: Department of Public Safety - State Emergency Management Agency (SEMA)

The SEMA did not adequately track subrecipients to ensure an independent Single Audit had been completed, when required, and submitted to the SEMA on a timely basis.

Recommendation:
The SEMA develop procedures to ensure subrecipients obtain and submit independent Single Audits when required.

Status of Finding:
The SEMA has developed a monitoring plan to include annual certifications for A-133 compliance by our local subrecipients, on-site monitoring visits, and review of hard copy audits from local subrecipients in conjunction with review of electronic audit status' from the federal audit clearinghouse. The plan is for the annual certification letters to be mailed to subrecipients in January 2013.

Contact Person: Tracy Farris
Phone Number: (573) 526-9106

2011-13. Schedule of Expenditure of Federal Awards

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
2010 - 2010IS251443, 2010IE251843, 20108E251843,and 2010IS252043
2011 - 2011IS251443, 2011IS252043, and 2011IY810543
93.558 Temporary Assistance for Needy Families

2010 - G1002MOTANF and 2011 - G1102MOTANF
93.714 ARRA - Emergency Contingency Fund for Temporary
Assistance for Needy Families State Program
2009 - G0901MOTAN2 and 2010 - G1001MOTAN2
93.575 Child Care and Development Block Grant
2010 - G1001MOCCDF and 2011 - G1101MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2010 - G1001MOCCDF and 2011 - G1101MOCCDF
93.713 ARRA - Child Care and Development Block Grant
2009 - G0901MOCCD7
93.658 Foster Care - Title IV-E
2010 - G1001MO1401 and 2011 - G1101MO1401
93.658 ARRA - Foster Care - Title IV-E
2010 - G1001MO1402
2011 - G1101MO1402 and G1101MO1404
93.659 Adoption Assistance
2010 - G1001MO1407 and 2011 - G1101MO1407
93.659 ARRA - Adoption Assistance
2010 - G1001MO1403
2011 - G1101MO1403 and G1101MO1405
93.667 Social Services Block Grant
2009 - 0901MOSOS2,
2010 - G1001MOSOSR
2011 - G1101MOSOSR
93.767 Children's Health Insurance Program
2010 - 1005MO05021
93.778 Medical Assistance Program
2010 - 1005MO5MAP and 1005MO5ADM
2011 - 1105MO5MAP and 1105MO5ADM
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA and 0905MOMDSH
2010 - 1005MOARRA, 1005MOHITA, and 1005MOQUAL
2011 - 1105MOARRA, 1105MOEXTN, 1105MOHIMP, and 1105MOQUAL

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:

The DSS continues to implement procedures to ensure the SEFA is complete and accurate. The division updates the SEFA quarterly, instead of annually. The DFAS assigned a staff person outside of the Grants Management section to assist with the creation of the SEFA and to review the SEFA, before a final review and approval by the Deputy Director over Grants Management. This finding has been cleared with the grantor agency.

Contact Person: Patrick Luebbering
Phone Number: (573) 751-2170

2011-14A. Eligibility and Child Care Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.575 Child Care and Development Block Grant
2010 - G1001MOCCDF and 2011 - G1101MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2010 - G1001MOCCDF and 2011 - G1101MOCCDF
93.713 ARRA - Child Care and Development Block Grant
2009 - G0901MOCCD7
State Agency: Department of Social Services (DSS) - Children's Division (CD) and Family Support Division (FSD)
Questioned Costs: $42,204

Controls over eligibility and provider payments were not sufficient to prevent and/or detect payments made on behalf of ineligible clients or improper payments to child care providers.

- The DSS could not locate the eligibility file for 6 of 60 cases reviewed. Child care payments made on behalf of these children and their siblings during the year ended June 30, 2011, totaled $46,466. We questioned the federal share of $37,637 (81 percent).

- Eligibility documentation was not sufficient to support a valid need for child care for 3 of 60 cases reviewed. Payments totaling $4,610, made on behalf of these children and their siblings, were unallowable and/or unsupported by adequate documentation. We questioned the federal share of $3,734 (81 percent).

- For child care payments, 13 of 60 payments reviewed were not supported by adequate documentation and/or were not in compliance with DSS policies. Of these 13 payments, 2 were for cases which also lacked eligibility documentation and were included in the above questioned costs. Payments for the remaining 11 cases totaled an additional $1,028. We questioned the federal share of $833 (81 percent).

Recommendation:
The DSS, through the CD and FSD, resolve the questioned costs with the grantor agency and 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.

Status of Finding:
Corrective actions that have been taken since the finding was issued follow:

Case Adjustments - Funds have been returned to the federal government or claims have been entered on either a parent or provider.

Case Review Tool - On July 27, 2011, the FSD presented to the CD a walkthrough of the base Case Review System (CRS) to which a child care component was added. A webinar providing detail on the child care component of the system was completed with the Rushmore Group (provider of current CRS) on August 11, 2011. On September 2, 2011, the Rushmore Group began coding child care into the existing CRS. In the spring of 2012, the CD trained 232 supervisors and program managers on the CRS. The CRS was implemented in March 2012. The CD is utilizing the output from the CRS to identify programmatic strengths and challenges and areas for policy, field and training improvement.

Self-Employment Training - Effective August 1, 2011, the FSD eligibility specialists (ES) and eligibility supervisors are required to complete the on-line Self-Employment Income Budgeting training course found in the Employee Learning Center. ES and eligibility supervisors were required to complete the training by December 31, 2011. The self-employment training is to assist in reducing the error rates for all income maintenance programs.

FSD Workers Online Child Care Training - The FSD administers the child care assistance program for income maintenance households. The majority of the families accessing child care receive services through their local FSD office. As of September 1, 2011, FSD frontline workers and supervisors were able to access online child care training through the FSD Training Unit intranet page. New FSD employees are required to complete the online training with a 70 percent accuracy rate or above prior to enrolling in the in-person Basic Child Care Orientation training. New staff access and complete the training through the DSS Employee Learning Center with the online assessment component.

Casework Reference Guide - The FSD Training Unit, in collaboration with Child Care Program and Policy staff, developed a Case Reference Guide (CRG) for FSD workers. The CRG is an informational tool that can be utilized by workers when processing applications and completing other case actions. The CRG does not replace the policy and forms manuals. It is intended to be an additional resource for workers. Workers are to use this guide in conjunction with the policy and forms manuals and memorandums.

Child Care Manual Revisions - The CD continues to review and revise its child care manual. Several manual revisions are forthcoming that will support program integrity and accountability. Also, both FSD and CD staff receive support through Practice Points and Practice Alerts, as needed, to enforce and clarify program policy.

Child Care Steering Committee - During the summer of 2012, the DSS formed a steering committee to address child care issues. The steering committee meets on a regular basis.

Status of Questioned Costs:
The DSS recovered some of the questioned costs via processing claims against parents or providers. The DSS completed the remaining adjustments on the March 31, 2012, quarterly report. The DSS is waiting on clearance from the grantor agency.

Contact Person: Alicia Jenkins
Phone Number: (573) 526-3899

2011-14B. Eligibility and Child Care Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.575 Child Care and Development Block Grant
2010 - G1001MOCCDF and 2011 - G1101MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2010 - G1001MOCCDF and 2011 - G1101MOCCDF
93.713 ARRA - Child Care and Development Block Grant
2009 - G0901MOCCD7
State Agency: Department of Social Services (DSS) - Children's Division (CD) and Family Support Division (FSD)
Questioned Costs: $16,011

Payments were made on behalf of clients ineligible for an ARRA Child Care Initiative. We noted 9 of 49 clients reviewed were receiving Temporary Assistance for Needy Family (TANF) benefits, although the initiative provides that clients receiving TANF benefits were not eligible. We questioned the federal share of the payments made on behalf of these clients, or $16,011 (100 percent).

Recommendation:
The DSS, through the CD and FSD, resolve the questioned costs with the grantor agency and revise its methodology for identifying clients who were ineligible for non-TANF ARRA Child Care Initiative benefits and recoup any improper payments identified.

Status of Finding:
On April 29, 2011, memorandum CD11-41/OEC11-110 was sent to field staff to reinforce the use of the non-TANF job search. Along with the memo, a listing of TANF recipients who potentially received the non-TANF job search child care benefit anytime

between May 2010 and March 2011 was issued to FSD eligibility staff. During the subsequent months in which the program was in effect, the CD issued to field staff a non-TANF job search list for review and potential cleanup. The non-TANF job search program ended August 2011. The CD worked with the FSD to identify cases with unallowable costs. The case reviews were completed and inappropriately claimed funds have been repaid.

Status of Questioned Costs:
The DSS recovered a portion of the questioned costs via claims against parents or providers. The DSS is in discussions with the grantor agency on how to adjust for remaining questioned costs since the ARRA grant has expired.

Contact Person: Alicia Jenkins
Phone Number: (573) 526-3899

2011-15A&B. Eligibility and Adoption Assistance Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.659 Adoption Assistance
2010 - G1001MO1407 and 2011 - G1101MO1407
93.659 ARRA - Adoption Assistance
2010 - G1001MO1403
2011 - G1101MO1403 and G1101MO1405
State Agency: Department of Social Services (DSS) - Children's Division (CD)
Questioned Costs: $12,367

A. Payments were made on behalf of ineligible children. For 2 of 60 cases tested, payments were made on behalf of children ineligible for Adoption Assistance benefits because the adoption subsidy agreement was not signed and in effect before or at the date of adoption. Payments totaling $7,452 were made on behalf of these ineligible children during the year ended June 30, 2011. We questioned the federal share of $5,119 (68.7 percent). Cumulative payments, totaling $30,357 and $27,330, for these two cases were charged to the Adoption Assistance program during fiscal year 2011 and before.

B. Some subsidy payments appeared to have been backdated. For 3 of 60 cases tested, the subsidy agreements were not signed and in effect prior to or at the date of the adoption decree because the CD Director's signature date was apparently backdated. For these three cases, payments totaling $10,548 were made during the year ended June 30, 2011. We questioned the federal share of $7,248 (68.7 percent). Cumulative payments, totaling $44,689, $17,169, and $40,130, for these three cases were charged to the Adoption Assistance program during fiscal year 2011 and before.

Recommendation:
The DSS, through the CD, resolve the questioned costs with the grantor agency, and ensure all adoption subsidy agreements are signed and effective prior to the adoption. In addition, the CD should refund the federal share of cumulative overpayments.

Status of Finding:
The CD Family and Child Electronic System (FACES) was fully implemented on July 31, 2010. This system now has in place edits which integrate information from the contract system and the children's eligibility system. Thus, when contracts are signed after the adoption finalization occurs, federal dollars cannot be accessed as the child would be determined ineligible for federal Title IV-E funding.

For the five children listed in the finding, the DSS has not yet completed all recoupments for payments made prior to fiscal year 2011 but is in the process of completing these recoupments. The DSS has changed the fund code so that future payments for these children will not be charged federally.

Status of Questioned Costs:
An adjustment for the questioned cost amount was completed on the March 31, 2012, quarterly report. The DSS is waiting on clearance from the grantor agency.

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

2011-15C. Eligibility and Adoption Assistance Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.659 Adoption Assistance
2010 - G1001MO1407 and 2011 - G1101MO1407
93.659 ARRA - Adoption Assistance
2010 - G1001MO1403
2011 - G1101MO1403 and G1101MO1405
State Agency: Department of Social Services (DSS) - Children's Division (CD)
Questioned Costs: $28,315

The DSS claimed reimbursement for non-recurring adoption expenditures in excess of allowable federal limits, and did not comply with federal guidance prohibiting the limitation of nonrecurring expenditures by category. The DSS paid nonrecurring expenses in excess of the $2,000 limit for 49 children during fiscal year 2011, totaling $56,630. We questioned the federal share of these payments, or $28,315 (50 percent).

Recommendation:
The DSS, through the CD, resolve the questioned costs with the grantor agency, and implement procedures to ensure payment of nonrecurring adoption expenditure payments are compliant with federal regulations.

Status of Finding:
The CD has worked with DSS Research and Evaluation staff to produce a quarterly report identifying any nonrecurring adoption expenses in excess of $2,000 paid from federal funds. These amounts are monitored and recouped to state only funds on a quarterly basis.

Status of Questioned Costs:
An adjustment was completed on the March 31, 2012, quarterly report. The DSS is waiting on clearance from the grantor agency.

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

2011-16. Cost Allocation Procedures

Federal Agency: Department of Health and Human Services
Federal Program: 93.667 Social Services Block Grant
2010 - G1001MOSOSR and 2011 - G1101MOSOSR
State Agency: Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)

DFAS controls and procedures over the allocation of costs to the Social Services Block Grant program were not sufficient and as a result, cost allocation errors were not prevented and/or detected.

Recommendation:
The DSS, through the DFAS, strengthen controls and procedures to ensure the accurate allocation of costs to the Social Services Block Grant. These procedures should include a detailed and documented supervisory review of cost allocation spreadsheets.

Status of Finding:
The DSS is working in consultation with the Department of Health and Human Services (DHHS) to rewrite the cost allocation plan to better define its methodologies for allocating costs to various DHHS grants. The DSS has contracted with a third party to help develop and implement a new cost allocation plan and system. The first phase/portion of the new cost allocation plan should be submitted and implemented by July 1, 2013. The plan will be tested and finalized by December 31, 2013. The remaining portion of the plan will be implemented after successful completion of phase one.

The DSS has also assigned a senior level staff person to manage the cost allocation plan. That person is responsible and accountable for updates/revisions to the plan.

Contact Person: Patrick Luebbering
Phone Number: (573) 751-2170

2011-17. Earmarking

Federal Agency: Department of Health and Human Services
Federal Program: 93.667 Social Services Block Grant
2010 - G1001MOSOSR and 2011 - G1101MOSOSR
State Agency: Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)
Questioned Costs: $6,461,316

Controls and procedures to ensure Temporary Assistance for Needy Families (TANF) funds transferred to the Social Services Block Grant (SSBG) were used for programs and services to eligible individuals were not sufficient. During preparation of the Post-Expenditure report for the year ended June 30, 2011, DFAS personnel allocated expenditures totaling $6,461,316 of TANF transfer funding to programs other than allowable case management and residential treatment. The DFAS did not have support to demonstrate the expenditures for the other programs reported were allowable. We questioned the $6,461,316 allocated in error to unapproved programs.

Recommendation:
The DSS, through the DFAS, resolve the questioned costs with the grantor agency. In addition, the DFAS should strengthen controls and procedures to ensure TANF funds transferred to the SSBG are used for programs and services to eligible individuals and transferred funds are accurately reported. These procedures should include a detailed and documented supervisory review of program reports.

Status of Finding:
The DSS does track and report funds transferred from TANF to SSBG. There was an oversight due to staff changes and reports have been revised and resubmitted to the federal agency. The DSS also provided the basis for its assurance that funds expended from TANF transfers to SSBG are used for children and their families with income less than 200 percent of the federal poverty level. The actual expenditure of funds met the requirements and was allowable; therefore DSS disagrees with the questioned costs.

Status of Questioned Costs:
This finding is the subject of continued discussion with the grantor agency, but no resolution has yet been finalized. Questioned costs have not been resolved with the grantor agency.

Contact Person: Patrick Luebbering
Phone Number: (573) 751-2170

2011-18A. Eligibility and TANF Assistance Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families

2010 - G1002MOTANF and 2011 - G1102MOTANF
93.714 ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families State Program
2009 - G0901MOTAN2 and 2010 - G1001MOTAN2

State Agency: Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs: $15,070

The FSD paid Temporary Assistance for Needy Family (TANF) benefits to some recipients who may not have been eligible or were ineligible for the full amount of TANF payments received.

- For 4 of 60 recipients tested, the eligibility specialist did not act on information timely when quarterly wage matches between various federal and state databases and the TANF case management system showed significant unresolved differences in income earned during state fiscal year 2011. The FSD determined these four recipients received overpayments totaling $4,246, for which we questioned the entire amount (100 percent federal share).

- For 3 of 60 recipients tested, the FSD did not maintain adequate eligibility documentation to support payments made. Payments made for these three cases during the year ended June 30, 2011, totaled $10,824, of which we questioned the entire amount (100 percent federal share).

Recommendation:
The FSD resolve the questioned costs with the grantor agency and strengthen controls to ensure income information is reviewed periodically and proper and timely action is taken regarding the updated income information, including case sanctions, case closures and recoupment of overpayments, if warranted. In addition, the FSD should maintain required eligibility documentation in all case files.

Status of Finding:
The FSD continues to ensure cases are thoroughly reviewed and acted upon in a timely manner for reported household income changes, at points of assistance application and identified at scheduled continued eligibility reviews. The FSD Income Maintenance (IM) staff and Family Assistance Management Information System staff are in the process of developing a Quarterly Wage Match (QWM) report for staff. IM Memo #53 (6/25/12) was issued to staff with detailed steps to process QWM reports within 15 days of receipt. The FSD Program and Policy unit continues to work with training staff to develop "Take 10" training on resolving QWM report information to be available through the Employee Learning Center. The FSD Program and Policy unit reiterated, via memo, to staff that the hard-copy signed application or interview summary shall be maintained in the physical case file. The memo also reminded staff of both the importance and necessity of diligently striving to keep the case file (electronic and physical record) updated with information to support the eligibility determination and benefit amount.

Status of Questioned Costs:
Questioned costs were adjusted on the March 31, 2012, and September 30, 2012 quarterly reports. The DSS is waiting on clearance from the grantor agency.

Contact Person: Jeannie Olson
Phone Number: (573) 751-3178

2011-18B.	Eligibility and TANF Assistance Payments
Federal Agency:	Department of Health and Human Services
Federal Program:	93.558 Temporary Assistance for Needy Families 2010 - G1002MOTANF and 2011 - G1102MOTANF 93.714 ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families State Program 2009 - G0901MOTAN2 and 2010 - G1001MOTAN2
State Agency:	Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs:	$1,258

The FSD did not act upon some notices of non-cooperation from the Child Support Enforcement Unit to sanction Temporary Assistance for Needy Family (TANF) recipients. For 7 of 47 recipients reviewed, the FSD did not sanction the recipient when notified. The FSD identified overpayments totaling $1,258 were made to these recipients during the year ended June 30, 2011. We questioned the federal share of these costs totaling $1,258 (100 percent).

Recommendation:
The FSD resolve the questioned costs with the grantor agency and develop additional controls to ensure sanctions are imposed on TANF recipients who fail to cooperate with child support enforcement program requirements.

Status of Finding:
The FSD Income Maintenance (IM) section continues to work closely with the FSD Child Support (CS) section to further ensure non-cooperation notifications from the CS section are promptly reviewed by IM staff for potential sanctions, and subsequently imposed as warranted. The FSD-IM section implemented, with IM Memo #55 (July 3, 2012), a log to track the non-cooperation notifications received from CS to ensure IM staff process the requests in a timely manner. The electronic database, which will replace the paper log, is still in development.

Status of Questioned Costs:
Questioned costs were adjusted on the March 31, 2012, and September 30, 2012, quarterly reports. The DSS is waiting on clearance from the grantor agency.

Contact Person: Jeannie Olson
Phone Number: (573) 751-3178

2011-19A. Unallowable Costs and Maintenance of Effort

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2010 - G1002MOTANF and 2011 - G1102MOTANF
93.714 ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families State Program
2009 - G0901MOTAN2 and 2010 - G1001MOTAN2
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs: $25,810,891

The DSS claimed unallowable state foster care, adoption assistance, and subsidized guardianship costs under the Temporary Assistance for Needy Families (TANF) program. The foster care, adoption assistance, and subsidized guardianship costs claimed included non-emergency assistance, and the costs claimed for emergency assistance were not separately identified; therefore, all costs were unallowable. We questioned all state fiscal year 2011 costs for foster care, adoption assistance, and subsidized guardianship claimed under the TANF program, totaling $25,810,891 (100 percent federal share).

Recommendation:
The DSS resolve the questioned costs with the grantor agency and ensure prior approved program costs claimed under the TANF program comply with federal regulations.

Status of Finding:
The DSS disagreed with this finding. The DSS's previous response to the finding is unchanged. The DSS is using a manual, developed with the assistance of a third party, to evaluate whether costs are allowable under TANF and/or TANF maintenance of effort (MOE). This desk manual will help the DSS ensure that it has appropriately categorized costs as TANF or TANF MOE as the definitions of allowable costs vary between the two. The desk manual was finished December 2012 and was submitted on January 24, 2013, to our grantor agency for review.

Status of Questioned Costs:
The status is still under discussion with the grantor agency.

Contact Person: Ami Patel
Phone Number: (573) 751-7302

2011-19B. Unallowable Costs and Maintenance of Effort

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2010 - G1002MOTANF and 2011 - G1102MOTANF
93.714 ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families State Program

2009 - G0901MOTAN2 and 2010 - G1001MOTAN2

State Agency: Department of Social Services (DSS) - Family Support Division (FSD)

The DSS included unallowable educational expenditures totaling $19,034,632 in the amounts reported for the annual maintenance of effort (MOE) requirement for the Temporary Assistance for Needy Families (TANF) program.

Recommendation:
The DSS ensure expenditures claimed as MOE are allowable.

Status of Finding:
The DSS disagreed with this finding. The DSS's previous response to the finding is unchanged. The DSS is using a manual, developed with the assistance of a third party, to evaluate whether costs are allowable under TANF and/or TANF MOE. This desk manual will help the DSS ensure that it has appropriately categorized costs as TANF or TANF MOE as the definitions of allowable costs vary between the two. The desk manual was finished December 2012 and was submitted on January 24, 2013, to our grantor agency for review.

Additionally, during this process, the third party validated the allowability of the claim in question, citing 1999 TANF Final Rule (page 17825), which supports the DSS's contention that it claimed these funds correctly.

We would like to point out that federal TANF funds may also be used to pay for ‘‘nonassistance’’ activities (such as those identified in this finding) that meet the purposes of the program as given in Section 401(a)(1)–(4) of the Social Security Act (Act) and 45 CFR Section 260.20. Federal TANF funds may also be used for activities that benefit non-needy families in some cases, e.g., activities that meet the purpose of either Section 401(a)(3) or (a)(4) of the Act. In this respect, there may be more flexibility in the expenditures that are allowable uses of federal funds than those that are allowable for MOE purposes. This is because federally funded services or benefits do not necessitate a determination of financial eligibility (need) if they do not meet the definition of assistance. Thus, states may use federal TANF funds (in accordance with Section 404 of the Act) to provide ‘‘nonassistance’’ services or benefits to eligible individuals who meet the state's other, nonfinancial, objective criteria for the delivery of such benefits.

The DSS has changed is claiming process to claim these funds as TANF, instead of TANF MOE to align its claiming with the above information.

The status is still under discussion with the grantor agency.

Contact Person: Ami Patel
Phone Number: (573) 751-7302

2011-19C. Unallowable Costs and Maintenance of Effort

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2010 - G1002MOTANF and 2011 - G1102MOTANF
93.714 ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families State Program
2009 - G0901MOTAN2 and 2010 - G1001MOTAN2
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs: $18,493,665

For the quarter ended September 30, 2010, the DSS claimed costs under the Temporary Assistance for Needy Families (TANF) program, totaling $18,493,665, related to three scholarship programs: A+ Schools, Bright Flight Scholarships, and Ross-Barnett Scholarships. The DSS had not determined and documented there was any correlation between those programs and any of the four allowable TANF purposes. We questioned the state fiscal year 2011 costs for scholarship programs that were claimed under the TANF program, totaling $18,493,665 (100 percent federal share).

Recommendation:
The DSS resolve the questioned costs with the grantor agency and ensure program costs claimed under the TANF program comply with federal regulations.

Status of Finding:
The DSS disagreed with this finding. The DSS's previous response to the finding is unchanged. The DSS is using a manual, developed with the assistance of a third party, to evaluate whether costs are allowable under TANF and/or TANF maintenance of effort (MOE). This desk manual will help the DSS ensure that it has appropriately categorized costs as TANF or TANF MOE as the definitions of allowable costs vary between the two. The desk manual was finished December 2012 and was submitted on January 24, 2013, to our grantor agency for review.

Status of Questioned Costs:
The status is still under discussion with the grantor agency.

Contact Person: Ami Patel
Phone Number: (573) 751-7302

2011-19D. Unallowable Costs and Maintenance of Effort

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2010 - G1002MOTANF and 2011 - G1102MOTANF
93.714 ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families State Program

2009 - G0901MOTAN2 and 2010 - G1001MOTAN2

State Agency: Department of Social Services (DSS) - Family Support Division (FSD)

The DSS control system was not effective in ensuring the types of costs claimed under the Temporary Assistance for Needy Families (TANF) program or recorded as TANF maintenance of effort (MOE) met all federal regulatory and grant requirements, resulting in unallowable costs and unqualified sources of MOE claimed against the federal TANF grant.

Recommendation:

The DSS establish a formal control system to ensure the types of costs claimed under the TANF program or recorded as TANF MOE meet all federal regulatory and grant requirements.

Status of Finding:

The DSS disagreed with this finding. The DSS's previous response to the finding is unchanged. The DSS is using a manual, developed with the assistance of a third party, to evaluate whether costs are allowable under TANF and/or TANF MOE. This desk manual will help the DSS ensure that it has appropriately categorized costs as TANF or TANF MOE as the definitions of allowable costs vary between the two. The desk manual was finished December 2012 and was submitted on January 24, 2013, to our grantor agency for review. The status is still under discussion with the grantor agency.

Contact Person: Ami Patel

Phone Number: (573) 751-7302

2011-20A. Work Participation and Sanctions

Federal Agency: Department of Health and Human Services

Federal Program: 93.558 Temporary Assistance for Needy Families

2010 - G1002MOTANF and 2011 - G1102MOTANF

93.714 ARRA - Emergency Contingency Fund For Temporary Assistance For Needy Families State Program

2009 - G0901MOTAN2 and 2010 - G1001MOTAN2

State Agency: Department of Social Services - Family Support Division (FSD)

The FSD was not in compliance with certain work activity reporting requirements contained in the Temporary Assistance for Needy Families Work Verification Plan in effect for state fiscal year 2011. We noted for 17 of 60 cases tested, the work participation hours were either not documented, not verified, and/or not reported correctly in accordance with the Work Verification Plan.

Recommendation:

The FSD develop additional controls to ensure work activities are adequately documented, verified, and reported in accordance with the FSD Work Verification Plan.

Status of Finding:

The Missouri Work Assistance (MWA) Case Management system was available for data entry June 28, 2011, and entries ceased in the Toolbox system on June 23, 2011. Inquiry access to Toolbox has continued to ensure necessary data was converted from Toolbox to the MWA System.

A case review form was developed for use by all MWA coordinators to provide consistency when reviewing data entries and physical files of MWA participants each contractor is serving. This tool is used by all MWA coordinators effective July 1, 2011.

A Case Review Guide was written and shared with MWA staff August 2011 (and upgraded December 2011) to ensure the MWA coordinators understand where policies regarding the form are located in the policy manual and the request for proposal to assist contractors with any incorrect findings. This guide and the case review form have also been shared with MWA contractors for use when reviewing their staff case files.

Effective August 1, 2011, MWA coordinators report to the FSD Program Manager responsible for the MWA program (before that time coordinators reported to regional FSD staff). The change in supervision ensures that positions are dedicated to the MWA program and coordinator accountability for assigned work by the MWA FSD Program Manager. With this change, four teams have been designated to further develop the MWA program. These teams are:

- MWA System and Data - user guides, system enhancements, reports;
- MWA Policy and Training - policy manual updates, training materials;
- MWA Contracts and Monitoring - monitoring tools, compliance; and
- Special Projects and Research - MWA webpage, research to improve the work participation rates.

Tools developed by these teams will provide contractors with information to ensure participation activities meet work verification standards and are supported with adequate documentation. Resources developed will also serve to increase the work participation rate for the state and provide performance measures to the contractors.

MWA staff completed targeted case file reviews in March 2012 for individuals participating in vocational education as an activity. The review was conducted to ensure contractors were obtaining actual attendance sheets (work verification) for this activity rather than entering hours based on a class schedule. This review in conjunction with regular case file reviews examine if work verification standards are met.

Contact Person: Jennifer Roberts
Phone Number: (573) 526-5444

2011-20B. Work Participation and Sanctions

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2010 - G1002MOTANF and 2011 - G1102MOTANF
93.714 ARRA - Emergency Contingency Fund For Temporary Assistance For Needy Families State Program
2009 - G0901MOTAN2 and 2010 - G1001MOTAN2
State Agency: Department of Social Services - Family Support Division (FSD)
Questioned Costs: $1,134

The FSD did not have adequate procedures in place to ensure contractors notified the FSD when Temporary Assistance for Needy Families (TANF) recipients failed to meet work participation requirements. As a result, many TANF recipients who failed to meet work participation requirements were not sanctioned. We noted 18 of 55 recipients tested were not appropriately sanctioned for non-compliance with work participation requirements. We questioned the amount of the sanctions that were not imposed for these recipients for the month reviewed, which totaled $1,134 (100 percent federal share). In addition, the FSD did not ensure TANF recipients referred to Missouri Work Assistance contractors were assigned case managers.

Recommendation:
The FSD develop additional controls to ensure TANF recipients failing to meet work participation requirements are sanctioned as required. In addition, the FSD should resolve the questioned costs with the grantor agency.

Status of Finding:
The FSD continues to perform the following activities to evaluate contractor compliance with notification requirements to ensure TANF recipients are sanctioned according to policy and procedure.

The case review form includes an evaluation of the conciliation and sanction referral process. This tool continues to determine appropriate and timely actions of the MWA contractors should TANF recipients fail to meet the work participation requirements.

The MWA field managers and coordinators review the mass participation screens for case managers in each office to identify those individuals that are not participating in an activity and work with the contractors to identify those that should be placed in conciliation and possibly sanctioned.

Quarterly, the MWA coordinators review a sample of participants that have no hours of participation, no conciliation activity, or no sanction in place. Individuals identified are shared with the contractor for immediate contact and initiation of the conciliation and sanctioning process to ensure participants failing to meet the work participation requirement are sanctioned as required.

Status of Questioned Costs:
An adjustment was made to the March 31, 2012, quarterly report. The DSS is waiting on clearance from the grantor agency.

Contact Person: Jennifer Roberts
Phone Number: (573) 526-5444

2011-21. Low-Income Home Energy Assistance Program

Federal Agency: Department of Health and Human Services
Federal Program: 93.568 Low-Income Home Energy Assistance
2010 - G10B1MOLIEA and 2011 - G11B1MOLIEA
State Agency: Department of Social Services (DSS) - Family Support Division (FSD) - Low-Income Home Energy Assistance Program (LIHEAP) Unit

The Human Development Corporation of Metropolitan St. Louis (HDC), a DSS subrecipient, misused at least $669,704 of LIHEAP funds, according to DSS personnel. The HDC did not remit the funding to an energy supplier on behalf of the LIHEAP clients as required. DSS personnel indicated they took possession of HDC documents and planned to conduct a review to determine whether other federal funds provided the HDC were properly expended. The DSS issued payments totaling $669,704 from state funds to satisfy amounts due the energy supplier.

Recommendation:
The DSS complete the planned grant close out reviews, report the results of those reviews to federal and state officials, and seek recovery of all improperly used funds. In addition, the DSS should review its monitoring efforts at the HDC to ensure established procedures were followed and determine if improvements in those procedures are needed.

Status of Finding:
Effective October 29, 2011, the HDC relinquished its Community Action Agency (CAA) designation status. The DSS completed the closeout review and sent a claim to the Attorney General's office on August 29, 2012.

The DSS is continuing to strengthen monitoring efforts for all CAAs by the development of a monitoring plan and partnership between the Division of Finance and Administrative Services (DFAS) Compliance and Quality Control Unit (CQC) and the FSD. The DFAS-CQC has developed and implemented extensive monitoring tools and processes for the fiscal review of all CAAs.

Contact Person: Kimberley Sprenger
Phone Number: (573) 522-6299

2011-22A. Medicaid Management Information System

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 Children's Health Insurance Program
2010 - 1005MO05021
93.778 Medical Assistance Program
2010 - 1005MO5MAP and 1005MO5ADM
2011 - 1105MO5MAP and 1105MO5ADM
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA
2010 - 1005MOARRA
2011 - 1105MOARRA and 1105MOEXTN
State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)
Questioned Costs: $45

Medicaid Management Information System edit override documentation was not properly completed or approved by MHD personnel for 2 of 60 override actions reviewed. The payments related to these overrides totaled $63. We questioned the federal share of the total payments, or $45 (71.61 percent).

Recommendation:
The MHD ensure the override authorizations are properly completed and approved by appropriate employees. In addition, the MHD should resolve questioned costs with the grantor agency.

Status of Finding:
On March 1, 2012, the MHD notified the fiscal agent's claims manager of the errors with instructions to return any future override claims to the MHD if the reason for override or the authorized signature was missing. Each MHD unit is responsible for monitoring and logging override requests submitted by their staff. Notification is sent to the MHD units with a reminder to ensure requests have been signed by an authorized person and indicate the reason for the override.

Status of Questioned Costs:
A decreasing adjustment will be completed pending information on funds recouped.

Contact Person: Todd Meyer
Phone Number: (573) 751-7996

2011-22B. Medicaid Management Information System

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 Children's Health Insurance Program
2010 - 1005MO05021
93.778 Medical Assistance Program

2010 - 1005MO5MAP and 1005MO5ADM
2011 - 1105MO5MAP and 1105MO5ADM
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA
2010 - 1005MOARRA
2011 - 1105MOARRA and 1105MOEXTN

State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)

The MHD did not ensure some department personnel with access to the Medicaid Management Information System (MMIS) were approved for such access.

Recommendation:
The MHD ensure the proper completion and authorization of the Security Access Request forms for employees obtaining or changing access in the MMIS.

Status of Finding:
The MHD Security Officer now reviews access requests more closely, ensures the reason for access is stated on the form, and ensures appropriate signatures are on the form. Access request forms are filed as soon as they are completed in order to be located easily.

Contact Person: Todd Meyer
Phone Number: (573) 751-7996

2011-22C. Medicaid Management Information System

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 Children's Health Insurance Program
2010 - 1005MO05021
93.778 Medical Assistance Program
2010 - 1005MO5MAP and 1005MO5ADM
2011 - 1105MO5MAP and 1105MO5ADM
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA
2010 - 1005MOARRA
2011 - 1105MOARRA and 1105MOEXTN
State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)
Questioned Costs: $78

The Medicaid Management Information System did not properly process certain spend down claims, allowing some participants with medical claims that extended between 2 or more calendar months to receive benefits without meeting spend down requirements in any of the months. Of nine claims reviewed for spend down participants, we noted one paid claim where the participant had not met the required monthly spend down amount. The payments related to the claim tested totaled $109. We questioned the federal share of the total payments, or $78 (71.61 percent).

Recommendation:
The MHD identify and resolve questioned costs with the grantor agency related to spend down participant claims paid in error.

Status of Finding:
The MHD identified spend down claims with dates of service extending across two or more months that did not process correctly. The claims will be reviewed and appropriate action taken as necessary.

Status of Questioned Costs:
Any action that results in an adjustment to the claim payment amount will be reflected on future CMS 64 reports based upon the quarter for when the adjustment is completed.

Contact Person: Todd Meyer
Phone Number: (573) 751-7996

2011-23. Participant Eligibility

Federal Agency:	Department of Health and Human Services
Federal Program:	93.767 Children's Health Insurance Program 2010 - 1005MO05021 93.778 Medical Assistance Program 2010 - 1005MO5MAP and 1005MO5ADM 2011 - 1105MO5MAP and 1105MO5ADM 93.778 ARRA - Medical Assistance Program 2009 - 0905MOARRA 2010 - 1005MOARRA 2011 - 1105MOARRA and 1105MOEXTN
State Agency:	Department of Social Services (DSS) - Family Support Division (FSD) and MO HealthNet Division (MHD)
Questioned Costs:	$2,620

Adequate controls were not in place to ensure all required documentation was obtained and maintained supporting eligibility of participants related to the Medical Assistance Program (Medicaid) and the Children's Health Insurance Program (CHIP). The FSD did not obtain or maintain all documentation required for eligibility for 3 of 60 Medicaid and CHIP participants reviewed. The ineligible payments made on behalf of these participants totaled $3,717 during the year ended June 30, 2011. We questioned the federal share or $2,620 (70.49 percent).

Recommendation:
The DSS ensure all information required to determine participant eligibility is obtained, verified, and retained to ensure compliance with applicable federal requirements. In addition, the DSS should resolve questioned costs with the grantor agency.

Status of Finding:
The DSS has taken steps to ensure staff is following existing policy for obtaining verified Social Security Numbers, verifying citizenship, and exploring potential income sources when approving assistance applications and conducting periodic reviews. To enhance measures already in place and to continue to ensure correct case results, the corrective actions include the following:

- The MHD Program and Policy unit has released a memorandum, IM-93 on November 27, 2012, reminding staff of required verification of citizenship, identification, and income when determining eligibility for MHD programs, IM-46 on June 1, 2012, to remind staff of the policies on citizenship and immigrant status and to apply policies appropriately, and IM-49 on August 25, 2011, to clarify reasonable opportunity to present documentary evidence of citizenship for MHD programs.

- When an applicant applies and declares to be a citizen or national, the Eligibility Specialist must follow policy as outlined in Income Maintenance Manual Policy Section 0110.020.02. The FSD Quality Control unit started reviewing as of November 2011, a random sampling of MO HealthNet for Families (MHF), MO HealthNet for Kids (MHK), MO HealthNet for The Aged, Blind, and Disabled (MHABD), and MO HealthNet for Pregnant Women (MPW) applications through the Payment Error Rate Measurement Reviews (PERM). If while reviewing a case for PERM, it is found that the case file does not contain the necessary documentation to verify citizenship, Quality Assurance/Quality Control will verify citizenship if possible, then forward the verification to the field office to update the case record. PERM review summaries are distributed to county of origin for follow up and corrective action. Also, FSD supervisors conduct random case readings of MHF, MHK, MHABD, and MPW cases identified on reports available on the Managed Reporting System to measure eligibility specialists' performance in determining eligibility and providing correct benefits.

- A request for automation of adverse actions when citizenship or ID verification has not been received within 90 days has been submitted to the Family and Medical Information System for inclusion on a list of planned systems enhancements.

Status of Questioned Costs:
A decreasing adjustment will be completed pending information on funds recouped.

Contact Person: Jeannie Olson
Phone Number: (573) 751-3178

2011-24. Pharmacy Dispensing Fees

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 Children's Health Insurance Program
2010 - 1005MO05021

93.778 Medical Assistance Program
2010 - 1005MO5MAP and 1005MO5ADM
2011 - 1105MO5MAP and 1105MO5ADM
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA
2010 - 1005MOARRA
2011 - 1105MOARRA and 1105MOEXTN

State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)
Questioned Costs: $6,909,934

The MHD periodically changed the rate paid pharmacies for dispensing prescription drugs under the Medical Assistance Program (Medicaid) and the Children's Health Insurance Program (CHIP); however, the state regulation authorizing these dispensing fees had not been updated since 1988 and the current rate paid exceeded a 1991 settlement agreement that increased the pharmacy dispensing fee. The MHD did not have adequate documentation to support the determination of the current dispensing fee structure. The MHD paid pharmacies base dispensing fees totaling $62,331,717 during the year ended June 30, 2011. Had the dispensing fees been paid in accordance with the 1991 settlement agreement, the fees would have totaled $52,672,877, a difference of $9,658,840. We questioned the federal share of the difference, or $6,909,934 (71.54 percent).

Recommendation:
The MHD ensure state regulations related to administration of the Medicaid program and the CHIP are updated when changes are justified, and resolve questioned costs with the grantor agency. In addition, the MHD should ensure increases in payment rates are adequately supported and actuarially sound, as required by federal guidelines.

Status of Finding:
The MHD disagreed with the finding. The MHD makes payments in accordance with the Centers for Medicare and Medicaid Services approved state plan. Furthermore, pharmacy dispensing fees paid under Title XIX and CHIP are communicated in documents during the budget process and authorized by the General Assembly through the appropriations process.

The MHD will work with the grantor agency to resolve any questioned costs and is in the process of amending the pertinent state regulation.

Status of Questioned Costs:
This finding is the subject of future discussions with the grantor agency, but no resolution has yet been finalized.

Contact Person: Rhonda Driver
Phone Number: (573) 522-9879

2011-25A. Report Reviews

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 Children's Health Insurance Program
2010 - 1005MO05021
93.778 Medical Assistance Program
2010 - 1005MO5MAP and 1005MO5ADM
2011 - 1105MO5MAP and 1105MO5ADM
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA
2010 - 1005MOARRA
2011 - 1105MOARRA and 1105MOEXTN
State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)

The MHD identified Medical Assistance Program and Children's Health Insurance Program claims requiring post-payment reviews and generated daily exception reports; however, these reports were not reviewed during the year ended June 30, 2011.

Recommendation:
The MHD review the report of claims that have been identified for post-payment reviews to ensure erroneous billings are properly recouped.

Status of Finding:
The daily exception report (Status 4 - Pay But Report) was worked by the Program Integrity Unit within the MHD. During the first quarter of 2011, the Program Integrity Unit was transferred from the MHD as a separate authority under the DSS. The responsibility for reviewing the daily exception report was retained by the MHD but not reassigned. The MHD Management will perform an analysis of the report and staff resources for the most appropriate reassignment.

Contact Person: Julie Creach
Phone Number: (573) 751-8985

2011-25B. Report Reviews

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 Children's Health Insurance Program
2010 - 1005MO05021
93.778 Medical Assistance Program
2010 - 1005MO5MAP and 1005MO5ADM
2011 - 1105MO5MAP and 1105MO5ADM
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA
2010 - 1005MOARRA
2011 - 1105MOARRA and 1105MOEXTN

State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)

The MHD could not ensure all Medical Assistance Program (Medicaid) participants who also qualified for Medicare were properly enrolled or removed from the Medicare Buy-In program because some reports necessary to identify these participants were not generated and/or reviewed during the year ended June 30, 2011.

Recommendation:

The MHD ensure the production and review of all reports related to enrolling and removing Medicaid participants from the Medicare Buy-In program to ensure compliance with federal requirements.

Status of Finding:

The implementation of the Family Assistance Management Information System (FAMIS) system affected the eligibility report reviewed by the Medicare Buy-In unit. Due to the significant increase, the Medicare Buy-In unit implemented a new approach in December 2011 to identify and update participant's eligibility and buy-in, if applicable. On a quarterly basis, the Third Party Liability vendor performs a data match with the Medicare Eligibility Database and the MHD eligibility database to identify Medicare eligibility not found in the Medicaid Management Information System. By focusing resources on this data match, the eligibility system is being more timely updated and buy-ins are being more timely processed.

The second report in question was produced during state fiscal year 2011. However, in July of 2010, the Medicare Buy-In staff discovered that the information reflected on the report was inaccurate. During a meeting held in June of 2012, which was attended by staff from the Office of Administration - Information Technology Services Division, the MHD and FAMIS personnel, it was determined that only a portion of the data reflected on the report was erroneous; not the data utilized by the Medicare Buy-In staff. At that time, the decision was made to review the reports produced during state fiscal year 2012. Review of the reports produced during state fiscal year 2011 would have been duplicative of actions already taken by the Medicare Buy-In staff during state fiscal year 2012. The report is still being produced and reviewed as part of the normal activities of the Medicare Buy-In unit.

Contact Person: Julie Creach
Phone Number: (573) 751-8985

2011-25C. Report Reviews

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 Children's Health Insurance Program
2010 - 1005MO05021
93.778 Medical Assistance Program
2010 - 1005MO5MAP and 1005MO5ADM

2011 - 1105MO5MAP and 1105MO5ADM
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA
2010 - 1005MOARRA
2011 - 1105MOARRA and 1105MOEXTN

State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)

Various monthly Managed Care eligibility reports were not retained for the year ended June 30, 2011.

Recommendation:
The MHD ensure the production and retention of all reports related to enrollment in the Managed Care program to demonstrate compliance with federal requirements.

Status of Finding:
In 2010, in an effort to streamline procedures, the Managed Care Operations unit updated procedures to stop retaining paper copies of Managed Care Operations enrollment related reports because these reports were also stored electronically in the MOBIUS system. At that time, it was the understanding of the Managed Care Operations unit that reports that no longer appeared on the MOBIUS online screens could be retrieved. However, through the audit process, it was discovered that the reports aged out of the MOBIUS system and were not retrievable. In order to ensure the production and retention of all reports related to enrollment in the Managed Care program to demonstrate compliance with federal requirements, the Managed Care Operations unit requested that all Managed Care Reports retained in MOBIUS be stored for 24 months. This change was implemented February 8, 2012. If required, the MHD can provide a listing of the Managed Care reports retained in MOBIUS and are now available for retrieval in MOBIUS system for 24 months. The DSS is waiting on clearance from the grantor agency.

Contact Person: Julie Creach
Phone Number: (573) 751-8985

2011-26. Spend Down

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
2010 - 1005MO5MAP and 1005MO5ADM
2011 - 1105MO5MAP and 1105MO5ADM
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA
2010 - 1005MOARRA
2011 - 1105MOARRA and 1105MOEXTN

State Agency: Department of Social Services (DSS) - Family Support Division (FSD) and MO HealthNet Division (MHD)

FSD caseworkers did not always properly determine eligible expenses to count toward participant spend down requirements, causing some participants to be considered eligible for Medical Assistance Program benefits before they had actually met their spend down amount. This may have caused participants to receive Medical Assistance Program coverage for which they were not eligible.

Recommendation:
The DSS work with the grantor agency to resolve this issue to ensure the correct application of the spend down requirements.

Status of Finding:
The corrective actions taken include the following:

- The DSS/FSD held stakeholder meetings on December 14, 2011, and January 10, 2012.

- The FSD established specific eligibility specialists statewide to manage the processing of spend down cases using incurred expenses to meet spend down.

- The FSD provided intensive scenario-based training from January 19, 2012 - January 31, 2012, to staff managing spend down cases using incurred expenses.

- The FSD released Income Maintenance Memorandums IM-#8 and IM-#9 on January 24, 2012, providing additional guidance for correct application of regulation.

- The FSD revised spend down related forms used by eligibility specialists including the Notification of Spend Down (IM-29 SPDN), MO HealthNet Spend Down Program Pamphlet (IM-4 Spend down), and Out of Pocket Expense Form (IM-29 OPE) January 24, 2012 - February 22, 2012.

- The FSD held a spend down stakeholder subgroup meeting on January 30, 2012, to discuss provider input on spend down models.

- The FSD began communicating with impacted spend down recipients on February 1, 2012, to advise them of spend down policy and how it affects them.

- The FSD filed an administrative rule on March 1, 2012, enhancing existing regulations by codifying the spend down process.

- The FSD held a spend down stakeholder subgroup meeting on March 9, 2012, to get further input on spend down models.

- The FSD held a spend down stakeholder meeting on May 4, 2012, to report on the work of the sub-group, inform them of rule filing, and discuss the provider form.

- The FSD sent Important Reminder for Medicaid Spend Down Participants to all participants that met spend down with incurred expenses in November and/or December 2011. The reminder was mailed May 31, 2012.

- The FSD sent Revised Important Reminder for Medicaid Spend Down Participants to inform of new options of carryover and partial pay for spend down. The revised reminder was mailed on June 15, and July 2, 2012.

- The FSD provided training to staff managing spend down cases using incurred expenses on the new options for meeting spend down from July 9 - July 24, 2012.

- The FSD issued Income Maintenance memorandums: clarifying incurred expense to meet spend down IM-#27 and IM-#28 on March 16, 2012; new options to meet spend down with incurred expense IM-#56 on July 2, 2012; clarification of third party liability IM-#58 on July 6, 2012; introduction of the provider form IM-#59 July 6, 2012; MHD spend down discussion checklist and instructions revised IM-#60 July 12, 2012; and introduction of the final spend down regulation IM-#88 November 2, 2012.

- The FSD held a spend down stakeholder meeting on September 6, 2012, to review the new options for spend down.

- The FSD has developed spend down tips which are emailed to FSD staff to ensure consistent processing of spend down charges and information provided to our customers. The first hot tip was sent October 4, 2012.

- The FSD established Regional Spend Down units (SDU) whose purpose is to review medical expense documentation and determine allowable spend down expenses. The creation of the SDU will allow the FSD to efficiently, accurately, and consistently process spend down expenses throughout the state. The SDU started processing expense documentation in November 2012.

- The FSD provided training for all managers, supervisors and eligibility specialists assigned to the SDU on November 26-28, 2012.

- The FSD has transitioned the processing of spend down expenses to the SDU as of December 1, 2012.

- The FSD will continue discussions with the Centers for Medicare and Medicaid Services to resolve this issue and ensure the correct application of spend down requirements.

Contact Person: Kim O'Hara
Phone Number: (573) 751-8980

State of Missouri
Single Audit
Corrective Action Plan
Year Ended June 30, 2012

State Agency: Department of Economic Development – Division of Workforce Development

Audit Finding Number: 2012-4 Subrecipient Monitoring and Participant Data

Name of the contact person
Responsible for corrective action: Julie Gibson

Anticipated completion date for corrective action: June 30, 2013

Corrective action planned is as follows:

Finding Part A:
DWD agrees with this finding and has taken corrective action to address this deficiency. On December 19, 2012, the Division released DWD Policy Issuance 13-2012, Point of Exit for Common Measures Reporting. This Issuance was written to establish policy to strictly prohibit artificial manipulation of participant records in order to prevent timely exit from WIA programs. This policy further establishes DWD's interpretation that such artificial manipulation constitutes falsification of a federal report and will not be tolerated. Any such falsification will be subject to disciplinary action.

The Quality Assurance unit is reviewing 100% of the Central region active WIA enrollments in order to identify any cases that have not exited for performance outcome measurement due to false entries in the Toolbox case management system. As of March 4, 2013, this review of 1,529 records is approximately 80% complete, with an anticipated completion date of March 15, 2013. Quality Assurance staff mark a record for exit if the last service entry appears inappropriate. Upon completion, the list will be submitted to the

Central region Workforce Investment Board (WIB) staff for review. If the WIB staff can provide evidence that a record should not exit, it will be removed from the list. The remaining records will be exited by the DWD and included in the appropriate WIA performance reports.

DWD agrees with your recommendation to implement additional monitoring of WIA service providers in order to ensure compliance with federal WIA program exit and reporting requirements.

Finding Part B:

DWD disagrees that we approved change requests to participant records which are not in compliance with federal requirements.

The two participant records that the report asserts were "approved and processed although the change did not appear appropriate" involved participants that were originally exited due to a system malfunction and were later "unexited" as part of a mass correction; these records had not exited the system due to a 90-day gap in service. These change requests were submitted to reopen the Employment Plan in Toolbox so staff could continue to make appropriate entries on the participant records. DWD believes it was appropriate to approve the change request to reopen the Employment Plan so staff could properly close-out the services on the plan. Upon further review, DWD agrees that if the staff had closed the Occupational Skills Training service when they learned the training was finished, each record would have exited prior to the Toolbox malfunction which required the change requests to reopen the Employment Plan.

DWD had previously recognized erroneous exits as a possible weakness and developed a review of training level services in order to ensure timely exits for training customers. The Program Year 2012 Programmatic Monitoring Plan introduced this process. Beginning in July 2012, the Quality Assurance manager was provided a report from ITSD listing all customers in a training activity for nine or more calendar quarters. This list is sent to each region with the instruction to review the list to identify any individuals who have inadvertently remained in the training activity after the actual training ended. This process is repeated each quarter. The Quality Assurance monitors review this list as part of the annual review in order to ensure compliance with the quarterly review process. While this process was implemented too late to catch the two cases in question, this training review process will identify cases such as these in the future.

DWD agrees that the current process of tracking change requests is in need of improvement in order to better document what data was corrected and the rational for approving or denying the request to correct the data. We accept your corrective action recommendation. Our immediate corrective action requires DWD staff to write a Toolbox case note that identifies the change that was made, the date it was made and a reference to the tracking number of the change request form to allow retrieval for inspection at a later date. Once fully implemented and all appropriate case notes entered beginning with change requests as of July 1, 2012, a more automated process will be developed.

State of Missouri
Single Audit
Corrective Action Plan
Year Ended June 30, 2012

State Agency: Department of Elementary and Secondary Education

Audit Finding Number: 2012-5 Vocational Rehabilitation

Name of the contact person
Responsible for corrective action: Jeanne Loyd

Anticipated completion date for corrective action:

A. October 2012
B. April 2013

Corrective action planned is as follows:

A. Implemented. Changes were made to the provider agreement beginning federal fiscal year 10/1/2012 to strengthen documentation required for payment of invoices. Training was provided to VR and provider staff regarding the changes.
B. This topic was addressed during the fall 2012 statewide supervisors training and will be covered in more detail during the spring statewide supervisors training.

State of Missouri
Single Audit
Corrective Action Plan
Year Ended June 30, 2012

State Agency: Department of Health and Senior Services

Audit Finding Number: 2012-6 Medicaid Home and Community Based Services

Name of the contact person
Responsible for corrective action: Celesta Hartgraves, Director of the Division of Senior and Disability Services

Anticipated completion date for corrective action: June 30, 2014

Corrective action planned is as follows:

The department secured Fiscal Year 2013 funding totaling three million dollars for providers to conduct reassessments of clients who receive Medicaid Home and Community Based Services (HCBS). Three million dollars was also requested for Fiscal Year 2014 for the same purpose. Reassessments for level of care of current participants are scheduled for completion based upon the anniversary date of the last assessment. Department staff review and approve all reassessments submitted by HCBS providers. The uptake of HCBS providers in conducting reassessments has been slower than anticipated. Full participation of HCBS providers is critical to meeting the revised goal of having all client reassessments current by the close of Fiscal Year 2014.

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 agrees that the 40 individuals cited in the audit report were not reassessed during the audit period. However, the department disagrees with the questioned costs cited in the audit report. The State Auditor misapplied both federal law and Missouri's personal care program requirements and procedures in coming to the conclusion that led to the audit finding. Federal law does <u>not</u> require annual reassessments for state plan personal care services. While state law sets forth this requirement, the state law provisions do not govern when Federal Financial Participation is available from the federal government.

The State Auditor asserts that 40 claims are invalid for noncompliance with regulations contemplating an annual reassessment. The mere fact that a reassessment did not occur within a 12-month period does not demonstrate noncompliance with the assessment requirements. The State Auditor did not consider the extent of the alleged untimeliness or analyze whether the purported deviation from the rule had any impact on whether services were provided to a qualifying individual at an appropriate level in an appropriate manner. Of the 40 participants cited in the audit report for not having an annual reassessment, 33 have since been reassessed. Of those 33 participants, the reassessments resulted in 30 participants meeting the Level of Care criteria, and in some cases their Level of Care score increased. This equates to 91 percent of the 33 participants continuing to be qualified for the services provided. The remaining participants were not reassessed because they had moved away from Missouri, entered a long-term care facility, or died.

State of Missouri
Single Audit
Corrective Action Plan
Year Ended June 30, 2012

State Agency: Department of Public Safety, Office of Homeland Security

Audit Finding Number: 2012-7 Homeland Security Grant Program

Name of the contact person
Responsible for corrective action: Bruce Clemonds

Anticipated completion date for corrective action: Completed

Corrective action planned is as follows:

A. 1. We currently ensure all employees time is certified by the employee each pay period. The timesheet that prints from the Time Accounting System was reformatted in June 2012 so that when employees sign their timesheet, they provide salary certifications by attesting "I certify that the above distribution of time is a true and accurate allocation of all work performed by me during the time period indicated."

A. 2. We currently ensure all employees time is approved by someone in their chain of command, normally their immediate supervisor. The timesheet that prints from the Time Accounting System was reformatted in June 2012 so that when employees sign their timesheet, and when their supervisor signs the timesheet, the time spent on any and all grant programs is listed on the time sheet accurately, as the employee designates.

B. 1. As of August 1, 2012 the Office of Homeland Security hired a 1,000 hour employee to perform monitoring on the selected recipients. Monitoring of subrecipients have been occurring on a regular basis since October 15, 2012 and a schedule of monitoring has been developed. A new site monitoring report has been developed. We will select subrecipients for monitoring as stipulated in our policy on monitoring subrecipients, recordkeeping, and internal operation and accounting control system, Information Bulletin OHS-GT-2012-001, April 15, 2012, as approved by our grant agency.

B. 2. We have incorporated into our Homeland Security Grant Program (HSGP) application an Audit Certification Form to ensure compliance with the A-133 Single Audit requirements. Once we receive the application we check the audit form to see when the last audit was conducted. We then check the Federal Clearinghouse website to ensure the results of the audit are there. If not, we request a hard copy of the last audit from the applicant. The audit is reviewed for compliance issues. Single Audit requirements will also be reviewed for compliance during monitoring.

C. The OHS is registered in the FFATA Sub-award Reporting System (FSRS) and encountered problems with being able to access the system in a timely manner. Access was not provided by the federal agency for approximately 2 or 3 months after our award to subrecipients. Currently all of our FY 11 and FY 12 subawards have been entered into the system. While we issued FY 11 subawards in October of 2011 we did not have access to FSRS until February 2012 because of our federal granting agency. FY 12 access to FSRS was not provided until late January 2013. Based upon this untimely access to the FSRS, by the federal granting agency, it is impossible to meet the 30 day reporting standard of the FFATA.

State of Missouri
Single Audit
Corrective Action Plan
Year Ended June 30, 2012

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

Audit Finding Number: 2012-08 Payroll Cost Allocation Procedures

Name of the contact person
Responsible for corrective action: Ami Patel

Anticipated completion date for corrective action: April 30, 2013

Corrective action planned is as follows:

The DSS partially agrees with this finding.

However, we disagree with the amount of the questioned costs. Although the amounts in question were taken to the wrong cost pool, they were allowable costs under a different program/pool as noted in the finding. Therefore, DSS will offset the questioned costs between the overstated and understated grants. Additionally, DSS is working on revising its Public Administrative Cost Allocation Plan. As a part of this process, DSS will be reviewing the time studies and working on reviewing all personnel codes and ensuring these are assigned appropriately and are charged to the proper cost pools.

State of Missouri
Single Audit
Corrective Action Plan
Year Ended June 30, 2012

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

Audit Finding Number: 2012-09 Schedule of Expenditures of Federal Awards (SEFA)

Name of the contact person
Responsible for corrective action: Ami Patel

Anticipated completion date for corrective action: July 31, 2013

Corrective action planned is as follows:

The DSS partially agrees with this finding.

Although, DFAS does agree that the Child Care amount was in error, DFAS disagrees with the remaining amounts. DFAS will be reporting cash transactions for a state fiscal year, and any adjustments relating to a prior period will be excluded. DFAS did put in place a Corrective Action Plan during FY12 to address this issue. However, due to timing and staffing issues, this plan was not fully in place during the audited time period. DFAS plans to continue implementation of its plan to update the SEFA quarterly, instead of annually. Additionally, as previously planned, DFAS plans to assign a staff person outside of the Grants Management section to assist with creation of the SEFA and to review the SEFA, before a final review and approval by the Deputy Director over Grants Management. In addition to the previous plan, the Division Deputy Director and staff will set aside a full day reviewing the SEFA and the corresponding supporting documentation before the SEFA is finalized.

State of Missouri
Single Audit
Corrective Action Plan
Year Ended June 30, 2012

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

Audit Finding Number: 2012-10 Federal Funding Accountability and Transparency Act of 2006 (FFATA) Reporting

Name of the contact person
Responsible for corrective action: Ami Patel

Anticipated completion date for corrective action: July 1, 2013

Corrective action planned is as follows:

The DSS agrees with this finding.

DFAS is in the process of developing detailed procedures for FFATA reporting. Once approved, these additional controls within DFAS will be implemented to ensure accurate and timely reporting.

However, the DSS does not agree that the Temporary Assistance for Needy Families subawards should have been reported for FY12. It is our intention to report subawards after they have been designated as subrecipients in our contracts.

State of Missouri
Single Audit
Corrective Action Plan
Year Ended June 30, 2012

State Agency: Department of Social Services (DSS), Children's Division (CD) and Division of Legal Services – Investigations (DLS)

Auditing Finding Number: 2012-11 Eligibility and Child Care Assistance Payments

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

Shari Allen, Child Care Program Administrator
Marianne Dawson, Social Services Manager
Alicia Jenkins, Social Services Manager
Bridget Hug, Chief of Investigations
Michele Struemph, Assistant Chief of Investigations

Anticipated completion date for corrective action: various dates

Corrective action planned is as follows:

A: The DSS agrees with this finding.

The DSS, CD continues to review and revise its child care policy regarding child care eligibility determinations, provider payments and case record documentation and retention requirements. Policy changes are reviewed and approved by the Family Support Division (FSD) prior to implementation. This is a continuous quality improvement effort between the two divisions.

The majority of the CD Child Care manual has been re-reviewed, revised and posted for staff. Staff is advised of changes through memorandums. Also, both FSD and CD staff receive support through Practice Points and Practice Alerts, as needed, to enforce and clarify program policy. Technical assistance is provided to field staff on a regular basis with in person meetings with FSD and CD management.

The CD continues to work with the FSD to improve the quality of training for Eligibility Specialist and Supervisors in order to improve child care case management. The CD will seek technical assistance from U.S. Department of Health and Human Services, Administration for Children and Families, Office of Child Care Region VII office on what other states are doing to reduce and eliminate instances of missing and insufficient documentation.

Currently, the CD is working with the FSD to develop a child care calculation worksheet to assist workers in calculating the amount of child care for children and families until future system enhancements can be implemented.

The DSS is exploring implementation of an electronic time and attendance system, such as Biometrics.

The CD is working with the Division of Finance and Administrative Services (DFAS) to implement a Child Care Compliance Review Team (CCRT) to conduct both desk and on site reviews. The CCRT will establish a "risk based" compliance model, perform data mining, work directly with the CD's Child Care Provider Relations Units (CCPRU) and with the DLS/Investigations to determine which child care providers will be reviewed. The proposed team will have staff to perform data mining, reviews, and following through with implementation of corrective actions to address findings. This will ensure a consistent approach to performing reviews of child care providers.

With the implementation of a case review system in March 2012, FSD supervisors were trained to review child care cases starting in June 2012. This system provides monitoring of eligibility determinations. Child Care program and policy staff provides ongoing technical assistance to supervisors to support the reading of child care cases. Data is being gathered from the case review system and reviewed to determine which local FSD offices are in need of Program Enhancement Plans (PEP). The PEP will be introduced to FSD by Summer 2013, in an effort to support controls over eligibility determinations.

The 2014 Governor's Budget recommendation includes funding for a new eligibility and enrollment system. If appropriated by the General Assembly, the new system will include enhanced internal controls and document imaging for Child Care eligibility case files. Funding for a new eligibility, enrollment and document imaging system will allow the FSD to implement a new structure for income maintenance programs eligibility and case work. This new structure includes the specialization of case work across Missouri. When implemented, Child Care eligibility will be maintained in specific offices and will allow for a higher level of expertise in the area of Child Care eligibility determinations and Child Care case work.

The DSS will resolve the questioned costs with the grantor agency.

B: The DSS agrees with this finding.

Policy is being reviewed and clarified by CD to determine when and/or if payment would ever be appropriate for claiming absences and holidays only, during a service month. These policy changes will be reviewed by FSD and DFAS, prior to distributing to DSS staff.

The CD is implementing system enhancements to address the absence and holiday issue with the Child Care Online Invoicing System (CCOIS). System edits are being implemented in the CCOIS to disallow a provider from billing and being paid for absences and holidays in a service month when actual care has not been provided to a child. These system edits are under development, are currently being tested and will be operational by March 31, 2013.

Staff is reviewing all child care providers paid in FY12 and FY13 for absences and holidays only, during a service month. Staff will review all child care providers paid in FY12 and FY13 for payment of more than the allotted amount of absences and holidays. Claims will be entered against these providers, if claims have not already been entered during previous reviews. Provider information and billing patterns will also be reviewed for possible referral to Attendance and Payment Accuracy training and/or referral to DLS/ Investigations for investigation.

The DSS will resolve the questioned costs with the grantor agency.

C: The DSS agrees with this finding.

The DLS/ Investigation's management is working towards ensuring all investigations are completed in a timely manner. DLS/ Investigation's management has conducted a case closing study for the period of January 2010 through September 2012 and established timeframes for closing cases and/or completing various types of investigations. The case closing study allowed management to develop new performance objectives which is expected to increase the accountability for both Investigators and Supervisors. These performance objectives have been added to both Investigator II and Investigator III job expectations and will take effect with cases opened after March 1, 2013.

DLS/ Investigation's management is currently conducting a statewide review of all open cases/investigations to address all case closing deficiencies and to ensure that all appropriate steps have been taken. Each investigation opened prior to January 1, 2011 will be reviewed and prioritized to ensure closure prior to statute of limitations. Any case beyond statute of limitations will be investigated and referred to FSD for appropriate action. DLS/ Investigation's management will conduct an annual review to ensure timely investigations.

To ensure that Provider Child Care investigations are completed timely, management created a specialized team of Investigators in the St. Louis region. These designated investigators will exclusively handle Provider Child Care fraud investigations. All open Child Care fraud investigations have been prioritized by opening date.

State of Missouri
Single Audit
Corrective Action Plan
Year Ended June 30, 2012

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

Audit Finding Number: 2012-12 Child Care Reporting and Earmarking

Name of the contact person
Responsible for corrective action: Ami Patel

Anticipated completion date for corrective action: July 30, 2013

Corrective action planned is as follows:

A: The DSS partially agrees with this finding.
Although DSS agrees that without proper monitoring, the formula in the spreadsheet could have led to an error in claiming during the year. However, the final spreadsheet did not contain any errors. Additionally, staff do review the final claim to ensure that it is correct. DSS has revised the spreadsheets used to prepare the federal reports to change the formulas in question. In addition, the DSS is currently restructuring the Cost Allocation Plan and is working with a contractor to develop an automated system for federal grant reporting. This should considerably reduce the possibility of errors as a result of manual data entry.

B: The DSS disagrees with this finding.
The CCDF grant terms and conditions require states to liquidate the discretionary funds by the end of the third fiscal year. Discretionary funds are a 100% federal and include targeted funds. The DSS has sufficient controls in place to track and report all targeted fund expenditures, and ensure the requirements are met within the liquidation period.

State of Missouri
Single Audit
Corrective Action Plan
Year Ended June 30, 2012

State Agency: Department of Social Services (DSS)-Family Support Division (FSD)-Rehabilitation Services for the Blind (RSB)

Audit Finding Number: 2012-13 Vocational Rehabilitation Program

Name of the contact person(s) responsible for corrective action: Kevin Faust
Mark Laird

Anticipated completion date for corrective action: August 1, 2013

Corrective action planned is as follows:

A. The DSS partially agrees with this finding.

RSB will enhance communication procedures between counselors and rehabilitation assistants to ensure adequate supporting documentation and independent verification of job placement is obtained as part of the bill review process for employment services (ES) providers. RSB will provide training directed to vocational counselors, rehabilitation assistants, and district supervisors regarding reconciliation of invoices specifically for employment services with required reports, any other supporting documentation that services invoiced have been delivered and resultant case record documentation prior to submitting those same invoices for processing.

DSS will resolve the questioned costs with the grantor agency.

B. The DSS partially agrees with this finding.

RSB will partner with the current contractor maintaining the RSB electronic case management system, known as System 7, to complete a pre-defined query (PDQ) to alert/prompt vocational counselors that an annual review of progress toward the current vocational goal is due. RSB will provide training in the use of the PDQ to vocational counselors and district supervisors. RSB will also develop best practice guidelines and provide training to vocational counselors and district supervisors on case record documentation of the annual review of progress toward the current vocational goal.

State of Missouri
Single Audit
Corrective Action Plan
Year Ended June 30, 2012

State Agency: Department of Social Services (DSS) – Family Support Division (FSD)

Audit Finding Number: 2012-14 Unallowable Costs and Maintenance of Effort

Name(s) of the contact person(s)
Responsible for corrective action: Ami Patel

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

<u>A:</u>
The DSS contends these are allowable expenditures, as per policy in place since 1994. 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 DSS has interpreted this note to mean 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.

<u>B and C:</u>
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 in 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." We would like to point out that Federal TANF funds may also be used to pay for ''nonassistance'' activities (such as those identified in this finding) that meet the purposes of the program as given in section 401(a)(1)–(4) of the Act and § 260.20. Federal TANF funds may also be used for activities that benefit non-needy families in some cases, e.g., activities that meet the purpose of either section 401(a)(3) or (a)(4) of the Act. In this respect, there may be more flexibility in the expenditures that are allowable uses of Federal funds than those that are allowable for MOE purposes. This is because federally funded services or benefits do not necessitate a determination of financial eligibility (need) if they do not meet the definition of assistance. Thus, States may use Federal TANF funds (in accordance with section 404 of the Act) to provide ''nonassistance'' services or benefits to eligible individuals who meet the State's other, nonfinancial, objective criteria for the delivery of such benefits.

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.

<u>D:</u>

The DSS had an effective control system in place and has 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 peer 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 the audit finding regarding allowability for the programs claimed.

State of Missouri
Single Audit
Corrective Action Plan
Year Ended June 30, 2012

State Agency: Department of Social Services (DSS) Family Support Division (FSD)

Audit Finding Number: 2012-15 Eligibility and TANF Assistance Payments

Name of the contact person
Responsible for corrective action: Valerie Howard

Anticipated completion date for corrective action: May 1, 2013

Corrective action planned is as follows:

A: The DSS partially agrees with this finding.

The FSD will continue to ensure cases are thoroughly reviewed and acted upon in a timely manner for reported household income changes, at points of assistance application and identify at scheduled continued-eligibility reviews. The FSD believes the controls we have in place are adequate to address the audit findings. The audit reviewed cases prior to the implementation of the 2011-18 Eligibility and TANF Assistance Payments corrective action plan. Controls implemented after SFY2012 audit sample period for 2011-18 audit finding include: IM MEMO #53 (6/25/12) was issued reminding staff to process QWM (quarterly wage match) information. Training staff are still drafting Take 10 training for the QWM process.

The FSD will issue a memorandum to staff to remind them to review the case to determine if an overpayment exists and to start claim establishment procedures when appropriate.

In response to the Auditor's recommendation concerning case file documents, not all eligibility documentation is required to be maintained in the physical case file in 'hard copy' format. The FSD maintains the cases of those it assists through an electronic system known as "FAMIS"—the system houses and supports all eligibility determinations. FAMIS is considered the official case record. The FSD re-iterated the need to maintain the hard-copy signed application or interview summary in the physical file via memo with 2011-18 Eligibility and TANF Assistance corrective action plan. Email MEMO #19 (4/3/12) was issued to re-iterate to staff the need to obtain appropriate documentation for the physical record.

The 2014 Governor's Budget recommendation includes funding for a new eligibility and enrollment system. If appropriated by the General Assembly, the new system will include enhanced internal controls and document imaging for TANF eligibility case files. Funding for a new eligibility, enrollment and document imaging system will allow the FSD to implement a new structure for income maintenance programs eligibility and case work. This new structure includes the specialization of case work across Missouri. When implemented, TANF eligibility will be maintained in specific offices and will allow for a higher level of expertise in the area of TANF eligibility determinations and TANF case work.

DSS will resolve the questioned costs with the grantor agency.

<u>B:</u> The DSS partially agrees with this finding.

The FSD has implemented 2011-18 Eligibility and TANF Assistance Payments corrective action plan, which includes a tracking/monitoring requirement. The FSD implemented policy after the time period for which cases were pulled for the audit sample. Memorandum IM-#55 (7/3/12) was issued outlining new policy for tracking sanction requests received from Child Support (CS) staff. The FSD believes the Income Maintenance controls that have been put in place (paper log) are adequate to address the audit findings. IM staff is working to incorporate the CS Sanction Log into the ITrackRS system. Child Support program and policy drafted a policy revision instructing their CS specialists to email IM staff a request for noncooperation sanction regardless of whether the Temporary Assistance household is already being sanctioned. They are also instructed to ensure a copy of the sanction request is retained in the CS case record.

DSS will resolve the questioned costs with the grantor agency.

State of Missouri
Single Audit
Corrective Action Plan
Year Ended June 30, 2012

State Agency: Department of Social Services (DSS) Family Support Division (FSD)

Audit Finding Number: 2012-16 TANF Work Participation and Sanctions

Name(s) of the contact person(s)
Responsible for corrective action: Valerie Howard

Anticipated completion date for corrective action: December 30, 2013

Corrective action plan is as follows:

A. The DSS partially agrees with this finding.

Over the course of fiscal year 2012 and 2013, the FSD has continued to review individual participant case files for each contractor. This tool is used by all Missouri Work Assistance (MWA) Coordinators to provide a consistent format for communicating training needs and corrections to MWA contractors. These reviews provide contractors with information to ensure participation activities meet work verification standards and are supported with adequate documentation. The FSD believes the controls we currently have in place are sufficient to address the audit findings. The audit reviewed cases from February 2012, prior to the implementation of the 2011-20A Work Participation and Sanctions corrective action plan.

Additionally, the FSD is in the process of revising the Work Verification Plan and intends it to be issued with the SFY 2014 MWA contract renewal amendments. Clarifying language will be added and shared with contractors to ensure all understand what constitutes appropriate verification of attendance.

B. The DSS partially agrees with the finding.

The MWA Case Management system was available for data entry June 28, 2011. The new case management system offers improved methods to track Temporary Assistance recipients from initial contact to monitoring participation. When reviewed in SFY 2011, the error rate regarding sanctions for non-compliance was 33%. During the SFY 2012 audit, the error rate had decreased to 11%. The FSD attributes a portion of this reduction to the implementation of the MWA Case Management system.

FSD will continue to perform the following activities to evaluate contractor compliance with notification requirements to ensure TANF recipients are sanctioned accordingly to policy and procedure.

1. The Case Review form previously mentioned includes an evaluation of the conciliation and sanction referral process. This tool will continue to determine appropriate and timely actions of the MWA contractors should TANF recipients fail to meet the work participation requirements.

2. Additionally, the MWA Field Managers and Coordinators review the Mass Participation screens for Case Managers in each office to identify those individuals that are not participating in an activity and work with the contractors to identify those that should be placed in Conciliation and possibly sanctioned.

3. Quarterly the MWA Coordinators will review a sample of participants that have no hours of participation, no conciliation activity, or no sanction in place. Individuals identified will be shared with the contractor for immediate contact and initiation of the conciliation and sanctioning process to ensure participants failing to meet the work participation requirement are sanctioned as required.

The FSD implemented targeted case reviews in April 2012 in response to this finding in 2011. The audit reviewed cases from

February 2012, prior to the implementation of the third action stated in the FSD 2011-20B Work Participation and Sanctions corrective action plan.

DSS will resolve the questioned costs with the grantor agency.

State of Missouri
Single Audit
Corrective Action Plan
Year Ended June 30, 2012

State Agency: Department of Social Services (DSS) – Family Support Division (FSD) and Division of Finance and Administrative Services (DFAS)

Audit Finding Number: 2012-17 LIHEAP and CSBG Subrecipient Monitoring

Name of the contact person
Responsible for corrective action: Stacy Wright, Kimberley Sprenger

Anticipated completion date for corrective action: Complete

Corrective action planned is as follows:

The DSS agrees with this finding.

The FSD and DFAS completed the close out review for HDC on August 30, 2012. DSS filed affidavits by the court established deadline of September 1, 2012, seeking recovery of funds. DSS has provided the federal grantor agency with a copy of the close-out report for HDC. DSS has worked closely with HDC to seek recovery of state property.

DSS has strengthened its subrecipient monitoring efforts in April 2012 with the implementation of the DFAS Compliance and Quality Control Unit.

State of Missouri
Single Audit
Corrective Action Plan
Year Ended 2012

State Agency: Missouri Department of Social Services (DSS), Family Support Division (FSD) and MO HealthNet Division (MHD)

Audit Finding Number: 2012-18 Participant Eligibility

Name(s) of the contact person(s):
Responsible for corrective action: Kimberly O'Hara

Anticipated completion date for corrective action: September 1, 2013

Corrective action planned is as follows:

A: The DSS partially agrees with this finding.

The FSD agrees the identified cases were not completely converted into the Family Assistance Management Information System (FAMIS). Although these cases have not had a review entered in the FAMIS, it cannot be concluded that the participants are ineligible. Lack of a review is not evidence that ineligible payments have been made. Therefore, we disagree with the questioned costs. The FSD is reviewing these cases to ensure the participants continued to be eligible during the audit period.

The FSD Central office had taken actions to ensure cases are converted to the FAMIS and that eligibility reviews are completed every 12 months.

- Memorandum IM-45 dated 05/18/07, CONVERSION OF FAMILY MEDICAL ASSISTANCE CASES FROM LEGACY states "each case will be placed in the MCL or controlled flow under the Eligibility Specialist whose worker number appears on the Legacy case. Placement on either list is not based on the load number." As directed in this memorandum, each county developed a plan of action to completely convert cases as soon as possible.

- Income Maintenance Manual reference 0840.000.00 REVIEWS AND INTERIM ACTIVITIES instructs the agency to complete a review of MHABD eligibility every 12 months.
- Effective January 1, 2011, MHABD reviews were added to the Reinvestigation Review Currency reports available in the Field Liaison, County Office, Manager, and Eligibility Specialist domains of Managed Reporting. Prior to this date, information for cases processed in Legacy continued to be available to the eligibility specialist and supervisor in paper format.

- On October 26, 2011, an E-mail Memorandum, CASES IN CONFLOWS FROM THE MANUAL CONVERSION LIST was issued. This memorandum included a list of cases from the CONFLOWS screen in FAMIS. County offices were advised to develop a plan for all cases in CONFLOWS to be completed by November 15, 2011.

- Memorandum IM-#13 dated 02/16/12, CONVERSION OF ADDITIONAL MHABD PROGRAMS, SUPPLEMENTAL AID TO THE BLIND VENDOR, SECTION 1619 CASES, MO HEALTHNET FOR DISABLED CHILDREN (MHDC), MO HEALTHNET FOR VENDOR CHILDREN CASES, MISSOURI CHILDREN WITH DEVELOPMENTAL DISABLITIES (MOCDD) states “Each case will be placed in the MCL or controlled flow under the Eligibility Specialist whose worker number appears on the Legacy case. Placement on either list is not based on the load number”. The memorandum directs FSD offices to develop a plan of action to fully convert cases on the Manual Conversion List (MCL) and in the controlled flow as soon as possible.

- E-Mail Memorandum dated November 9, 2012, CONVERTED CASES FROM LEGACY WITH THE CONTROLLED FLOW (CONFLOWS) NOT COMPLETED, directs staff to convert all cases in conflows by November 26, 2012.

The FSD will continue to ensure cases are thoroughly reviewed and acted upon in a timely manner for reported household income changes, at application, and at scheduled eligibility reviews. The FSD will resolve overpayments and underpayments for all participants identified in the finding based on redeterminations of eligibility.

B: The DSS partially agrees with this finding.

The MHD will work with the Division of Finance and Administrative Services (DFAS) to develop a process for making adjustments to the Medical Assistance Program and CHIP programs when ineligible participants and corresponding payments are identified.

The DSS will resolve the questioned costs with the grantor agency.

C: The DSS partially agrees with this finding.

The FSD does agree the agency must obtain and maintain documentation in the case record to support eligibility determinations. However, the FSD has reviewed the five cases that the auditor had cited for lack of a signed application and has determined that documentation was sufficient to support the eligibility determination. Therefore, we disagree with the questioned costs.

The FSD maintains the cases of those it assists through an electronic system known as "FAMIS"—the system houses and supports all eligibility determinations; not all eligibility documentation is required to be maintained in the physical case file in 'hard copy' format. FAMIS is considered the official case record.

Completion of the following actions meets reinvestigation requirements in FAMIS for MO HealthNet for Families and MO HealthNet for Children:

- A food stamp application initial approval or recertification when all members of the MO HealthNet for Families and MO HealthNet for Children are in the Food Stamp Eligibility Unit;
- A Temporary Assistance application approval when all members of the MO HealthNet for Families and MO HealthNet for Children are in the Temporary Assistance Eligibility Unit; or

- An add-a-person approval for Temporary Assistance, Medical Assistance for Families, or MO HealthNet for Families and MO HealthNet for Children.

Medicaid for Pregnant Women (MPW), Newborn (NBN), and Transitional Medical Assistance (TMA) cases are not required to be reinvestigated annually. Therefore, no reinvestigation process is initiated on these types of assistance.

A signed application is not required to move from one MO HealthNet program to another.

The FSD will issue a memorandum clarifying appropriate MO HealthNet Case Maintenance to explain documentation of eligibility factors including citizenship must be maintained in the case file to support the determination of eligibility and the level of care for MO HealthNet benefits.

The 2014 Governor's Budget recommendation includes funding for a new eligibility and enrollment system. If appropriated by the General Assembly, the new system will include enhanced internal controls and document imaging for MO HealthNet eligibility case files. Funding for a new eligibility, enrollment and document imaging system will allow the FSD to implement a new structure for income maintenance programs eligibility and case work. This new structure includes the specialization of case work across Missouri. When implemented, MO HealthNet eligibility will be maintained in specific offices and will allow for a higher level of expertise in the area of MO HealthNet eligibility determinations and MO HealthNet case work.

D: The DSS partially agrees with this finding.

The Case Review System was developed to make case reading a more effective management tool. Supervisors are instructed to complete 4 case reviews per worker for all non-probationary workers; which consists of a combination of Food Stamp, Temporary Assistance, and Medicaid cases by using the Case Review System. Supervisors conduct case reviews outside of the case review system, which would not be reflected in the reports used for the findings.

The FSD will issue a memorandum clarifying case review requirements for MO HealthNet cases.

State of Missouri
Single Audit
Corrective Action Plan
Year Ended June 30, 2012

State Agency: Missouri Department of Social Services (DSS), MO HealthNet Division (MHD) and Family Support Division (FSD)

Audit Finding Number: 2012-19 Report Reviews

Name of the contact person
Responsible for corrective action: Julie Creach

Anticipated completion date for corrective action: First calendar quarter 2013

Corrective action planned is as follows:

A: The DSS agrees with this finding.

The MHD Clinical Services Unit will develop and implement a process to review daily exception reports and inform appropriate staff of the need to evaluate and confirm the assigned claim status code as reported on the post-payment report. For those exceptions identified as appropriate for the post-payment status, staff will be required to regularly review the report for appropriate payment of claims or take action to correct when necessary. This process will be implemented in March 2013.

B: The DSS partially agrees with this finding.

The programming for the interstate match report was updated in September 2012 by the Research and Evaluation Unit to address the error.

The MHD Managed Care Unit will review procedures and ensure the identified matches for Managed Care are properly investigated.

The MHD will work with FSD regarding the review and required action based on results of the PARIS match reports.

The MHD and FSD will work together to review information during the time in which the reporting error occurred to determine if improper claims were made.

State of Missouri
Single Audit
Corrective Action Plan
Year Ended June 30, 2012

State Agency: Missouri Department of Social Services (DSS), MO HealthNet Division (MHD)

Audit Finding Number: 2012-20 Pharmacy Dispensing Fees

Name of the contact person
Responsible for corrective action: Rhonda Driver

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:

The DSS disagrees with this finding.

The MHD makes payments in accordance with the United States Department of Health and Human Services, Center for Medicare and Medicaid Services (CMS) approved state plan. Furthermore, Pharmacy dispensing fees paid under Title XIX and Children's Health Insurance Program (CHIP) are communicated in documents during the budget process and authorized by the General Assembly through the appropriations process.

MHD will work with the grantor agency to resolve any questioned costs and is in the process of amending the pertinent State regulation.

State of Missouri
Single Audit
Corrective Action Plan
Year Ended June 30, 2012

State Agency: Missouri Department of Transportation (MoDOT)

Audit Finding Number: 2012-21

Name of the contact person
Responsible for corrective action: Brenda Morris

Anticipated completion date for corrective action: Implemented

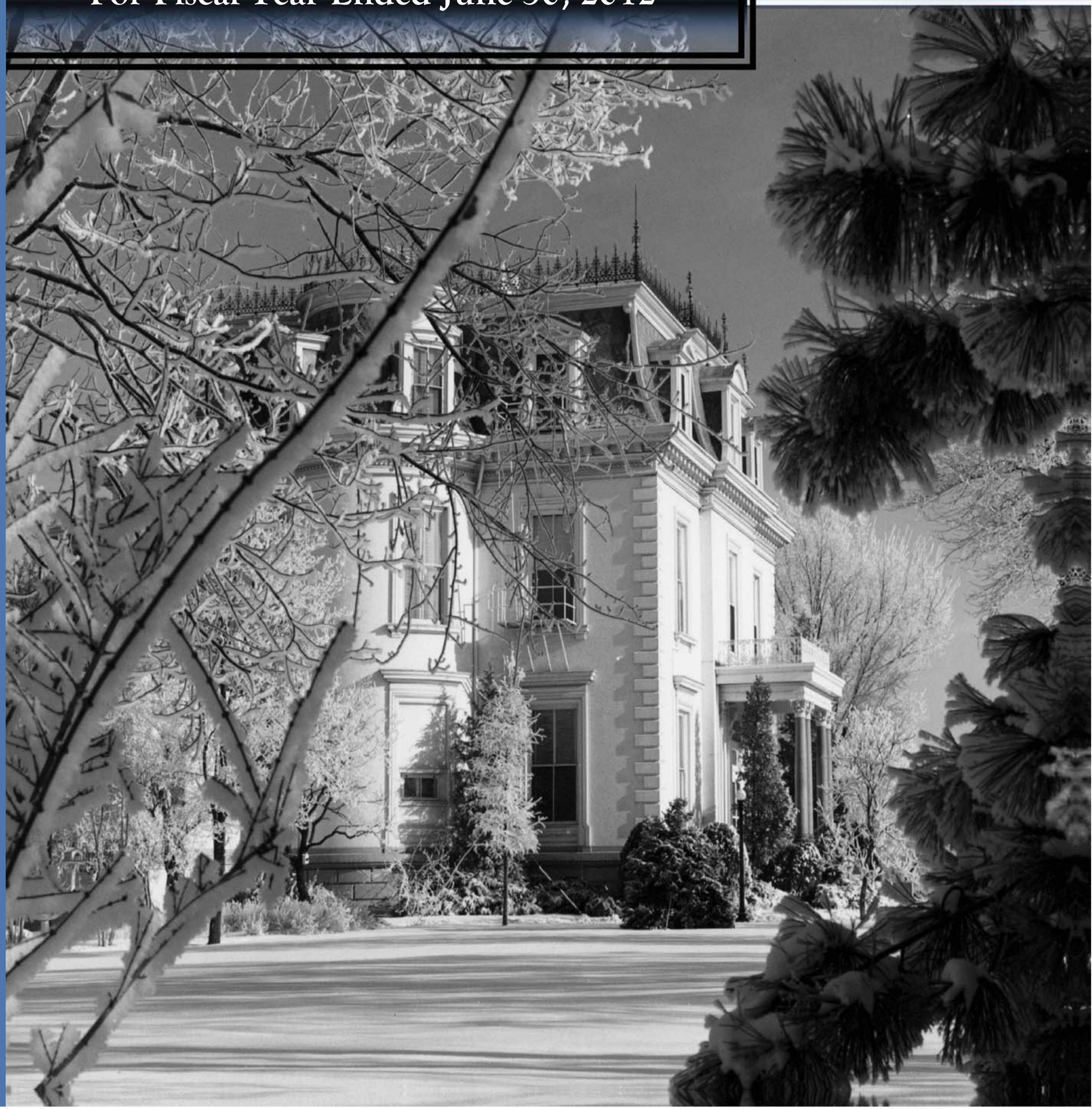
Corrective action planned is as follows:

MoDOT will continue to perform the current FFATA reporting procedures to ensure sub-award information is complete, accurate and submitted timely; and to prevent future noncompliance with FFATA reporting requirements.

MISSOURI

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended June 30, 2012



Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2012

On the Cover:

Governor's Mansion in the Snow, Gerald Massie, Photographer
Courtesy of the Missouri State Archives

This report can be viewed on the Internet at http://oa.mo.gov/acct/pdffiles/CAFR2012.pdf

STATE OF MISSOURI

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2012

JEREMIAH W. (JAY) NIXON

Governor

DOUG NELSON
Acting Commissioner
Office of Administration

STACY NEAL
Director
Division of Accounting

Prepared by
Office of Administration, Division of Accounting

STATE OF MISSOURI

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS

INTRODUCTORY SECTION — Page

Letter of Transmittal I
Organizational Chart VI
Principal State Officials VII

FINANCIAL SECTION

Auditor's Opinion i

Management's Discussion and Analysis 1

Basic Financial Statements

Government-Wide Financial Statements

Statement of Net Assets 14

Statement of Activities 15

Fund Financial Statements

Governmental Funds

Balance Sheet 17

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets 18

Statement of Revenues, Expenditures, and Changes in Fund Balances 19

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances in Governmental Funds to the Statement of Activities 20

Proprietary Funds

Statement of Net Assets 21

Statement of Revenues, Expenses, and Changes in Fund Net Assets 22

Statement of Cash Flows 23

Fiduciary Funds

Statement of Fiduciary Net Assets 24

Statement of Changes in Fiduciary Net Assets 25

Component Units

Statement of Net Assets 26

Statement of Revenues, Expenses, and Changes in Net Assets/ Statement of Activities 27

Notes to the Financial Statements 28

Required Supplementary Information

Budgetary Comparison Schedule General Fund, Major Special Revenue Funds 104

Notes to Required Supplementary Information Budgetary Reporting 106

Supplementary Information

Budgetary Comparison Schedule Major Capital Projects Fund 107

Combining Fund Statement – General Fund

Balance Sheet 108

Statement of Revenues, Expenditures, and Changes in Fund Balance 109

Combining and Individual Fund Statements and Schedules – Non-Major Funds

Governmental Funds

Combining Balance Sheet Non-Major Governmental Funds – by Fund Type 110

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Non-Major Governmental Funds – by Fund Type 111

Special Revenue Funds

Combining Balance Sheet 112

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances 113

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual 114

Debt Service Funds

Combining Balance Sheet 118

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances 119

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual 120

Capital Projects Funds

Combining Balance Sheet 121

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances 124

Permanent Funds

Combining Balance Sheet 125

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances 126

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual 127

Proprietary Funds

Enterprise Funds

Combining Statement of Net Assets 130

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets 132

Combining Statement of Cash Flows 134

Internal Service Funds

Combining Statement of Net Assets 136

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets 138

Combining Statement of Cash Flows 140

Fiduciary Funds

Pension (and Other Employee Benefit) Trust Funds

Combining Statement of Fiduciary Net Assets 142

Combining Statement of Changes in Fiduciary Net Assets 143

Private-Purpose Trust Funds

Combining Statement of Fiduciary Net Assets 144

Combining Statement of Changes in Fiduciary Net Assets 145

Agency Funds

Combining Balance Sheet 146

Combining Statement of Changes in Assets and Liabilities 147

Component Units

Combining Statement of Net Assets 148

Combining Statement of Revenues, Expenses, and Changes in Net Assets 149

Combining Statement of Cash Flows 150

STATISTICAL SECTION

Financial Trends

Net Assets by Component 151

Changes in Net Assets 152

Fund Balances – Governmental Funds 154

Changes in Fund Balances – Governmental Funds 156

Revenue Capacity

Revenue Base – Taxable Sales by Industry 158

Revenue Base – Personal Income by Industry 159

Personal Income Tax Revenue 160

Personal Income Tax Rates 161

Revenue Payers by Industry 162

Personal Income Tax Filers/Liability 163

Debt Capacity

Ratios of Outstanding Debt 164

Pledged Revenue Coverage 166

Demographic and Economic Information

Demographic Indicators 167

Economic Indicators 168

Principal Employers 169

Operating Information

State Employees by Function 170

Operating Indicators by Function 171

Capital Asset Statistics by Function 172

Acknowledgements 173

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

Doug Nelson
Acting Commissioner

State of Missouri
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Stacy Neal
Director

January 24, 2013

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, 2012. 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 program level. Expenditures cannot exceed the individual appropriation amount. The Governor has the authority to reduce the allotments of appropriations in any fund if it appears that the revenue estimate will not be met. 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

The economy in Missouri has shown slow but steady improvements during fiscal year 2012. Missouri has been putting a strong focus on promoting industries and development strategies to aid in economic growth and to foster a stronger economic climate for the future. Some of the positive signs of improvement include:

- personal income increased 4.2% in calendar year 2011.
- unemployment dropped to 7.1% in June 2012 compared to 8.7% in June 2011. This is below the national average of 8.2%.
- exports increased by 6% for the second quarter of 2012 compared to the same period in 2011.
- taxable sales increased for the first quarter of 2012 by 2%, which was the third straight quarter to show an increase compared to the same period in the previous year.

Missouri has been focusing on economic growth. Included in this focus is fostering a more advanced and skilled workforce that will be prepared for emerging sectors that require more experience in the fields of science, technology, engineering, and mathematics. The chart shows how Missouri faired in these fields as well as others in the 2010 State New Economy Index. As shown in the chart, Missouri ranked relatively high in Health IT and E-Government indicators. However, overall the state ranked 33rd. The highest ranking states are those with large numbers of high-tech firms, entrepreneurships, and workers with two-year degrees or higher.

Indicator	U.S. Average	Missouri Score	Missouri Rank of All States	Top Ranked State (Score)	Bottom Ranked State (Score)
Workforce Education	36.3	33.2	36th	Massachusetts (51.5)	West Virginia (20.3)
Fastest Growing Firms	0.0128%	0.0029%	37th	Massachusetts 0.0353%	Wyoming (0.0000%)
Industry Investment R&D	3.31%	2.28%	24th	Delaware (7.82%)	Wyoming (0.40%)
High-Tech Jobs	4.1%	3.3%	29th	Massachusetts (7.7%)	Wyoming (1.4%)
Health IT	8%	35%	6th	Massachusetts (57%)	North Dakota (3%)
E-Government	5.00	6.01	10th	Utah (7.67)	Indiana (3.03)
Entrepreneurial Activity	0.30%	0.20%	48th	Georgia (0.50%)	Pennsylvania (0.17%)
Overall Score	62.0	50.8	**33rd**	Massachusetts (92.6)	Mississippi (35.3)

Source: The 2010 State New Economy Index: Benchmarking Economic Transformation in the States.

Creating new jobs and enhancing the skills of the workforce has been Missouri's statewide focus in the past few years. Included in this effort is a new program called Missouri Works, which was launched in January 2012. The strategy is to create career opportunities in the new economy. Some of the goals of the program includes: attracting next-generation automotive suppliers to the state, expanding the number of exports, training more workers for high-tech careers, hiring more military veterans to work in the state, jumpstarting job creation in science and technology, targeting big-growth industries, and creating jobs in rural communities.

An agreement was made between Missouri State University and Brazil in which students from Brazil will come to Missouri to study science and technology while fostering opportunities for Missouri students to study in Brazil as well. The goal of the exchange is to open ties to the global marketplace and allow Missouri students to get a head start on the jobs and careers of the future.

In addition to creating jobs, there has also been a focus on attracting and retaining businesses in the state. House Bill 1661 expands the eligibility requirements of the New Jobs Deduction Bill passed in 2011. The program provides an income tax deduction for small businesses of $10,000 for each new full-time job created or $20,000 for each full-time job created if the business offers health insurance. Small businesses that are pass-through for income tax purposes are also eligible. This could expand participation in the program beyond the current tax year. It is possible that the expansion could reduce general revenue collections by $4.3 million to $8.6 million each year in fiscal years 2013 through 2015. The increased economic activity generated by this tax reduction may help offset the loss of revenue collections.

Long-Term Financial Planning

Missouri continues to focus on controlling the growth of mandatory programs though cost-effective alternatives and cost containment initiatives while improving the delivery of services though administrative efficiencies. The State is actively pursuing opportunities to consolidate functions and thrive in a period of reduced financial resources.

The State's Department of Revenue is taking advantage of newer technology to improve efficiency in tax collection and to better manage all tax processes. The department is implementing an integrated tax system that will replace all of its separate and aging tax systems. By implementing the new, integrated system, it is estimated that the State will collect additional revenues of more than $217 million ($144 million net to the state after payment of the contract price) total in the first five years and $33 million each year thereafter, for five years.

In 2011 and 2012, the State experienced multiple natural disasters, including a devastating tornado in Joplin, severe storms, flooding, and droughts. In an effort to rebuild and recover from these disasters, the State has reacted by providing aid to local communities and farmers. The Missouri Disaster Recovery Jobs Program has played a major role in this process by creating jobs in the areas that the natural disasters occurred. The program also works to provide workforce development services to those participants in need of reemployment assistance following the completion of their temporary jobs of assisting with clean-up efforts.

Another focus of the State has been to ensure its employee health care services are provided in a cost effective manner. These efforts have included changes in wellness programs and smoking cessation incentives. Those that participate receive reduced premiums. The wellness program is intended to encourage subscribers to participate in wellness activities such as organized walks and meal planning. As the state workforce becomes healthier, the cost to the State to provide health insurance will go down.

In addition to improving the efficiency of government, the State is actively pursuing opportunities to capitalize on historically low interest rates. In August and September 2012, the State refunded outstanding Board of Public Buildings Bonds as well as water pollution control, and fourth state building general obligation bonds for economic savings. When finalized, the bond sale produced a combined budgetary savings of $43.6 million in fiscal year 2013 and cash savings of $71.1 million over the life of the bonds. The present value savings for the two refunding transactions were 14.4% and 15.3%, respectively. As refunding opportunities present themselves, the State will continue to review the potential impact to the State and will continue to review all debt outstanding to ensure that State's debt is managed efficiently.

Relevant Financial Policies

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

The revenue limit can be exceeded by a constitutional amendment duly adopted by the people or if the General Assembly approves by a two-thirds vote an emergency declaration by the Governor. Strong economic growth resulted in revenues above the total state revenue limit in fiscal years 1995-1999. The State has refunded to income taxpayers $979 million in excess revenue for these fiscal years. The revenue limit was not exceeded in fiscal years 2000 through 2012, inclusive. The State is currently $4.4 billion below the limit and does not expect the limit to be exceeded in fiscal year 2013.

Major Intiatives

As the economy is slow to recover, the State has continued to focus on reduced spending. Cost-effective alternatives and streamlining government functions will continue to be the focus on controlling the growth of mandatory programs. Operating funding priorities are focused in the areas of education and jobs.

Missouri has focused on improving the economy of the State. The primary areas of focus include increasing exports, job creation, and education in the fields of science and technology.

Education. Senate Bill 563 created the Missouri Science, Technology, Engineering, and Mathematics Initiative. The purpose of the initiative is to provide support to increase interest among elementary, secondary, and university students in the above fields and to increase the number of graduates in these fields in Missouri's public two and four-year institutions of higher education. The Department of Higher Education will provide matching funds to public institutions in support of this initiative.

Social Services. A new law went into effect during fiscal year 2012 that will require drug testing of applicants or recipients of temporary assistance for needy families (TANF) when there is reasonable cause to believe there may be illegal use of a controlled substance. If the test is positive or the individual refuses to submit to a test, their direct payments will be suspended until certain requirements are met. In addition, the legislation requires that TANF electronic benefit transfer cards include a photograph of the cardholder to provide added protection.

Economic Development. In April 2012, an agreement was signed between the State and Brazil to increase exports to Brazil, which was Missouri's 10th largest export market in 2011. Missouri set a record in exports in 2011 by selling more than $14.1 billion in products around the world. Exports to Brazil made up nearly $323 million of that total. The State's top exports to Brazil include chemicals, minerals and ores, transportation equipment, machinery, electrical equipment and appliances, computer and electrical products, and agricultural products. The agreement calls for identification of new opportunities to expand exports, promote economic growth, and share best practices in education, science and technology, and public safety. Another focus of the agreement is promoting educational, research, and cultural exchanges.

ACKNOWLEDGEMENTS

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

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

Sincerely,

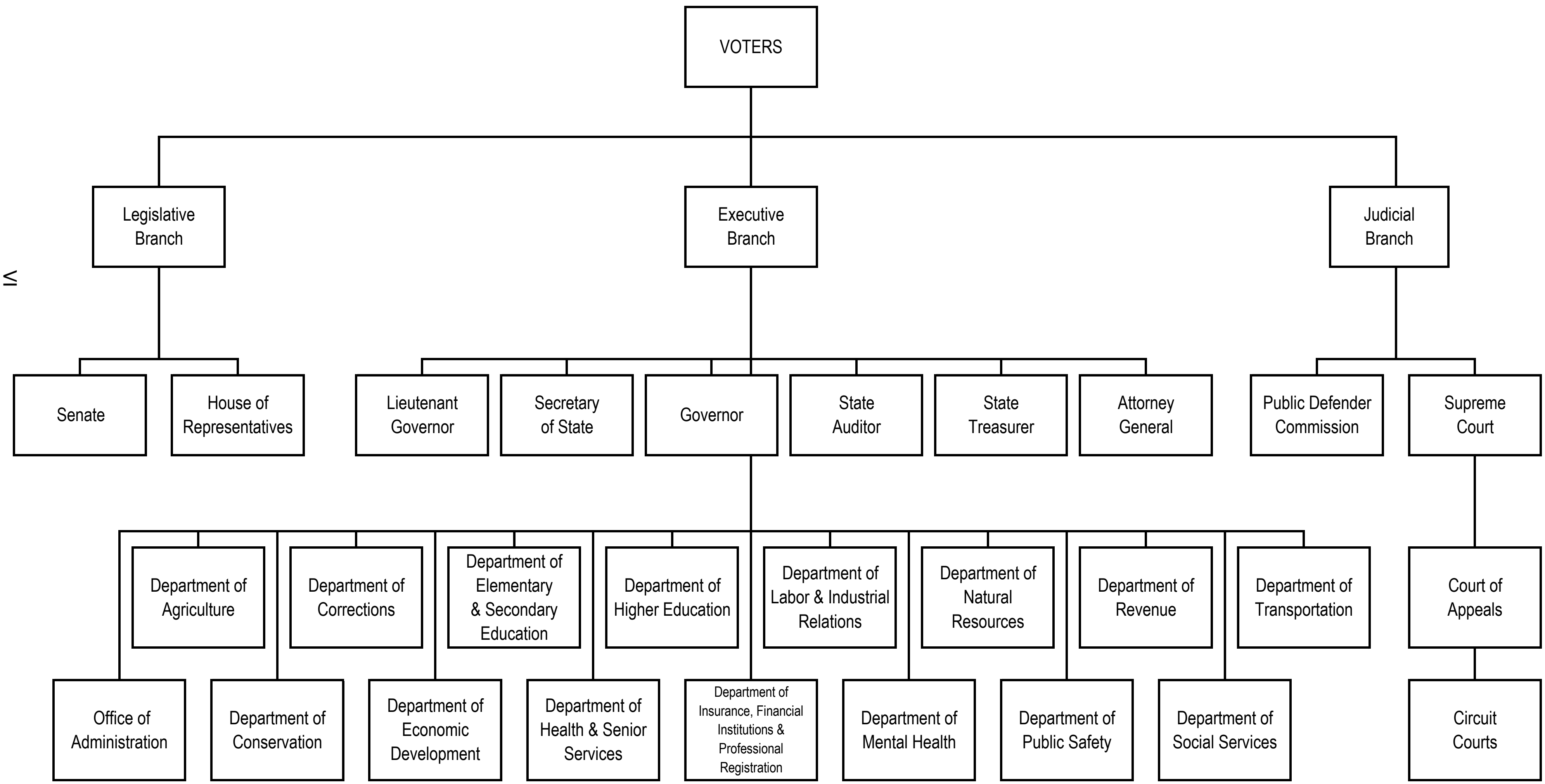
Stacy Neal

Stacy Neal, CPA
Director

STATE OF MISSOURI

ORGANIZATIONAL CHART

June 30, 2012



STATE OF MISSOURI
PRINCIPAL STATE OFFICIALS
as of June 30, 2012

EXECUTIVE

Jeremiah W. (Jay) Nixon
Governor

Peter Kinder
Lieutenant Governor

Robin Carnahan
Secretary of State

Tom Schweich
State Auditor

Clint Zweifel
State Treasurer

Chris Koster
Attorney General

LEGISLATIVE

Robert Mayer
President Pro Tem of the Senate

Steven Tilley
Speaker of the House of Representatives

JUDICIAL

William Ray Price, Jr.
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, 2012, 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 Road Fund; the Missouri Highway 63 Transportation Corporation, a blended transportation corporation identified in Note 1A.; the Missouri Road Bond Fund; the Conservation Employees' Insurance Plan; the Transportation Self-Insurance Plan; the Missouri State Employees' Insurance Plan; the Missouri Consolidated Health Care Plan; and the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan, which represent 78 percent and 12 percent of the assets and revenues, respectively, of the governmental activities.

2. The State Lottery and the Petroleum Storage Tank Insurance Fund, which represent 37 percent and 42 percent of the assets and revenues, respectively, of the business-type activities.

3. The discretely presented component units.

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

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, a blended transportation corporation; 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, a discretely presented component unit; 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 24 percent of governmental activity revenues and 28 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, 2012, 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. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*.

In accordance with *Government Auditing Standards*, our report dated January 24, 2013, 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 1-13 and the Budgetary Comparison Schedule-General Fund, Major Special Revenue Funds on pages 104-105 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the state of Missouri's basic financial statements. The supplementary information, as listed in the table of contents, and the other information, such as the introductory and statistical sections, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described previously, and the reports of other auditors, and except for the effects on the supplementary information of the matter discussed in paragraph four, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information in the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Thomas A Schweich

Thomas A. Schweich
State Auditor

January 24, 2013

*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, 2012. 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 2012 by $29.6 billion. Of the $29.6 billion, "unrestricted net assets" is reported as a negative $2.2 billion, offset by $3.9 billion in "restricted net assets". A positive balance in unrestricted net assets would represent the amount available to be used to meet the government's ongoing operations.

- *Changes in Net Assets.* The State's total net assets increased by $285.1 million in fiscal year 2012. Net assets for governmental-type activities increased by $143.3 million.

- *Excess of Revenues over (under) Expenses.* During fiscal year 2012, the State's total revenues of $25.5 billion were $285.1 million greater than total expenses of $25.2 billion (excluding transfers). Of these expenses, $15.5 billion were covered by program revenues. General revenues, generated primarily from various taxes, totaled $10.0 billion.

Fund-Level:

- *Governmental Funds – Fund Balance.* At the close of fiscal year 2012, the State's governmental fund assets exceeded liabilities by $4.7 billion, a decrease of $542.2 million or 10.4% from the prior year. The decrease was primarily due to a decrease in revenues of $640.6 million. This was primarily due to a decrease in federal funding received as part of the American Recovery and Reinvestment Act of 2009, which is coming to a close.

- *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 decreased $199.4 million or 4.6% over the prior year. The outstanding bonds payable represents 53.7% of financial assets (cash, receivables, and investments) and 10.6% of total assets. The net decrease in bonds payable resulted from a decrease of $197,110,000 due to bond payments, $165,415,000 due to bond refunding, and an increase of $163,145,000 due to issuances of Board of Public Buildings and Educational Facilities Revenue Bonds. Additional detail is available in *Note 12*.

Revenue Limit:

- The State Constitution limits the State's ability to retain revenue collected over an amount set by a constitutional amendment known as Article X. Excess revenue of 1.0% or more must be refunded to the taxpayers each year. During fiscal year 2012, 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, 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 increased $285.1 million or 0.9% during fiscal year 2012. This increase resulted primarily from a decrease in bonds payables and bond premiums of $216.0 million due to the State capitalizing on historically low interest rates by refunding state bonds. 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 $841.6 million or 2.7%. The net assets invested in capital assets net of related debt and restricted net assets increase was primarily due to the increase in capital assets of $840.2 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 $27.9 billion or 94.2%. 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 $3.9 billion or 13.2% of total net assets vs. 14.8% 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	
	2012	2011*	2012	2011*	2012	2011*
ASSETS:						
Current and Other Assets	$ 7,451,838	$ 8,283,775	$ 464,232	$ 442,509	$ 7,916,070	$ 8,726,284
Capital Assets, Net	31,479,019	30,636,621	48,189	50,357	31,527,208	30,686,978
Total Assets	38,930,857	38,920,396	512,421	492,866	39,443,278	39,413,262
LIABILITIES:						
Other Liabilities	1,826,890	1,888,258	25,980	25,924	1,852,870	1,914,182
Long-Term Liabilities	7,185,213	7,256,726	773,659	895,924	7,958,872	8,152,650
Total Liabilities	9,012,103	9,144,984	799,639	921,848	9,811,742	10,066,832
NET ASSETS:						
Invested in Capital Assets, Net of Related Debt	27,873,493	26,595,552	47,833	50,291	27,921,326	26,645,843
Restricted	3,902,391	4,339,603	9,675	6,303	3,912,066	4,345,906
Unrestricted	(1,857,130)	(1,159,743)	(344,726)	(485,576)	(2,201,856)	(1,645,319)
Total Net Assets	$ 29,918,754	$ 29,775,412	$ (287,218)	$ (428,982)	$ 29,631,536	$ 29,346,430

*Fiscal year 2011 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 $15.5 billion and general revenues of $10.0 billion for total revenues of $25.5 billion during fiscal year 2012. Expenses for the State during fiscal year 2012 were $25.2 billion. Total net assets, net of contributions and transfers, increased by $285.1 million.

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

STATEMENT OF ACTIVITIES

(In Thousands of Dollars)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011*	2012	2011*	2012	2011*
REVENUES:						
Program Revenues:						
Charges for Services	$ 1,872,569	$ 1,838,854	$ 1,165,646	$ 1,066,208	$ 3,038,215	$ 2,905,062
Operating Grants and Contributions	9,889,539	9,802,842	1,507,428	1,725,481	11,396,967	11,528,323
Capital Grants and Contributions	1,096,062	1,814,207	---	---	1,096,062	1,814,207
General Revenues:						
Sales and Use Taxes	2,705,883	2,570,243	---	---	2,705,883	2,570,243
Income Taxes	5,497,109	5,272,555	---	---	5,497,109	5,272,555
Unemployment and Other Taxes	1,501,987	1,493,260	---	---	1,501,987	1,493,260
Other Revenues	267,130	913,023	4,312	(1,050)	271,442	911,973
Total Revenues	22,830,279	23,704,984	2,677,386	2,790,639	25,507,665	26,495,623
EXPENSES:						
General Government	1,028,710	1,089,731	---	---	1,028,710	1,089,731
Education	6,373,671	6,536,907	---	---	6,373,671	6,536,907
Natural and Economic Resources	1,053,573	935,078	---	---	1,053,573	935,078
Transportation and Law Enforcement	2,022,399	2,529,791	---	---	2,022,399	2,529,791
Human Services	12,301,153	11,713,021	---	---	12,301,153	11,713,021
State Lottery	---	---	835,522	755,410	835,522	755,410
Unemployment Compensation	---	---	1,280,157	1,714,276	1,280,157	1,714,276
Petroleum Storage Tank Insurance	---	---	22,171	13,940	22,171	13,940
State Fair Fees	---	---	3,963	3,700	3,963	3,700
State Parks and DNR	---	---	12,903	12,278	12,903	12,278
Historic Preservation	---	---	340	509	340	509
Veterans' Homes	---	---	76,597	76,033	76,597	76,033
Surplus Property	---	---	3,065	2,293	3,065	2,293
Revenue Information	---	---	72	1,199	72	1,199
All Other Expenses	207,919	199,948	---	---	207,919	199,948
Total Expenses	22,987,425	23,004,476	2,234,790	2,579,638	25,222,215	25,584,114
Increase (Decrease) in Net Assets before Transfers and Special Items	(157,146)	700,508	442,596	211,001	285,450	911,509
Transfers and Special Items	300,488	255,908	(300,832)	(255,908)	(344)	---
Change in Net Assets	143,342	956,416	141,764	(44,907)	285,106	911,509
Net Assets - July 1	29,775,412	28,818,996	(428,982)	(384,075)	29,346,430	28,434,921
Net Assets - June 30	$ 29,918,754	$ 29,775,412	$ (287,218)	$ (428,982)	$ 29,631,536	$ 29,346,430

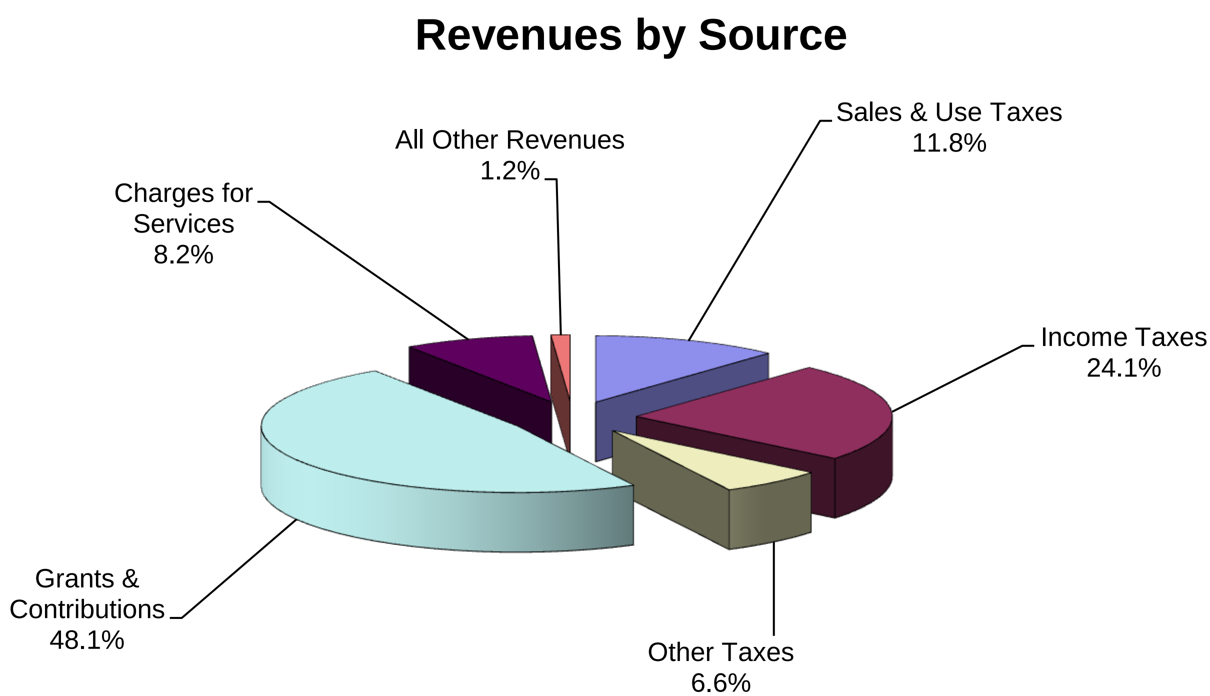
*Fiscal year 2011 amounts have been restated.

Governmental Activities

The net assets of governmental activities increased $143.3 million in fiscal year 2012. Revenues for the governmental activities totaled $22.8 billion, while expenses totaled $23.0 billion in 2012.

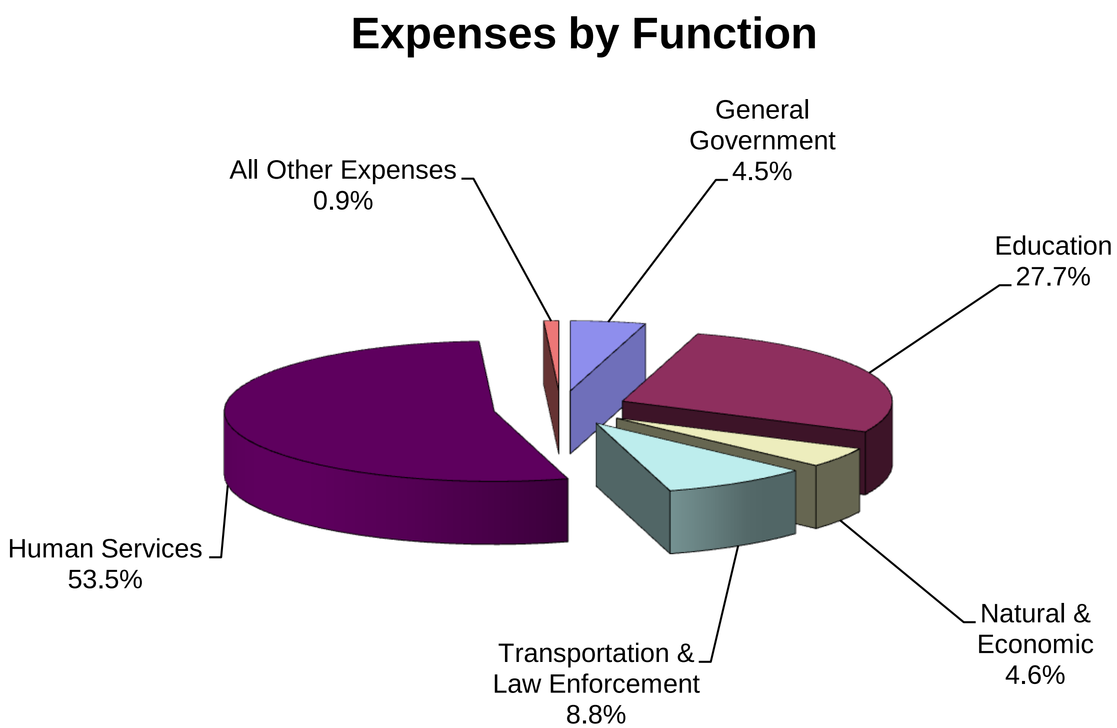
General and program revenues of governmental activities remained relatively constant during the fiscal year.

As shown in the Revenues by Source chart below, approximately 42.5% 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 48.1% of total revenue. Charges for services contributed 8.2% and various other revenues provided 1.2% of the remaining governmental activity revenue sources.



The State's governmental activities program expenses decreased $17.1 million during fiscal year 2012. Education expenses decreased $163.2 million, General Government expenses decreased $61.1 million, Natural and Economic Resources expenses increased $118.5 million, Transportation and Law Enforcement expenses decreased $507.4 million, Human Services expenses increased $588.1 million, and all Other Expenses increased $8.0 million.

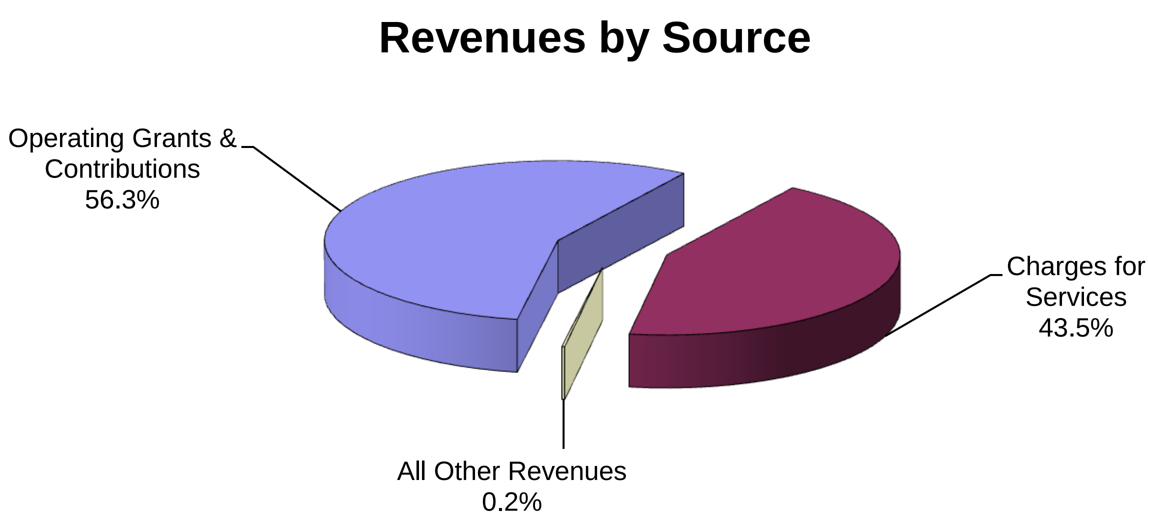
As shown in the Expenses by Function chart below, expense for Human Services makes up the largest portion – 53.5% – of total governmental activities expenses.



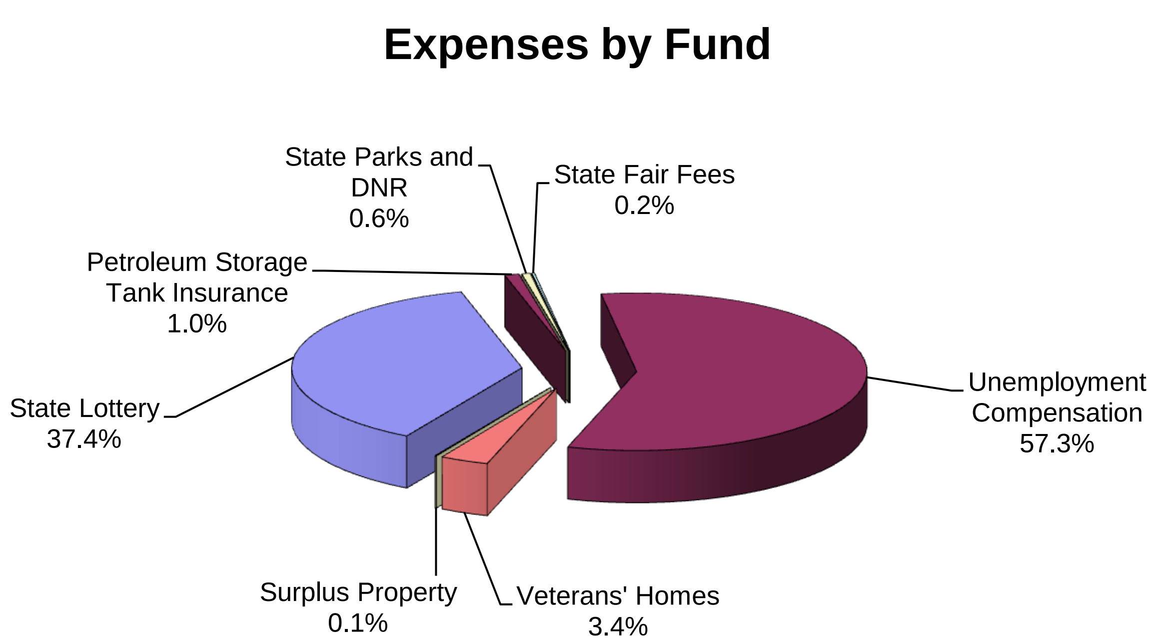
Business-Type Activities

Net assets of the State's business-type activities increased $141.8 million in fiscal year 2012. Business-type revenues decreased by $113.3 million during the current fiscal year. Program expenses of business-type activities decreased $344.9 million from fiscal year 2011 to 2012 primarily from a decrease in unemployment compensation expense.

Revenues of business-type activities totaled $2.7 billion. As shown in the Revenues by Source chart below, 56.3% of the revenues came from operating grants and contributions. Charges for services provided 43.5% of the total revenue and all other revenues provided 0.2%.



Expenses of business-type activities totaled $2.2 billion. As shown in the Expenses by Fund chart below, the Unemployment Compensation makes up the largest portion with 57.3% of total business-type expenses. State Lottery comes in second at 37.4%, followed by veterans' homes at 3.4%, petroleum storage tank insurance at 1.0%, state parks and DNR at 0.6%, state fair fees at 0.2%, and surplus property at 0.1%.



FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS

Governmental Funds:

At the end of fiscal year 2012, the State's governmental funds reported combined ending fund balances of $4.7 billion. Approximately 30.6% is unrestricted and available for spending at the government's discretion. The remainder of fund balance is nonspendable and restricted to indicate that it is not available for new spending because it has already been allocated for: 1) inventories, 2) to pay debt service, 3) for loans receivable, and 4) for a variety of other purposes.

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

	General Fund	Public Education	Conservation and Environmental Protection	Missouri Road Fund	Non-Major Funds	Total
Nonspendable	$ 61,206	$ 89	$ 983,233	$ 45,789	$ 48,027	$ 1,138,344
Restricted	336,933	224,389	122,708	1,063,280	342,233	2,089,543
Committed	504,569	8,895	248,138	---	34,705	796,307
Assigned	65,122	38,335	84,881	---	243,596	431,934
Unassigned	195,763	---	---	---	---	195,763
Total	$ 1,163,593	$ 271,708	$ 1,438,960	$ 1,109,069	$ 668,561	$ 4,651,891

The General Fund is the chief operating fund of the State. At the end of fiscal year 2012, the State's General Fund reported a total fund balance of $1.2 billion. The net decrease in fund balance during fiscal year 2012 was $252.0 million. Revenues of the General Fund totaled $18.1 billion in fiscal year 2012, a decrease of $276.1 million from fiscal year 2011. The major contributing factor was a combination of a decrease in contributions and intergovernmental revenues of $735.6 million due to a decrease in funding from the federal government relating to the American Recovery and Reinvestment Act which is coming to an end. The decrease in contributions and intergovernmental revenues was offset by an increase of $424.7 million in taxes relating to a slight recovery in the economy. Expenditures of the General Fund totaled $15.5 billion in fiscal year 2012, an increase of $104.1 million from fiscal year 2011. The major contributing factors to this were an increase in expenditures for human services of $605.0 million related to increased utilization of Medicaid and physician programs as well as an increased rate for managed care.

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 $62.0 million. The major contributing factor in the decrease in fund balance was an increase of $170.3 million in education expenses. Education expenses increased due to additional funding for public k-12 schools. Public education is a high priority payment for the State. In general, funding for k-12 schools either holds steady or increases even in tough economic times. The increase in expenditures was offset by an increase in revenues and transfers in. Revenues of the Public Education Fund went up slightly compared to fiscal year 2011, which was mainly due to an increase in sales and use taxes due to an increase in consumer sales. Transfers in increased by $17.3 million due to an increased transfer from the State Lottery Fund as a result in higher lottery sales of which a portion goes to public education.

The Conservation and Environmental Protection Fund provides for the preservation of the State's wildlife and environment. The fund balance increased by $77.5 million due to increases in tax and contribution and intergovernmental revenues. Taxes increased in various sales and use tax categories due to higher consumer sales. While revenues increased, this was offset by a large increase in natural and economic resources expenditures due to an increase in the number of loans given out to local governments.

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 decreased by $336.2 million in fiscal year 2012. The largest change has a decrease in contributions and intergovernmental revenue of $519.2 million or roughly 35.4%. This is largely due to less funding from the federal government as a result of the series of continuing resolutions passed by Congress since the September 30, 2009, expiration of Safe Accountable Flexible Efficient Transportation Equity Act – A Legacy for Users (SAFETEA-LU). In addition, a majority of the projects resulting from American Recovery and Reinvestment Act were completed, resulting in less federal funds.

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 $3.5 million due mainly to increased sales. Sales of scratcher tickets and draw game tickets went up $97.5 million. This is a result of strong sales of traditional, holiday, and licensed scratcher games as well as an introduction of a new $20 taxes-paid game. Draw games such as Powerball and Mega Millions also had an increase in sales of approximately $20.5 million which is attributed to large jackpots during fiscal year 2012. Direct expenses also increased in relation to the increase in sales.

The Unemployment Compensation Fund's net assets increased by $140.8 million due to a reduction in the number of weekly unemployment claims resulting from a change in the unemployment law. Thereby, reducing the number of weeks that unemployment benefits can be claimed from 26 to 20. As of January 1, 2011, Missouri had an outstanding loan balance with the federal government for two consecutive years resulting in a reduction in the Federal Unemployment Tax Act (FUTA) tax credit that Missouri employers are allowed to claim on their taxes. The additional dollars collected by the federal government will be used to pay down Missouri's loan balance. As of June 30, 2012, the state owes approximately $563.0 million to the federal government.

The Petroleum Storage Tank Insurance Fund's net assets decreased by $8.6 million. Operating expenses increased by $8.2 million primarily due to an increase in program expenses, which increased by 94.5% from fiscal year 2011. The major contributing factor to this increase was related to changes in estimated claims liabilities.

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 2012 from the General Fund were $23.2 billion original budget and $24.8 billion final budget. Actual spending was $23.2 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 2012 for the General Fund were $23.2 billion original budget and $23.6 billion final budget. Actual revenue/transfers in was $22.9 billion.

Refer to the *Notes to RSI*, Budgetary Reporting, on page 106 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, 2012, was $31.5 billion (net of accumulated depreciation/amortization). This investment in capital assets includes construction in progress, software in progress, infrastructure in progress, land, permanent easements, land improvements, temporary easements, buildings and improvements, equipment, software, trademarks, and infrastructure.

Capital Assets of the State include (in thousands):

	Governmental Activities	Business-Type Activities	Total
Construction in Progress	$ 397,352	$ 4,822	$ 402,174
Software in Progress	27,356	---	27,356
Infrastructure in Progress	3,079,286	---	3,079,286
Land	2,910,029	9,462	2,919,491
Permanent Easements	2,174	---	2,174
Land Improvements	187,912	8,915	196,827
Temporary Easements	3,004	50	3,054
Buildings and Improvements	3,196,543	30,890	3,227,433
Equipment	1,206,661	48,699	1,255,360
Software	106,640	1,769	108,409
Trademarks	17	---	17
Infrastructure	45,378,152	---	45,378,152
Subtotal	56,495,126	104,607	56,599,733
Less Accumulated Depreciation/Amortization	(25,016,107)	(56,418)	(25,072,525)
Total Capital Assets, Net	$ 31,479,019	$ 48,189	$ 31,527,208

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

Debt Administration:

At the end of fiscal year 2012, the primary government had total general obligation and other bonded debt outstanding of $4.2 billion. Of this amount, $432.8 million comprises debt backed by the full faith and credit of the government.

Principal amounts retired in fiscal year 2012 were $54.3 million for general obligation bonds and $308.2 million for other bonds.

The State of Missouri is proud to be one of only ten 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	$ 432,765	$ ---	$ 432,765
Other Bonds	3,735,920	1,826,628	5,562,548
Total	$ 4,168,685	$ 1,826,628	$ 5,995,313

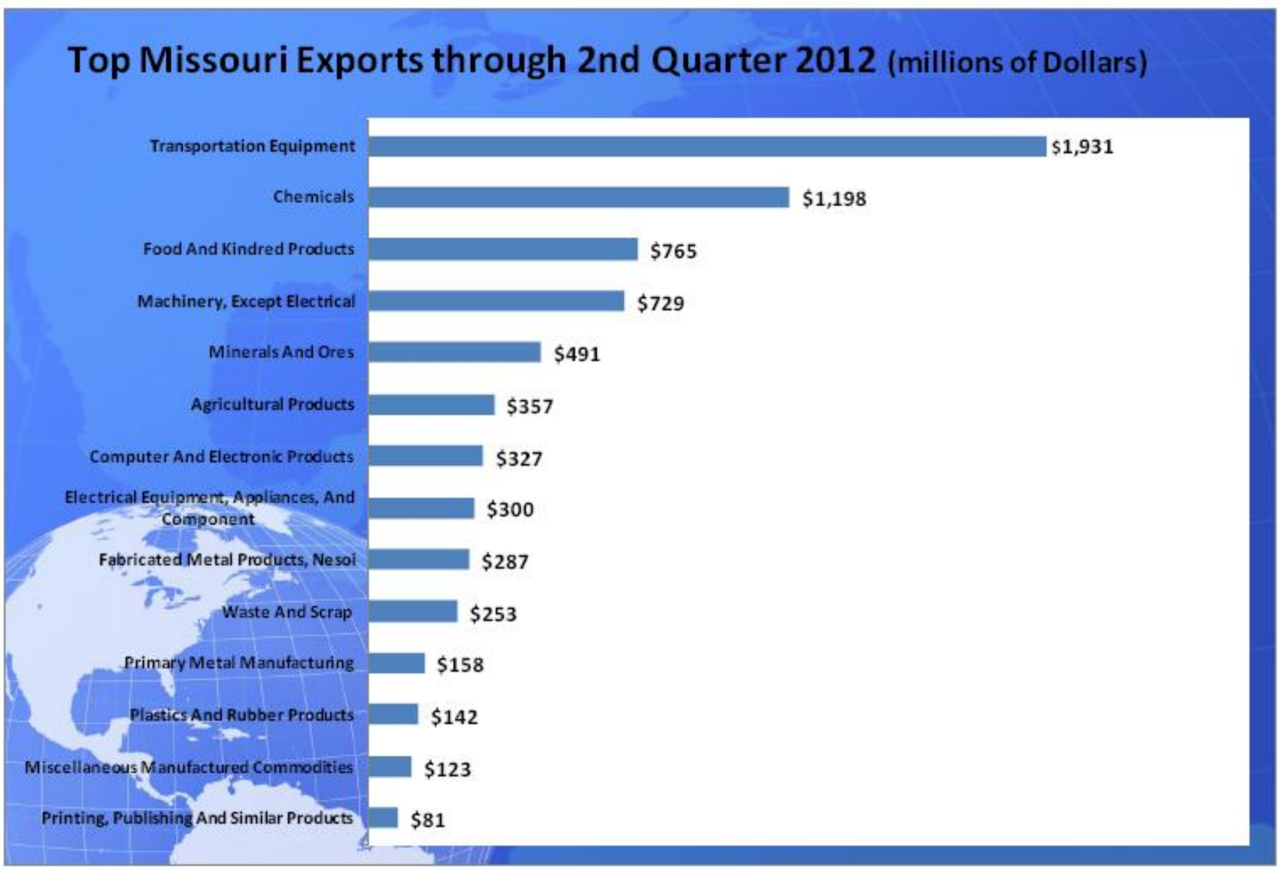
Additional information on long-term debt can be found in *Notes 11, 12, and 13* of this report.

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

The State's net general revenue collections continue to make moderate increases. During fiscal year 2012, net general revenue collections increased 3.2% from fiscal year 2011 ending with an amount of $7.3 billion compared to an increase of 4.9% from fiscal year 2010 to fiscal year 2011. The fiscal year 2013 budget, as appropriated in May 2012, would require growth of 3.9% from fiscal year 2012 in general revenue collections to meet the revenue estimate. The fiscal year 2013 budget has a $15 million expenditure restriction largely due to the expectation of significant growth in lottery revenue that was built into the budget. However, it is uncertain whether this growth will be realized. As of the end of October 2012, the fiscal year 2013 year-to-date net general revenue collections had increased by 7.5% compared to fiscal year 2012. If this increase remains at the end of the fiscal year, then the fiscal year 2013 budget will be balanced and no further expenditure restrictions will be needed.

The outlook for general revenue for fiscal year 2013 remains uncertain. While most economic forecasts anticipate the eventual return of stronger growth, it remains unclear when this growth may gather speed. Much depends on the timing and details of the federal deficit resolution. Along with domestic fiscal issues, troubles in the European Union continue to vex stateside equity markets, which remain volatile. Meanwhile, despite sitting on elevated amounts of cash, businesses are hesitant to invest in equipment or staff. Consumers remain constrained and little job growth is occurring, especially among public employers hampered by reduced revenues and curtailed stimulus funding. Housing markets continue to struggle with declining prices and foreclosures in much of the country.

Exports continue to be an area of growth in Missouri. Missouri set a record in the second quarter of 2012 reaching the highest second quarter export dollar amount on record in the State with $7.54 billion in exports. The leading sectors in exports include transportation equipment and chemicals. In addition, the transportation equipment sector had an increase of 75% in aerospace products and parts. The chemical sector also had an increase in the pharmaceuticals and medicines and plastic products sub-sectors by 14% and 16%, respectively. The following graph shows the top exports (in millions of dollars):



Source: Missouri Economic Research and Information Center/Realty Trac

Despite the current national economic situation, Missouri's financial position continues to be strong. Conservative fiscal management, including Missouri's constitutional provisions for the Governor to line item veto and restrict expenditures below appropriated levels, will ensure the fiscal year 2013 budget is balanced. So far in fiscal year 2013, there have been $15 million in expenditure restrictions. This is largely due to the expectation of significant growth in lottery revenue that is uncertain to materialize.

Missouri sustained several natural disasters in 2011, including flooding and tornadoes. In addition, the State also had a drought in 2012. The State will be aiding in the relief from these disasters with much of the costs being paid during fiscal year 2013. The State and local share of the costs is anywhere from 10 to 25 percent of the total clean-up or restoration costs.

Funding for highways remains uncertain. In July 2012, the president signed a new transportation bill that would give $105 billion to the states and provide full funding for 27 months. However, federal gas tax receipts are insufficient to fund the bill. The Congressional Budget Office estimates that there will be deficits in federal fiscal year 2015. The impact to Missouri's funding for transportation is unclear. However, it is estimated that the State will receive $70 million less annually. For this reason, the State must focus on taking care of existing transportation systems until revenues substantially increase.

The State continues to work towards boosting the economy, increasing efficiency, and decreasing costs. During the 2012 legislative session, there were several clean-up bills that passed in an effort to improve efficiencies or save money. House Bill 1608 was passed and is a statutory clean-up bill, which repeals provisions or sections of obsolete or unfunded statutes or establishes expiration dates for specific provisions. This bill covered clean-up of 138 sections/subsections of state statutes and will improve the accuracy and usability of the state statutes. In addition, Senate Bill 625 modified language regarding refunds of employee contributions into the State's retirement system when the employee leaves prior to becoming eligible for normal retirement. Currently, those employees will be refunded their contributions plus 4% interest. Starting July 1, 2015, the interest rate will change to be equal to the rate that is published by the United States Department of Treasury for fifty-two week treasury bills.

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, 2012
(In Thousands of Dollars)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Cash and Cash Equivalents (Note 3)	$ 1,188,819	$ 73,837	$ 1,262,656	$ 382,310
Investments (Note 3)	2,676,259	98,854	2,775,113	1,835,984
Invested Securities Lending Collateral (Note 3)	95,306	2,963	98,269	32,055
Receivables, Net (Note 14)	3,252,408	245,818	3,498,226	553,916
Internal Balances	15,793	(15,793)	---	---
Inventories	94,187	1,572	95,759	53,778
Deposits and Prepaid Expenses	122	144	266	33,872
Restricted Assets:				
Cash and Cash Equivalents (Note 3)	24,058	---	24,058	189,071
Investments (Note 3)	47,543	56,837	104,380	1,159,492
Receivables, Net	---	---	---	82,788
Deferred Costs and Other Assets	57,343	---	57,343	53,139
Capital Assets (Note 5):				
Non-Depreciable	6,416,197	14,284	6,430,481	550,031
Depreciable, Net	25,062,822	33,905	25,096,727	4,119,660
Total Assets	38,930,857	512,421	39,443,278	9,046,096
Liabilities				
Bank Overdraft (Notes 3 and 10)	2	---	2	---
Payables (Note 14)	1,436,683	22,073	1,458,756	714,247
Securities Lending Obligation (Note 3)	95,306	2,963	98,269	32,055
Unearned Revenue (Note 1)	194,712	944	195,656	116,695
Escheat/Unclaimed Property	100,187	---	100,187	---
Long-Term Liabilities (Note 11):				
Due Within One Year	553,658	77,827	631,485	412,982
Due in More Than One Year	6,631,555	695,832	7,327,387	1,869,640
Total Liabilities	9,012,103	799,639	9,811,742	3,145,619
Net Assets				
Invested in Capital Assets, Net of Related Debt	27,873,493	47,833	27,921,326	2,717,805
Restricted for:				
Budget Reserve	499,049	---	499,049	---
Debt Service	388,070	---	388,070	---
Grants	330,038	---	330,038	---
Enabling Legislation (Note 1)	522,434	---	522,434	---
Loans Receivable	1,021,923	---	1,021,923	---
Permanent Trusts:				
Expendable	104	---	104	---
Non-Expendable	41,569	---	41,569	---
College and Universities:				
Expendable	---	---	---	459,555
Non-Expendable	---	---	---	809,612
External Parties	1,099,204	9,675	1,108,879	91,425
Unrestricted	(1,857,130)	(344,726)	(2,201,856)	1,822,080
Total Net Assets	$ 29,918,754	$ (287,218)	$ 29,631,536	$ 5,900,477

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, 2012
(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	$ 1,028,710	$ 885,333	$ 98,061	$ 42	$ (45,274)	$ ---	$ (45,274)	$ ---
Education	6,373,671	47,178	1,306,160	---	(5,020,333)	---	(5,020,333)	---
Natural and Economic Resources	1,053,573	217,115	507,030	229	(329,199)	---	(329,199)	---
Transportation and Law Enforcement	2,022,399	240,203	347,118	1,095,766	(339,312)	---	(339,312)	---
Human Services	12,301,153	460,704	7,631,170	25	(4,209,254)	---	(4,209,254)	---
Interest on Debt (Excluding Direct Expense)	207,919	22,036	---	---	(185,883)	---	(185,883)	---
Total Governmental Activities	22,987,425	1,872,569	9,889,539	1,096,062	(10,129,255)	---	(10,129,255)	---
Business-Type Activities:								
State Lottery	835,522	1,109,108	---	---	---	273,586	273,586	---
Unemployment Compensation	1,280,157	---	1,447,968	---	---	167,811	167,811	---
Petroleum Storage Tank Insurance	22,171	12,957	---	---	---	(9,214)	(9,214)	---
State Fair Fees	3,963	3,959	119	---	---	115	115	---
State Parks and DNR	12,903	9,187	3,314	---	---	(402)	(402)	---
Historic Preservation	340	27	---	---	---	(313)	(313)	---
Missouri Veterans' Homes	76,597	25,899	55,989	---	---	5,291	5,291	---
Surplus Property	3,065	3,126	38	---	---	99	99	---
Revenue Information	72	1,383	---	---	---	1,311	1,311	---
Total Business-Type Activities	2,234,790	1,165,646	1,507,428	---	---	438,284	438,284	---
Total Primary Government	$ 25,222,215	$ 3,038,215	$ 11,396,967	$ 1,096,062	(10,129,255)	438,284	(9,690,971)	---
Component Units:								
College and Universities	$ 3,782,800	$ 2,345,661	$ 1,444,667	$ 24,022	---	---	---	31,550
Non-Major Component Units	10,615	6,896	---	---	---	---	---	(3,719)
Total Component Units	$ 3,793,415	$ 2,352,557	$ 1,444,667	$ 24,022	---	---	---	27,831
General Revenues:								
Taxes:								
Sales and Use					2,705,883	---	2,705,883	---
Individual Income					5,118,541	---	5,118,541	---
Corporate Income					378,568	---	378,568	---
County Foreign Insurance					168,024	---	168,024	---
Alcoholic Beverage					28,661	---	28,661	---
Corporate Franchise					61,409	---	61,409	---
Inheritance					150	---	150	---
Miscellaneous Taxes					1,243,743	---	1,243,743	---
Grants and Contributions not Restricted to Specific Programs					243,408	---	243,408	4,670
Unrestricted Investment Earnings					23,722	4,312	28,034	41,023
Special Items					(120)	(224)	(344)	42,316
Transfers					300,608	(300,608)	---	---
Total General Revenues, Special Items, and Transfers					10,272,597	(296,520)	9,976,077	88,009
Change in Net Assets					143,342	141,764	285,106	115,840
Net Assets - Beginning					29,775,412	(428,982)	29,346,430	5,784,637
Net Assets - Ending					$ 29,918,754	$ (287,218)	$ 29,631,536	$ 5,900,477

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

*The **Governmental Funds** focus on current financial resources.*

Governmental Fund Financial Statements

Major Funds

General Fund – Accounts for all current financial resources not required by law or administrative action to be accounted for in another fund.

Major Special Revenue Funds:

Public Education – Provides general and special education needs of the State and other related areas such as library services and student loans.

Conservation and Environmental Protection – Provides for the preservation of the State's wildlife and environment.

Major Capital Projects Fund:

Missouri Road Fund – Accounts for revenues from highway users' fees, federal reimbursements for highway projects, and bond proceeds to be used for costs of constructing and maintaining an adequate state highway system. This also includes the following blended component unit: Missouri Highway 63 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, 2012
(In Thousands of Dollars)

	General Fund	Public Education	Conservation and Environmental Protection	Missouri Road Fund	Non-Major Funds	Totals June 30, 2012
ASSETS						
Cash and Cash Equivalents (Note 3)	$ 331,404	$ 43,078	$ 132,414	$ 339,995	$ 168,504	$ 1,015,395
Investments (Note 3)	965,920	124,600	299,981	713,636	393,259	2,497,396
Invested Securities Lending Collateral (Note 3)	28,399	3,625	23,770	23,676	15,078	94,548
Accounts Receivable, Net	1,704,513	116,415	39,811	119,242	186,561	2,166,542
Interest Receivable	3,969	553	1,642	1,584	750	8,498
Due from Other Funds (Note 15)	---	11,806	---	---	1,478	13,284
Due from Component Units (Note 15)	---	---	677	---	---	677
Inventories	24,793	89	562	45,789	3,619	74,852
Advance to Component Units (Note 15)	---	---	3,742	---	---	3,742
Loans Receivable	36,413	---	982,671	---	2,839	1,021,923
Restricted Assets:						
Cash and Cash Equivalents (Note 3)	---	---	---	22,480	---	22,480
Investments (Note 3)	---	---	---	47,243	---	47,243
Total Assets	$ 3,095,411	$ 300,166	$ 1,485,270	$ 1,313,645	$ 772,088	$ 6,966,580
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	$ 1,063,662	$ 775	$ 3,353	$ 111,910	$ 65,989	$ 1,245,689
Accrued Payroll	57,363	220	4,487	15,400	10,673	88,143
Due to Other Funds (Note 15)	17,615	11	458	286	1,644	20,014
Securities Lending Obligation (Note 3)	28,399	3,625	23,770	23,676	15,078	94,548
Deferred Revenue (Note 1)	664,592	23,827	14,242	44,218	10,143	757,022
Escheat/Unclaimed Property	100,187	---	---	---	---	100,187
Advance from Component Units (Note 15)	---	---	---	9,086	---	9,086
Total Liabilities	1,931,818	28,458	46,310	204,576	103,527	2,314,689
Fund Balances (Note 4):						
Nonspendable	61,206	89	983,233	45,789	48,027	1,138,344
Restricted	336,933	224,389	122,708	1,063,280	342,233	2,089,543
Committed	504,569	8,895	248,138	---	34,705	796,307
Assigned	65,122	38,335	84,881	---	243,596	431,934
Unassigned	195,763	---	---	---	---	195,763
Total Fund Balances	1,163,593	271,708	1,438,960	1,109,069	668,561	4,651,891
Total Liabilities and Fund Balances	$ 3,095,411	$ 300,166	$ 1,485,270	$ 1,313,645	$ 772,088	$ 6,966,580

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, 2012
(In Thousands of Dollars)

Total Fund Balances - Governmental Funds		$ 4,651,891
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	395,041	
Software in Progress	24,538	
Infrastructure in Progress	3,079,286	
Land	2,902,308	
Permanent Easements	2,174	
Land Improvements	184,798	
Temporary Easements	3,004	
Buildings and Improvements	2,665,869	
Equipment	1,099,183	
Software	96,024	
Trademarks	17	
Infrastructure	45,378,152	
Accumulated Depreciation/Amortization	(24,773,287)	
		31,057,107
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds (Note 1).		596,642
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.		57,343
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of (Note 11):		
Due to Other Entities	(28,787)	
General Obligation and Other Bonds Payable	(4,168,685)	
Unamortized Bond Premium	(142,277)	
Accrued Interest on Bonds	(54,421)	
Obligation under Lease Purchases	(146,077)	
Pollution Remediation	(11,190)	
Compensated Absences	(150,909)	
Claims Liability	(16,887)	
Contingent Liabilities	(1,617,679)	
Net Other Postemployment Benefit Obligation	(594,755)	
Net Pension Obligation	(119,100)	
		(7,050,767)
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.		606,538
Net Assets of Governmental Activities		$ 29,918,754

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, 2012
(In Thousands of Dollars)

	General Fund	Public Education	Conservation and Environmental Protection	Missouri Road Fund	Non-Major Funds	Eliminations	Totals June 30, 2012
Revenues:							
Taxes	$ 7,440,009	$ 1,173,932	$ 183,955	$ 119,525	$ 1,042,312	$ ---	$ 9,959,733
Licenses, Fees, and Permits	86,851	1,049	77,386	99,061	386,541	---	650,888
Sales	532	---	7,082	---	1,213	---	8,827
Leases and Rentals	42	---	185	---	86	---	313
Services	118,919	---	19	---	138	---	119,076
Contributions and Intergovernmental	9,873,837	75,135	86,185	949,030	244,567	---	11,228,754
Investment Earnings:							
Net Increase (Decrease) in the Fair Value of Investments	5,109	320	867	1,578	723	---	8,597
Interest	14,956	1,214	5,492	8,611	2,774	---	33,047
Penalties and Unclaimed Properties	42,193	3,465	136	---	5,904	---	51,698
Cost Reimbursement/ Miscellaneous	485,707	72,295	3,307	125,502	59,060	---	745,871
Total Revenues	18,068,155	1,327,410	364,614	1,303,307	1,743,318	---	22,806,804
Expenditures:							
Current:							
General Government	658,228	1,198	2,051	---	225,541	---	887,018
Education	2,055,025	4,305,640	19	---	2,683	---	6,363,367
Natural and Economic Resources	445,843	4,132	280,042	---	204,368	---	934,385
Transportation and Law Enforcement	486,049	207	881	849,211	292,450	---	1,628,798
Human Services	11,765,756	18,203	838	---	537,253	---	12,322,050
Capital Outlay:							
General Government	---	---	---	---	3	---	3
Transportation and Law Enforcement	---	---	---	1,112,769	2,685	---	1,115,454
Debt Service:							
Principal	17,389	---	635	113,746	80,713	---	212,483
Interest	31,260	---	---	73,683	103,575	---	208,518
Bond Issuance Costs	425	---	---	8	173	---	606
Underwriter's Discount	2,074	---	---	---	---	---	2,074
Total Expenditures	15,462,049	4,329,380	284,466	2,149,417	1,449,444	---	23,674,756
Excess Revenues (Expenditures)	2,606,106	(3,001,970)	80,148	(846,110)	293,874	---	(867,952)
Other Financing Sources (Uses):							
Proceeds from Capital Leases	1,239	---	---	12	481	---	1,732
Issuance of Refunding Bonds	163,145	---	---	---	---	---	163,145
Escrow Agent	(168,589)	---	---	---	---	---	(168,589)
Bond Premium	7,944	---	---	---	---	---	7,944
Proceeds from Sale of Capital Assets	895	4	27	10,592	5,346	---	16,864
Transfers In (Note 16)	45,550	2,972,308	---	499,302	288,650	(3,505,111)	300,699
Transfers Out (Note 16)	(2,912,546)	(32,430)	(2,668)	---	(557,611)	3,505,111	(144)
Total Other Financing Sources (Uses)	(2,862,362)	2,939,882	(2,641)	509,906	(263,134)	---	321,651
Net Change in Fund Balances	(256,256)	(62,088)	77,507	(336,204)	30,740	---	(546,301)
Fund Balances - Beginning (Note 17)	1,415,640	333,722	1,361,444	1,445,273	637,978	---	5,194,057
Increase (Decrease) in Reserve for Inventory	4,209	74	9	---	(157)	---	4,135
Fund Balances - Ending	$ 1,163,593	$ 271,708	$ 1,438,960	$ 1,109,069	$ 668,561	$ ---	$ 4,651,891

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, 2012
(In Thousands of Dollars)

Net Change in Fund Balances - Total Governmental Funds		$ (546,301)
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.		4,135
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 $1,295,810 exceeds depreciation/amortization of $446,392 in the current period.		849,418
The net effect of the donation of capital assets increased net assets.		3,260
Deferred revenues do not provide current financial resources and are not recognized as revenues until available in governmental funds.		(254,533)
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 (Note 11):		
Bonds Issued	(163,145)	
Bond Premiums, Issuance, and Refunding Costs	(4,344)	
Bonds Retired	362,525	
Capital Leases Issued	(1,732)	
Capital Lease Payments	15,373	
		208,677
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 (Note 11):		
Amortization of Bond Premiums, Issuance, and Refunding Costs	14,888	
Increase in Accrued Interest	(17,435)	
Increase in Due to Other Entities	(4,878)	
Increase in Pollution Remediation	(4,261)	
Decrease in Compensated Absences	5,604	
Increase in Contingent Liabilities	(31,710)	
Increase in Claims Liability	(599)	
Increase in Net Other Postemployment Benefit Obligation	(131,276)	
Increase in Net Pension Obligation	(1,945)	
		(171,612)
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.		50,298
Change in Net Assets of Governmental Activities		$ 143,342

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

<u>Major Funds</u>

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.

<u>Non-Major Funds</u>

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, 2012
(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, 2012	Governmental Activities - Internal Service Funds
ASSETS						
Current Assets:						
Cash and Cash Equivalents (Note 3)	$ 10,882	$ 34,497	$ 17,578	$ 10,880	$ 73,837	$ 173,424
Investments (Note 3)	12,606	---	52,999	33,249	98,854	76,970
Restricted:						
Investments (Note 3)	7,618	---	---	---	7,618	300
Invested Securities Lending Collateral (Note 3)	379	---	1,586	998	2,963	758
Accounts Receivable, Net	43,736	193,411	1,787	6,065	244,999	50,786
Interest Receivable	26	---	165	23	214	239
Due from Other Funds (Note 15)	---	1	---	100	101	20,338
Due from Component Units (Note 15)	---	---	---	---	---	1
Inventories	---	---	---	1,572	1,572	19,335
Prepaid Items	144	---	---	---	144	122
Loans Receivable	---	---	---	605	605	---
Total Current Assets	75,391	227,909	74,115	53,492	430,907	342,273
Non-Current Assets:						
Investments	---	---	---	---	---	101,893
Restricted:						
Cash and Cash Equivalents (Note 3)	---	---	---	---	---	1,578
Investments (Note 3)	49,219	---	---	---	49,219	---
Capital Assets (Note 5):						
Construction in Progress	---	---	---	4,822	4,822	2,311
Software in Progress	---	---	---	---	---	2,818
Land	353	---	---	9,109	9,462	7,721
Land Improvements	---	---	---	8,915	8,915	3,114
Temporary Easements	---	---	---	50	50	---
Buildings	5,221	---	---	25,669	30,890	530,674
Equipment	7,783	---	200	40,716	48,699	107,478
Software	1,763	---	---	6	1,769	10,616
Less Accumulated Depreciation/Amortization	(11,678)	---	(173)	(44,567)	(56,418)	(242,820)
Total Non-Current Assets	52,661	---	27	44,720	97,408	525,383
Total Assets	128,052	227,909	74,142	98,212	528,315	867,656
LIABILITIES						
Current Liabilities:						
Bank Overdraft (Note 3 and 10)	---	---	---	---	---	2
Accounts Payable	3,211	14,335	9	2,028	19,583	37,275
Accrued Payroll	262	---	18	2,210	2,490	2,069
Due to Other Funds (Note 15)	11,842	1,478	1	75	13,396	313
Securities Lending Obligation (Note 3)	379	---	1,586	998	2,963	758
Unearned Revenue (Note 1)	388	---	556	---	944	34,332
Claims Liability (Note 11)	---	---	15,000	---	15,000	70,315
Grand Prize Winner Liability (Note 11)	59,025	---	---	---	59,025	---
Obligations under Lease Purchase (Note 11)	---	---	---	82	82	4,876
Compensated Absences (Note 11)	582	---	36	3,102	3,720	4,391
Total Current Liabilities	75,689	15,813	17,206	8,495	117,203	154,331
Non-Current Liabilities:						
Loans Payable	---	562,805	---	---	562,805	---
Claims Liability (Note 11)	---	---	93,189	---	93,189	64,044
Grand Prize Winner Liability (Note 11)	39,539	---	---	---	39,539	---
Obligations under Lease Purchase (Note 11)	---	---	---	274	274	44,602
Compensated Absences (Note 11)	---	---	---	25	25	639
Total Non-Current Liabilities	39,539	562,805	93,189	299	695,832	109,285
Total Liabilities	115,228	578,618	110,395	8,794	813,035	263,616
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	3,442	---	27	44,364	47,833	372,434
Restricted for:						
Revenue Bonds		---	---	---	---	1,007
Other Purposes	9,675	---	---	---	9,675	871
Unrestricted	(293)	(350,709)	(36,280)	45,054	(342,228)	229,728
Total Net Assets	$ 12,824	$ (350,709)	$ (36,253)	$ 89,418	$ (284,720)	$ 604,040

Total Net Assets Reported Above	$ (284,720)
Consolidation Adjustment of Internal Service Activities Related to Enterprise Funds	(2,498)
Net Assets of Business-Type Activities	$ (287,218)

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, 2012
(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, 2012	Governmental Activities - Internal Service Funds
Operating Revenues:						
Employer Contributions	$ ---	$ 761,388	$ ---	$ ---	$ 761,388	$ 444,295
Employee Contributions	---	---	---	---	---	178,111
Medicare Part D Subsidy	---	---	---	---	---	4,533
Licenses, Fees, and Permits	---	---	12,957	8,330	21,287	19,493
Sales	1,107,814	---	---	5,443	1,113,257	27,909
Leases and Rentals	---	---	---	3,132	3,132	106,764
Charges for Services	---	---	---	25,684	25,684	119,789
Cost Reimbursement/Miscellaneous	1,294	---	---	1,750	3,044	7,197
Total Operating Revenues	1,109,108	761,388	12,957	44,339	1,927,792	908,091
Operating Expenses:						
Cost of Goods Sold	15,319	---	---	2,303	17,622	24,847
Personal Service	9,378	---	1,411	60,603	71,392	77,122
Operations	75,092	---	3,761	19,770	98,623	159,651
Prizes Expense	722,080	---	---	---	722,080	---
Inventories	---	---	---	9,674	9,674	139
Specific Programs	---	---	16,989	981	17,970	29,377
Insurance Benefits	---	---	---	---	---	540,127
Unemployment Benefits	---	1,280,157	---	---	1,280,157	---
Depreciation/Amortization	1,049	---	6	3,546	4,601	23,509
Other Charges	12,693	---	---	371	13,064	1,947
Total Operating Expenses	835,611	1,280,157	22,167	97,248	2,235,183	856,719
Operating Income (Loss)	273,497	(518,769)	(9,210)	(52,909)	(307,391)	51,372
Non-Operating Revenues (Expenses):						
Contributions and Intergovernmental	(22)	686,580	---	59,460	746,018	34
Interest Expense	---	---	---	(2)	(2)	(1,740)
Investment Earnings:						
Net Increase (Decrease) in the Fair Value of Investments	3,406	---	141	89	3,636	(452)
Interest	87	45	480	64	676	3,866
Penalties and Unclaimed Properties	---	---	---	---	---	1
Disposal of Capital Assets	6	---	---	165	171	(2,677)
Special Items	---	---	---	(224)	(224)	---
Total Non-Operating Revenues (Expenses)	3,477	686,625	621	59,552	750,275	(968)
Income (Loss) Before Transfers	276,974	167,856	(8,589)	6,643	442,884	50,404
Transfers In (Note 16)	22	---	---	27	49	149
Transfers Out (Note 16)	(273,532)	(26,997)	---	(128)	(300,657)	(767)
Change in Net Assets	3,464	140,859	(8,589)	6,542	142,276	49,786
Total Net Assets - Beginning (Note 17)	9,360	(491,568)	(27,664)	82,876	(426,996)	554,254
Total Net Assets - Ending	$ 12,824	$ (350,709)	$ (36,253)	$ 89,418	$ (284,720)	$ 604,040

Total Net Change in Net Assets Reported Above	$ 142,276
Consolidation Adjustment of Internal Services Activities Related to Enterprise Funds	(512)
Change in Net Assets of Business-Type Activities	$ 141,764

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, 2012
(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, 2012	
Cash Flows from Operating Activities:						
Receipts from Internal Customers and Users	$ ---	$ ---	$ ---	$ 2,137	$ 2,137	$ 688,283
Receipts from External Customers and Users	1,114,368	765,246	13,042	34,992	1,927,648	204,076
Payments to Suppliers	(89,997)	---	(3,781)	(24,117)	(117,895)	(185,153)
Payments to Employees	(9,425)	---	(1,488)	(66,834)	(77,747)	(77,275)
Payments Made for Program Expense	(720,097)	(1,409,273)	(12,447)	(981)	(2,142,798)	(575,245)
Other Receipts (Payments)	(11,399)	---	---	1,377	(10,022)	5,250
Net Cash Provided (Used) by Operating Activities	283,450	(644,027)	(4,674)	(53,426)	(418,677)	59,936
Cash Flows from Non-Capital Financing Activities:						
Loans Made to Outside Entities	---	---	---	14	14	---
Due to/from Other Funds	(6,511)	---	(2)	(64)	(6,577)	(4,704)
Due to/from Component Units	---	1,178	---	---	1,178	---
Contributions and Intergovernmental	(22)	686,580	---	59,372	745,930	34
Transfers to/from Other Funds	(273,510)	(26,997)	---	(101)	(300,608)	(618)
Net Cash Provided (Used) by Non-Capital Financing Activities	(280,043)	660,761	(2)	59,221	439,937	(5,288)
Cash Flows from Capital and Related Financing Activities:						
Interest Expense	---	---	---	(2)	(2)	(1,740)
Purchases and Construction of Capital Assets	(1,126)	---	(9)	(2,047)	(3,182)	(14,300)
Capital Lease Downpayment/Obligations	---	---	---	(38)	(38)	(6,743)
Disposal of Capital Assets	6	---	---	1,106	1,112	---
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,120)	---	(9)	(981)	(2,110)	(22,783)
Cash Flows from Investing Activities:						
Proceeds from Sales and Investment Maturities	3,006	---	---	78	3,084	1,004,685
Purchase of Investments	---	---	(2,489)	(6,762)	(9,251)	(1,007,719)
Interest and Dividends Received	95	45	451	59	650	4,051
Investment Fees	---	---	---	---	---	(45)
Penalties and Other Receipts	---	---	---	---	---	1
Net Cash Provided (Used) by Investing Activities	3,101	45	(2,038)	(6,625)	(5,517)	973
Net Increase (Decrease) in Cash	5,388	16,779	(6,723)	(1,811)	13,633	32,838
Cash and Cash Equivalents, Beginning of Year	5,494	17,718	24,301	12,691	60,204	142,162
Cash and Cash Equivalents, End of Year	$ 10,882	$ 34,497	$ 17,578	$ 10,880	$ 73,837	$ 175,000
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	$ 273,497	$ (518,769)	$ (9,210)	$ (52,909)	$ (307,391)	$ 51,372
Depreciation/Amortization Expense	1,049	---	6	3,546	4,601	23,509
Changes in Assets and Liabilities:						
Accounts Receivable	6,166	3,858	72	(5,462)	4,634	(9,603)
Inventories	---	---	---	(2)	(2)	(2,888)
Prepaid Items	22	---	---	---	22	(91)
Accounts Payable	392	247	(20)	810	1,429	2,461
Accrued Payroll	(18)	---	(46)	248	184	(65)
Loans Payable	---	(129,363)	---	---	(129,363)	---
Unearned Revenue	388	---	13	---	401	1,068
Grand Prize Winner Liability	1,983	---	---	---	1,983	---
Claims Liability	---	---	4,542	---	4,542	(5,741)
Compensated Absences	(29)	---	(31)	343	283	(86)
Net Cash Provided (Used) by Operating Activities	$ 283,450	$ (644,027)	$ (4,674)	$ (53,426)	$ (418,677)	$ 59,936
Non-Cash Financing and Investing Activities:						
Capital Lease Issuance	$ ---	$ ---	$ ---	$ 328	$ 328	$ 1,611
Capital Asset Donations	22	---	---	88	110	329
Increase (Decrease) in Fair Value of Investments	3,406	---	141	89	3,636	(452)
Net Non-Cash Financing and Investing Activities	$ 3,428	$ ---	$ 141	$ 505	$ 4,074	$ 1,488

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, 2012
(In Thousands of Dollars)

	Pension (and Other Employee Benefit) Trust Funds	Private-Purpose Trust Funds	Agency Funds
ASSETS			
Cash and Cash Equivalents (Note 3)	$ 896,544	$ 7,682	$ 36,842
Investments at Fair Value (Note 3):			
U.S. Government Securities	900,891	2,135	392,880
U.S. Agency Sponsored Securities	33,921	15,265	77,274
Repurchase Agreements	---	---	12,848
Stocks	1,081,422	58	178
Bonds	189,974	---	---
International Equities	1,168,441	---	---
Mutual and Index Funds	1,574,158	---	560
Venture Capital Limited Partnership	4,270,055	---	---
Other Investments	685,363	6,065	1,689
Invested Securities Lending Collateral (Note 3)	749,974	705	99
Receivables:			
Accounts Receivable	92,098	---	326,107
Interest Receivable	3,764	16	43
Inventories	---	2	---
Prepaid Expenses	48	---	---
Capital Assets:			
Land	351	---	---
Buildings	4,252	---	---
Equipment	1,840	49	---
Software	3,373	8	---
Accumulated Depreciation/Amortization	(3,838)	(49)	---
Total Capital Assets, Net	5,978	8	---
Total Assets	11,652,631	31,936	$ 848,520
LIABILITIES			
Accounts Payable	42,696	886	31
Accrued Payroll	---	20	---
Due to Other Entities	---	---	808,642
Due to Individuals	---	---	39,748
Securities Lending Obligation (Note 3)	748,138	705	99
Unearned Revenue (Note 1)	5,314	---	---
Claims Liability	10,052	---	---
Compensated Absences	568	---	---
Total Liabilities	806,768	1,611	$ 848,520
Net Assets Held in Trust for Benefits and Other Purposes	$ 10,845,863	$ 30,325	

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, 2012
(In Thousands of Dollars)

	Pension (and Other Employee Benefit) Trust Funds	Private-Purpose Trust Funds
Additions:		
Contributions:		
Employer	$ 519,945	$ ---
Plan Member	110,081	---
Other	40,305	---
Investment Earnings:		
Increase (Decrease) in Appreciation of Assets	188,829	61
Interest and Dividends	158,792	47
Securities Lending Income	2,021	---
Total Investment Earnings	349,642	108
Less Investment Expenses:		
Investment Activity Expense	(129,437)	---
Securities Lending Expense	(274)	---
Total Investment Expense	(129,711)	---
Net Investment Earnings	219,931	108
Unclaimed Property	---	42,921
Cost Reimbursement/Miscellaneous	468	13,799
Total Additions	890,730	56,828
Deductions:		
Benefits	999,548	---
Administrative Expenses	16,519	1,724
Program Distributions	69,134	50,316
Service Transfer Payments	588	---
Depreciation/Amortization	610	13
Total Deductions	1,086,399	52,053
Change in Net Assets	(195,669)	4,775
Net Assets held in Trust - Beginning of Year (Note 17)	11,041,532	25,550
Net Assets held in Trust - End of Year	$ 10,845,863	$ 30,325

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, 2012
(In Thousands of Dollars)

	College and Universities	Non-Major	Totals June 30, 2012
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 361,205	$ 21,105	$ 382,310
Investments	347,787	11,178	358,965
Invested Securities Lending Collateral	32,032	23	32,055
Receivables, Net	377,779	2,276	380,055
Inventories	53,778	---	53,778
Restricted Assets:			
Cash and Cash Equivalents	174,083	4,701	178,784
Investments	38,221	---	38,221
Receivables, Net	13,192	12,988	26,180
Deposits and Prepaid Expenses	32,512	1,360	33,872
Deferred Costs and Other Assets	496	---	496
Total Current Assets	1,431,085	53,631	1,484,716
Non-Current Assets:			
Investments	1,471,185	5,834	1,477,019
Receivables, Net	120,537	44,238	164,775
Advance to Primary Government (Note 15)	---	9,086	9,086
Restricted Assets:			
Cash and Cash Equivalents	4,809	5,478	10,287
Investments	1,115,795	5,476	1,121,271
Receivables, Net	1,672	54,936	56,608
Deferred Costs and Other Assets	52,428	215	52,643
Capital Assets, Net of Accumulated Depreciation/Amortization (Note 5)	4,595,996	73,695	4,669,691
Total Non-Current Assets	7,362,422	198,958	7,561,380
Total Assets	8,793,507	252,589	9,046,096
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	461,799	481	462,280
Due to Primary Government (Note 15)	---	678	678
Securities Lending Obligation	32,032	23	32,055
Unearned Revenue (Note 1)	113,878	---	113,878
Deposits	67,016	---	67,016
Claims Liability (Note 21)	37,723	---	37,723
Compensated Absences	63,756	23	63,779
Other Postemployment Obligations, Net	555	---	555
Capital Lease Obligations (Note 6)	3,524	3	3,527
Bonds and Notes Payable (Note 12)	307,226	172	307,398
Total Current Liabilities	1,087,509	1,380	1,088,889
Non-Current Liabilities:			
Accounts Payable and Accrued Liabilities	176,544	---	176,544
Advance from Primary Government (Note 15)	---	3,742	3,742
Unearned Revenue (Note 1)	853	1,964	2,817
Deposits and Reserves	524	3,463	3,987
Claims Liability (Note 21)	33,147	---	33,147
Compensated Absences	24,146	---	24,146
Other Postemployment Obligations, Net	4,742	---	4,742
Capital Lease Obligations (Note 6)	45,088	12	45,100
Bonds and Notes Payable (Note 12)	1,708,500	54,005	1,762,505
Total Non-Current Liabilities	1,993,544	63,186	2,056,730
Total Liabilities	3,081,053	64,566	3,145,619
NET ASSETS			
Invested in Capital Assets, Net	2,698,302	19,503	2,717,805
Restricted for:			
Expendable	459,555	---	459,555
Non-Expendable	809,612	---	809,612
Other Purposes	---	91,425	91,425
Unrestricted	1,744,985	77,095	1,822,080
Total Net Assets	$ 5,712,454	$ 188,023	$ 5,900,477

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, 2012
(In Thousands of Dollars)

	College and Universities	Non-Major	Totals June 30, 2012	Adjustments	Statement of Activities
Revenues:					
Operating Revenues:					
Licenses, Fees, and Permits	$ ---	$ 1,836	$ 1,836	$ ---	$ 1,836
Student Tuition and Fees (Net of Scholarship Allow.)	895,730	---	895,730	---	895,730
Sales and Services of Educational Departments	42,051	---	42,051	---	42,051
Auxiliary Enterprises	1,331,617	---	1,331,617	---	1,331,617
Leases and Rentals	---	4,062	4,062	---	4,062
Cost Reimbursement/Miscellaneous	76,263	998	77,261	---	77,261
Total Charges for Services					2,352,557
Federal Appropriations, Grants, and Contracts	218,862	---	218,862	207,269	426,131
State Grants and Contracts	75,348	---	75,348	721,447	796,795
Private Gifts, Grants, and Contracts	84,210	---	84,210	111,165	195,375
Additions to Endowments	---	---	---	26,366	26,366
Total Operating Grants and Contributions					1,444,667
Interest Revenue	1,041	3,116	4,157	(4,157)	---
Total Operating Revenues	2,725,122	10,012	2,735,134	1,062,090	
Expenses:					
Operating Expenses:					
Personal Service	2,275,427	1,608	2,277,035	---	2,277,035
Operations	---	2,970	2,970	---	2,970
Specific Programs	---	2,681	2,681	---	2,681
Scholarships and Fellowships	135,277	---	135,277	---	135,277
Utilities	31,295	---	31,295	---	31,295
Supplies and Other Services	945,936	4	945,940	---	945,940
Contracted Services	23,384	---	23,384	---	23,384
Interest Expense	---	---	---	81,470	81,470
Depreciation/Amortization	251,247	1,945	253,192	---	253,192
Bad Debt Expense	---	19	19	---	19
Miscellaneous	30,042	63	30,105	10,047	40,152
Total Operating Expenses	3,692,608	9,290	3,701,898	91,517	3,793,415
Operating Income (Loss)	(967,486)	722	(966,764)	970,573	
Non-Operating Revenues (Expenses):					
Federal Appropriations, Grants, and Contracts	207,269	---	207,269	(207,269)	---
State Appropriations, Grants, and Contracts	721,447	---	721,447	(721,447)	---
Private Gifts, Grants, and Contracts	111,165	---	111,165	(111,165)	---
Contributions and Intergovernmental	---	4,670	4,670	---	4,670
Total Unrestricted Grants and Contributions					4,670
Investment Earnings:					
Increase (Decrease) in the Fair Value of Investments	---	(142)	(142)	---	(142)
Investment and Endowment Income (Loss)	36,418	---	36,418	---	36,418
Interest	---	590	590	4,157	4,747
Interest and Bond Related Expenses	(80,159)	(1,311)	(81,470)	81,470	---
Gain (Loss) on Sale of Capital Assets	(3,495)	---	(3,495)	3,495	---
Miscellaneous Revenues (Expenses)	(6,538)	(14)	(6,552)	6,552	---
Total Unrestricted Investment Earnings					41,023
Total Non-Operating Revenues (Expenses)	986,107	3,793	989,900	(944,207)	
Income Before Other Revenues (Expenses) Or Gains (Losses)	18,621	4,515	23,136	26,366	
State Capital Appropriations	24,022	---	24,022	---	24,022
Total Capital Grants and Contributions					24,022
Additions to Endowments	26,366	---	26,366	(26,366)	---
Special Items	42,316	---	42,316	---	42,316
Change in Net Assets	111,325	4,515	115,840	---	115,840
Net Assets - Beginning of Year (Note 17)	5,601,129	183,508	5,784,637	---	5,784,637
Net Assets - End of Year	$ 5,712,454	$ 188,023	$ 5,900,477	$ ---	$ 5,900,477

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.*

Index of Notes

Note 1 – Significant Accounting Policies 28

Note 2 – Reporting Changes and Classifications 44

Note 3 – Deposits and Investments 45

Note 4 – Governmental Fund Balance 53

Note 5 – Capital Assets 56

Note 6 – Leases 58

Note 7 – Retirement Systems 61

Note 8 – Other Postemployment Benefits 69

Note 9 – Deferred Compensation 73

Note 10 – Changes in Short-Term Liabilities 74

Note 11 – Changes in Long-Term Liabilities 75

Note 12 – Bonds Payable 76

Note 13 – Defeased Debt 85

Note 14 – Payables and Receivables 87

Note 15 – Interfund Assets and Liabilities 88

Note 16 – Interfund Transfers 89

Note 17 – Restatements 90

Note 18 – Fund Deficit 91

Note 19 – Related Party Transactions 92

Note 20 – Commitments 92

Note 21 – Risk Management and Insurance 93

Note 22 – Pollution Remediation and Landfill Closure and Postclosure 96

Note 23 – Contingencies 98

Note 24 – Joint Ventures 100

Note 25 – Endowments 101

Note 26 – Conduit Debt 101

Note 27 – Federal Surplus Commodities Inventory 101

Note 28 – Subsequent Events 102

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 and Private Fire Investigator Examiners – The Board was created by state law and is charged with the licensure and regulation of the practice of private investigators and private fire investigators in Missouri. The seven member board shall consist of three private investigators, two private fire investigators, and two public members, appointed by the Governor. 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 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 – This is reported as a part of the Missouri Road Fund. This transportation corporation is a not-for-profit corporation organized under the Missouri Transportation Corporation Act. The corporation was formed to facilitate the construction of highway projects. When the purpose for which this 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
Financial Services Division
P.O. Box 270
Jefferson City, Missouri 65102

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.

Note 1 – Significant Accounting Policies (cont.)

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
Financial Services 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

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

Note 1 – Significant Accounting Policies (cont.)

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
Financial Services Division
P.O. Box 270
Jefferson City, Missouri 65102

Pension (and other employee benefit) trust funds:

Missouri State Employees' Retirement System (MOSERS) – The System was created by state law and provides retirement, survivor, 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

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 State 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

Note 1 – Significant Accounting Policies (cont.)

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 was administered by ING through October 2011. Starting on November 10, 2011, the Plan is administered by ICMA-RC. 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
Central Office, Financial Services
105 West Capitol Avenue
Jefferson City, Missouri 65101

Missouri Wine and Grape Board – The Board was created by state law to further growth and development of the grape growing industry in Missouri and foster the expansion of the grape market for Missouri grapes. The eleven member board consists of seven members representing the grape and wine industry, food service industry, or media marketing industry. The four other members include the director of the Department of Agriculture and the presidents of the Missouri Grape Growers Association, the Missouri Vintners Association, and the Missouri Wine Marketing and Research Council. Copies of the Board's annual report may be requested from:

Missouri Wine and Grape Board
P.O. Box 630
1616 Missouri Boulevard
Jefferson City, Missouri 65102

Related Organizations

Related organizations are excluded from the financial reporting entity because the State's accountability does not extend beyond appointing a voting majority of the organization's board members. Related organizations of the State of Missouri include:

Missouri Health and Educational Facilities Authority – finances health and educational facilities.

Missouri Higher Education Loan Authority – provides a secondary market for loans made under the Federal Family Education Loan Program.

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 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.

Missouri Propane Gas Commission – responsible for developing comprehensive plans and programs for the prevention, control, and abatement of propane-related accidents in Missouri.

Missouri Family Trust Board of Trustees – provides trust services for persons with disabilities.

Note 1 - Significant Accounting Policies (cont.)

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements:

The government-wide financial statements focus on the government as a whole. The Statement of Net 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 the college and universities. Revenues and related expenditures in connection with the summer sessions in progress at June 30 are deferred at that date.

The State reports the following major funds categories:

General Fund – accounts for all current financial resources not required by law or administrative action to be accounted for in another fund. Major revenues include contributions and taxes.

Public Education – provides general and special education needs of the State and other related areas such as library services and student loans. Major revenues include contributions and taxes.

Conservation and Environmental Protection – provides for the preservation of the State's wildlife and environment. Major revenues include contributions, taxes, licenses, fees, and permits.

Missouri Road Fund – accounts for revenues from highway users' fees, federal reimbursements for highway projects, and bond proceeds to be used for costs of constructing and maintaining an adequate state highway system. Major revenues are from contributions.

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. Major revenues are from sales of lottery tickets.

Unemployment Compensation – accounts for contributions, payments, and federal loans collected under the provisions of the Unemployment Compensation Law to pay benefits. Major revenues include federal and employer contributions.

Petroleum Storage Tank Insurance – accounts for moneys collected from transport load fees and participating owners of petroleum storage tanks for cleanup of contamination caused by releases from petroleum storage tanks. Major revenues are from fees.

C. Basis of Presentation

The State's financial practices are based upon fund accounting concepts. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and fund balances, and changes therein, that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The accompanying financial statements are structured into three categories of funds and discretely presented component units:

Primary Government:

Governmental Funds include the General Fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. These funds account for the revenues and expenditures, capital outlay, and certain debt service of the State.

Proprietary Funds include enterprise funds and internal service funds. These funds account for the cost of certain services provided by the State.

Fiduciary Funds include pension (and other employee benefit) trust funds, private-purpose trust funds, and agency funds. These funds account for assets held by the State in a trustee capacity or as an agent for individuals, other governments, and other entities.

Discretely Presented Component Units:

Major

College and Universities account for moneys from student tuition and fees, federal and state grants, debt proceeds, gifts and contributions, state appropriations, investments, and endowments. Assets 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/Statement of Activities.

Non-Major

Non-Major Component Units account for moneys from bond proceeds, loans, contributions, gifts, grants, and other revenue sources. 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/Statement of Activities.

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 other funds" or "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.

Note 1 – Significant Accounting Policies (cont.)

H. Inventories

Inventories in the governmental funds consist of expendable supplies held for consumption, the cost of which is recorded as an expenditure at the time of purchase, except for the Missouri Road Fund, which updates inventory perpetually under the consumption method. Inventory balances for governmental funds are shown in the nonspendable fund balance classification. Inventories in the proprietary funds consist of both expendable supplies held for consumption and the cost of goods held for resale, the cost of which is recorded as an expense as they are used. Inventories are valued at cost using various methods such as moving average; weighted average; and first-in, first-out.

I. Capital Assets

Capital assets, which include construction in progress, software in progress, infrastructure in progress, land, land improvements, permanent and temporary easements, buildings and improvements, equipment, software, trademarks, and infrastructure assets, are valued at historical cost or estimated historical cost if actual historical cost is not available. The estimate of historical cost was based on current appraised value indexed to the date of acquisition. Donated capital assets are reported at estimated 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 and trademarks – $5,000, and equipment – $1,000. No dollar threshold is set for land, easements, or infrastructure.

Capital assets are depreciated/amortized using the straight-line method of depreciation/amortization over the following useful lives: buildings – 40 to 50 years, land improvements and building improvements – 15 to 20 years, temporary easements – term of easement, equipment – 5 years, software – 3 to 5 years, trademarks – 10 years, and infrastructure – 12 to 50 years. Construction in progress, software in progress, infrastructure in progress, land, and permanent easements are not depreciated/amortized.

Most works of art and historical treasures are not capitalized or depreciated/amortized. The State's non-capitalized collections include the historical artifacts at the various state museums and historical sites, monuments, and other art throughout the capitol grounds. Assets that were previously capitalized continue to be reported in the government-wide financial statements.

Component unit capital assets are stated at cost and are depreciated/amortized using the straight-line method of depreciation/amortization over the following useful lives: buildings – 40 years, land improvements and building improvements – 20 years, equipment – 5 to 15 years, and software – 3 to 5 years.

Note 1 – Significant Accounting Policies (cont.)

J. 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 $516,128,000 within the General Fund, $37,874,000 within the major special revenue funds, $32,497,000 within the Missouri Road Fund, $10,031,000 within the non-major special revenue funds, and $112,000 within all other non-major governmental funds which totals $596,642,000 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 $148,464,000 within the General Fund, $195,000 within major special revenue funds, and $11,721,000 within the Missouri Road Fund which totals $160,380,000 for governmental funds.

Proprietary Funds

Unearned revenue amounts collected in advance of the year in which earned are reported in the amount of $34,332,000 within the internal service funds included in governmental activities. Total unearned revenue for enterprise funds is $944,000 which includes $388,000 from the State Lottery Fund and $556,000 from the Petroleum Storage Tank Insurance Fund. These amounts are included in the business-type activities.

Fiduciary Funds

Unearned revenue amounts collected in advance of the year in which earned are reported in the amount of $5,314,000 within the pension (and other employee benefits) trust funds.

Component Units

Unearned revenue amounts collected in advance of the year in which earned are reported in the amount of $114,731,000 within the college and universities and $1,964,000 in non-major component units which is a total of $116,695,000 of unearned revenue for component units.

K. 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)*.

Note 1 – Significant Accounting Policies (cont.)

3. Outstanding principal for bonds issued by the Board of Public Buildings, bonds issued by the Health and Educational Facilities Authority, the Regional Convention and Sports Complex Authority, and the State Road Bonds issued by the Missouri Highways and Transportation Commission. The expenditure for payment of principal and interest for these bonds is recorded in the appropriate governmental funds when paid (see *Note 12)*.

4. Bond premiums are deferred and amortized over the life of the bonds using the effective interest rate method in the government-wide financial statements. Bonds payable are reported net of the applicable bond premium.

   In the fund financial statements, governmental fund types recognize bond premiums during the current period. Premiums on debt issuances are reported as other financing sources (see *Note 11)*.

5. Obligations under lease/purchases reported include the present value of net minimum future lease payments, which will be paid from the General Fund, various special revenue funds, proprietary funds, and the Missouri Road Fund (see *Notes 6 and 11)*.

6. Pollution remediation liabilities are measured based on the pollution remediation outlays expected to be incurred to settle those liabilities. These liabilities include all remediation work that the State expects to perform, including work expected to be performed for other responsible parties or potentially responsible parties, whether or not the State is required to do that work. For goods or services used for pollution remediation activities, amounts that are normally expected to be liquidated with expendable available financial resources are recognized as liabilities upon receipt of those goods and services (see *Note 11 and 22)*.

7. Compensated absences include accumulated unpaid vacation and compensatory time accruals and related employer payroll taxes. These amounts are not accrued in the governmental funds but are recorded as expenditures when paid (see *Note 11)*.

   Vacation leave is accumulated at a rate of 10 to 14 hours per month depending on the number of years of employment. Accumulated vacation leave cannot exceed twice the number of vacation hours earned annually. Compensatory time is accumulated as earned by an individual employee.

   Sick leave is accumulated at a rate of 10 hours per month with no limit to the amount which can be accumulated. Accumulated sick leave is not paid upon employee termination and does not represent a liability of the State.

8. Claims and contingent liabilities include estimates of the risk of loss related to tort liability, general liability, motor vehicle liability, contractor liability, and injuries to employees. These liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Expenditures are recorded in the fund from which the liability is paid (see *Notes 11, 21, and 23)*.

9. The State provides postemployment health care and life insurance benefits to the majority of employees who either retire from the State or receive long-term disability benefits. These benefits are administered by the Missouri Consolidated Health Care Plan (MCHCP), the Missouri State Employees' Retirement System (MOSERS), the MoDOT and MSHP Medical and Life Insurance Plan (MHPML), and the Conservation Employees' Insurance Plan (CEIP). Health care benefits and MOSERS life insurance benefits are funded through both employer and employee contributions. The annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer (see *Note 8)*.

Note 1 – Significant Accounting Policies (cont.)

10. 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 Missouri State Employees' Plan (MSEP) and the Judicial Plan are single-employer defined benefit public employees' retirement plans administered by MOSERS. The annual required contribution (ARC) was determined as a part of an actuarial valuation of the Systems using the entry age normal actuarial cost method (see *Note 7)*.

Long-term liabilities of all proprietary, pension (and other employee benefit) trust, and private-purpose trust funds are accounted for in the respective funds.

L. 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, 2012, net assets restricted by enabling legislation equaled $522,434,000 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.

M. Revenues

The revenues of the General Fund include federal grants and contributions of $9,815,787,000. Revenues for all funds are reported net of refunds of $2,071,081,000.

N. Interfund Transactions

During the fiscal year the State incurs various transactions between funds, including expenditures and transfers of resources to distribute interest earnings, finance operations, provide services, service debt, and acquire capital assets. Interfund transactions 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 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.

O. Expenditures and Expenses

Expenditures and expenses are reported net of revenue over collections of $1,450,337,000 and $606,000, respectively. Expenditures and expenses are reported net of overpayments to vendors, individuals, school districts, and for cost reimbursements of $618,914,000 and $1,224,000, respectively.

P. 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 standard issued by the Governmental Accounting Standards Board (GASB) for the fiscal year ending June 30, 2012:

- GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions–an amendment of GASB Statement No. 53,* which clarifies the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider is replaced. This statement affects the disclosures found in *Note 3 – Deposits and Investments*.

The State of Missouri has reclassified the Breast Cancer Awareness Trust Fund from a special revenue fund to an agency fund as the contributions to this fund are temporarily held by the State Treasurer to be deposited into the Public Health Services Fund to support breast cancer awareness activities.

The Missouri Propane Gas Commission was reclassified from a blended component unit to a related organization upon re-evaluation as this is a legally separate entity, body corporate and politic, with a voting majority appointed by the Governor. The Commission is not subject to appropriation by the General Assembly and there is no financial benefit/burden relationship with the State.

Note 3 – Deposits and Investments

The State Treasurer maintains a cash and short-term investment pool that is used by substantially all state funds of the primary government. These funds do not include accrued interest. Certain organizational units are authorized to administer assets designated to their organization in a manner similar to the deposit and investment activities of the State as a whole. Summarized on the following page is the portfolio that represents the "Cash and Cash Equivalents," "Investments," "Restricted Assets – Cash and Cash Equivalents," and "Restricted Assets – Investments" as reported at June 30, 2012.

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 varying rates based on State law.

Primary Government

At June 30, 2012, the bank balance of the primary government's deposits was $892,903,000. Of the bank amount, $35,922,000 was exposed to custodial credit risk by being uninsured and collateralized with securities held by the pledging financial institution.

Fiduciary

At June 30, 2012, the bank balance of the deposits of the fiduciary funds was $2,646,000. 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.

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 2012.

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.

Note 3 – Deposits and Investments (cont.)

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, 2012, the reported amount of the primary government's investments was $3,209,729,000. Of this amount, $56,798,000 was exposed to custodial credit risk because it was uninsured and unregistered with securities held by the State's counterparty.

Fiduciary

At June 30, 2012, the reported amount of the fiduciary funds investments was $11,358,263,000.

Component Units

Information on the component units investments is available within their individual financial statements.

The following table (in thousands of dollars) provides information about the interest rate risks associated with the State's investments. The investments include certain short-term cash equivalents, various long-term items, and restricted assets by maturity, or in certain instances, a weighted average maturity in years. The State Treasurer minimizes the risk of the market value of securities falling due to changes in interest rates by maintaining an effective duration of less than 2.5 years, and holding at least 25% of the portfolio's total market value in securities with a maturity of 12 months or less.

	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. Treasury Securities	$ 105,749	$ 216,861	$ 14,512	$ 14,186	$ ---	$ 351,308
U.S. Agency Securities	152	25,741	---	---	---	25,893
U.S. Government Guaranteed Mortgages	332	---	---	---	---	332
U.S. Government Mortgage-Backed Securities	276,465	1,512,366	778	2,466	---	1,792,075
U.S. Agency-Sponsored Securities	10,478	100,792	1,100	---	---	112,370
Repurchase Agreements	913,887	---	---	---	---	913,887
Stocks	---	---	---	---	5,009	5,009
Bonds	206	117	359	---	---	682
Mutual Funds	---	---	---	---	2,220	2,220
Short-Term Securities	2,576	---	---	---	1,448	4,024
Other	---	105	541	1,283	---	1,929
Subtotal	1,309,845	1,855,982	17,290	17,935	8,677	3,209,729

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	64,881	---	10,848	17,592	17,976	111,297
U.S. Treasury Securities	324,322	449,085	252,265	6,002	---	1,031,674
U.S. Agency Securities	110,445	2,537	24,595	15,359	---	152,936
U.S. Government Mortgage-Backed Securities	1,907	15,498	12,428	21,493	---	51,326
U.S. Agency-Sponsored Securities	35,446	39,688	---	---	---	75,134
Repurchase Agreements	32,669	---	---	---	---	32,669
Stocks	---	---	---	---	1,081,657	1,081,657
Bonds	134,789	5,472	20,556	29,157	---	189,974
International Equities	---	---	---	---	1,168,441	1,168,441
Mortgages/ Real Estate	134,615	19,420	---	68,467	155,614	378,116
Asset-Backed Securities	---	1,012	1,215	1,856	---	4,083
Short-Term Securities	985,478	---	---	---	---	985,478
Foreign Currencies	3,432	---	---	---	---	3,432
Mutual Funds	---	756,890	4,662	16,064	797,102	1,574,718
Venture Capital Limited Partnership	---	---	---	---	4,270,055	4,270,055
Absolute Return	---	---	---	---	135,414	135,414
Tactical Fixed Income	---	---	---	---	22,156	22,156
Other	75,013	---	---	14,690	---	89,703
Subtotal	1,902,997	1,289,602	326,569	190,680	7,648,415	11,358,263
Total Investments	$ 3,212,842	$ 3,145,584	$ 343,859	$ 208,615	$ 7,657,092	$ 14,567,992

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 2012, 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		Agency	$ 46,416
U.S. Treasury	AAA		84,981
	Aaa	AA+	257,939
U.S. Agencies	Aaa	AA+	32,249
	AA+	AAA	762
		A	15,060
		AA	39,621
		Agency	590
U.S. Government Mortgage-Backed Securities	Aaa	AA+	5,707
	AA+	AAA	3,025
		Agency	33,921
Bonds	Aaa		238
	Aa3		237
	A1		103
	A1	A2	13,741
	A2		104
		AAA	9,011
		AA	26,596
		A	27,477
		BBB	10,855
		BB	25,420
		B	40,692
		CCC	14,191
		C	931
		Agency	83,773
		Not Rated	22,028
Repurchase Agreements	Aaa	AA+	113,957
	Unrated	Unrated	802,225
U.S. Agency-Sponsored Securities	Aaa		308,653
	Aaa	AA+	1,991,905
	Unrated		786
Short-Term Securities	Unrated		2,576

Note 3 – Deposits and Investments (cont.)

	Moody's	S & P	Fair Value
Asset-Backed Securities		AAA	1,212
		AA	1,784
		A	2,604
		BB	973
		B	1,449
		CCC	3,837
		CC	2,158
		Agency	15,102
		Not Rated	436
Mutual Funds	AAA		9,123
	AA3		747,412
	BBB		5,017
		3-STAR	16,064
Pooled Investments		AAA	90,597
		Not Rated	43,049
Other	Aaa		349
	Aaa	AA+	19,420
	Aa1		489
	Aa2		357
	Aa3		223
	A1		239
		AAA	13,076
		A	32,747
		A-	14,690
		BBB	45,206
		BB	40,538
		B	70,548
		CCC	30,474
		CC	10,070
		C	9,147
		D	9,683
		Agency	1,629
		Not Rated	19,975
Total Rated Investments			$ 5,275,447

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
Argentine Peso	$ ---	$ ---	$ 178	$ ---	$ ---	$ 178
Australian Dollar	36	7,747	---	---	---	7,783
Brazilian Real	35	33,445	8,509	---	---	41,989
Canadian Dollar	27	445	---	---	---	472
Chilean Peso	1	2,663	106	---	---	2,770
Chinese Yuan Renminbi	20	1,351	---	---	---	1,371
Colombian Peso	---	1,447	4,541	---	---	5,988
Czech Koruna	---	2,612	---	---	---	2,612
Danish Krone	---	3,562	---	---	---	3,562
Egyptian Pound	---	2,709	---	---	---	2,709
Euro	192	148,522	6,492	80,531	16,474	252,211
Hong Kong Dollar	83	70,670	---	---	---	70,753
Hungarian Forint	---	805	1,853	---	---	2,658
Indian Rupee	115	17,336	---	---	---	17,451
Indonesion Rupiah	95	11,472	5,658	---	---	17,225
Japenese Yen	3,526	334,495	---	---	---	338,021
Malaysian Ringgit	---	7,384	8,454	---	---	15,838
Mexican Peso	229	15,328	7,884	---	---	23,441
Moroccan Dirham	---	277	---	---	---	277
Nigerian Nigeria	---	57	---	---	---	57
Norwegian Krone	---	3,973	---	---	---	3,973
Peruvian Nuevo Sol	---	95	386	---	---	481
Philippine Peso	9	3,252	---	---	---	3,261
Polish Zloty	(4)	4,566	7,893	---	---	12,455
Russian Ruble	---	907	5,078	---	---	5,985
Singapore Dollar	3	27,701	---	---	---	27,704
South African Rand	7	17,293	8,900	---	---	26,200
South Korean Won	4	42,013	2,033	---	---	44,050
Sri Lanka Rupee	1	112	---	---	---	113
Swedish Krona	---	1,555	---	---	---	1,555
Swiss Franc	---	89,910	---	---	---	89,910
Taiwan Dollar	---	33,978	---	---	---	33,978
Thai Baht	(63)	18,256	4,280	---	---	22,473
Turkish Lira	38	9,165	8,262	---	---	17,465
United Kingdom Pound Sterling	12	69,283	2,236	---	---	71,531
Venezuelan Bolivar	54	---	---	---	---	54
Total	$ 4,420	$ 984,386	$ 82,743	$ 80,531	$ 16,474	$ 1,168,554

Note 3 – Deposits and Investments (cont.)

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 December 2011, Citibank, National Association, 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.

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, 2012, the State Treasurer's Office had an aggregate fair value of securities lent of $99,096,000 and an aggregate fair value of collateral received of $99,096,000.

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, 2012, 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, 2012, the cash collateral fund had a market value of $692,477,000 and a weighted average maturity of 1 day. At June 30, 2012 and June 30, 2011, MOSERS had earned $1,537,000 and $1,534,000, respectively, on the securities lending program.

Note 3 - Deposits and Investments (cont.)

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.

The System and borrowers maintained the right to terminate all securities lending transactions on demand. At June 30, 2012, the cash collateral fund had a market value of $57,497,000.

At June 30, 2012 and June 30, 2011, the System had earned $210,000 and $110,000, respectively, 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, 2012, MOSERS Foreign Currency Forward Contracts had a pending receivable of $130,082,000 and a pending payable of $130,583,000 resulting in a final liability of $501,000.

Note 3 – Deposits and Investments (cont.)

The following table (in thousands of dollars) summarizes the various contracts in MOSERS portfolio as of June 30, 2012. The investments are reported at fair value and are included on the Statement of Fiduciary Net Assets of the pension (and other employee benefit) trust funds.

Futures Contracts:

Notional Amount	Exposure
$ 1,132,000	$ 12,000

Swaps:

Notional Amount	Counterparty Exposure
$ 1,220,000	$ 13,000

Component Units:

Information on the component units derivatives is available within their individual financial statements.

Note 4 – Governmental Fund Balance

A. Governmental Fund Balance Classifications

The State's fund balances are classified as:

Nonspendable – Amounts that are not expected to be converted to cash or amounts that are legally or contractually required to be maintained intact.

Restricted – Amounts that are restricted for specific purpose due to constraints that are externally imposed by creditors, grantors, contributors, laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by a formal action of the legislature.

Assigned – Amounts that are constrained by the legislature's intent to be used for a specific purpose, but do not meet the criteria for restricted or committed.

Unassigned – Amounts that do not meet the criteria of any of the classifications listed above.

Note 4 - Governmental Fund Balance (cont.)

Fund Balance Classifications by Purpose – In the basic financial statements, the fund balance classifications are presented in the aggregate. The following displays the fund balances by major purpose (in thousands of dollars):

	Nonspendable	Restricted	Committed	Assigned
General Fund				
Inventories	$ 24,793	$ ---	$ ---	$ ---
Loans Receivable	36,413	---	---	---
General Government	---	37,666	---	19,014
Education	---	10,390	---	21,389
Natural and Economic Resources	---	18,961	5,520	18,716
Transportation and Law Enforcement	---	23,215	---	157
Human Services	---	246,701	---	---
Budget Reserve	---	---	499,049	---
Forfeited Financial Instruments	---	---	---	2,078
Taxes	---	---	---	3,768
Total	$ 61,206	$ 336,933	$ 504,569	$ 65,122
Public Education				
Inventories	$ 89	$ ---	$ ---	$ ---
Education	---	224,389	8,895	29,148
Human Services	---	---	---	9,187
Total	$ 89	$ 224,389	$ 8,895	$ 38,335
Conservation and Environmental Protection				
Inventories	$ 562	$ ---	$ ---	$ ---
Loans Receivable	982,671	---	---	---
Natural and Economic Resources	---	122,708	248,138	82,562
Transportation and Law Enforcement	---	---	---	716
Forfeited Financial Instruments	---	---	---	1,603
Total	$ 983,233	$ 122,708	$ 248,138	$ 84,881
Missouri Road Fund				
Inventories	$ 45,789	$ ---	$ ---	$ ---
Transportation and Law Enforcement	---	1,063,280	---	---
Total	$ 45,789	$ 1,063,280	$ ---	$ ---
Non-Major Special Revenue				
Inventories	$ 3,612	$ ---	$ ---	$ ---
Loans Receivable	2,839	---	---	---
General Government	---	1,792	224	4,899
Natural and Economic Resources	---	94,717	14,146	45,289
Transportation and Law Enforcement	---	68,047	1,785	191,061
Human Services	---	38,627	18,550	2,243
Total	$ 6,451	$ 203,183	$ 34,705	$ 243,492

Note 4 – Governmental Fund Balance (cont.)

	Nonspendable	Restricted	Committed	Assigned
Non-Major Debt Service				
General Government	$ ---	$ 78,083	$ ---	$ ---
Transportation and Law Enforcement	---	42,333	---	---
Total	$ ---	$ 120,416	$ ---	$ ---
Non-Major Capital Projects				
Inventories	$ 7	$ ---	$ ---	$ ---
General Government	---	82	---	---
Transportation and Law Enforcement	---	18,552	---	---
Total	$ 7	$ 18,634	$ ---	$ ---
Non-Major Permanent Funds				
Trust Principal	$ 41,569	$ ---	$ ---	$ ---
Natural and Economic Resources	---	---	---	98
Human Services	---	---	---	6
Total	$ 41,569	$ ---	$ ---	$ 104

B. Negative Fund Balance

A negative fund balance is prohibited in all fund balance classifications except Unassigned. When a negative fund balance exists, the shortfall would be covered by the next fund balance classification for that specific purpose.

C. Budget Reserve Fund

The Budget Reserve Fund is established in Article IV, Section 27(a) of the Missouri Constitution. The Commissioner of Administration may transfer amounts from the Budget Reserve Fund to any other fund when necessary to meet the cash requirements of the State. However, the Budget Reserve Fund must be paid back with interest prior to May 16th of the fiscal year in which the transfer was made.

Budget stabilization expenditures may occur in a fiscal year in which the governor reduces the expenditures of the State or any of its agencies below their appropriation or in which there is a budget need due to a natural disaster as proclaimed by the governor to be an emergency. An appropriation from the Budget Reserve Fund may be granted by a two-thirds vote of the members elected to each house. The maximum amount which may be appropriated at any one time for budget stabilization purposes is one-half the sum of the balance of the Budget Reserve Fund and any amounts appropriated or otherwise owed to the fund, less all amounts owed to the fund for budget stabilization purposes but not yet appropriated for repayment to the fund. One-third of the amount expended or transferred from the Budget Reserve Fund for budget stabilization purposes plus interest shall stand appropriated to the Budget Reserve Fund during each of the next three fiscal years from the fund which received the budget stabilization appropriation. The balance of the Budget Reserve Fund at June 30, 2012, was $499,049,000.

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2012, was as follows (in thousands of dollars):

	*Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Governmental Activities:				
Capital Assets not being Depreciated/Amortized:				
Construction in Progress	$ 298,608	$ 133,496	$ (34,752)	$ 397,352
Software in Progress	53,347	24,478	(50,469)	27,356
Infrastructure in Progress	3,187,001	1,087,139	(1,194,854)	3,079,286
Land	2,904,837	16,575	(11,383)	2,910,029
Permanent Easements	1,552	622	---	2,174
Total Capital Assets not being Depreciated/Amortized	6,445,345	1,262,310	(1,291,458)	6,416,197
Capital Assets being Depreciated/Amortized:				
Land Improvements	185,563	2,493	(144)	187,912
Temporary Easements	5,028	845	(2,869)	3,004
Buildings and Improvements	3,193,048	17,701	(14,206)	3,196,543
Equipment	1,199,937	80,333	(73,609)	1,206,661
Software	47,967	58,707	(34)	106,640
Trademarks	17	---	---	17
Infrastructure	44,255,389	1,194,853	(72,090)	45,378,152
Total Capital Assets being Depreciated/Amortized	48,886,949	1,354,932	(162,952)	50,078,929
Less Accumulated Depreciation/Amortization for:				
Land Improvements	(89,117)	(4,542)	60	(93,599)
Temporary Easements	(2,534)	(1,676)	2,869	(1,341)
Buildings and Improvements	(1,260,906)	(97,695)	9,080	(1,349,521)
Equipment	(858,540)	(86,039)	65,346	(879,233)
Software	(26,729)	(4,546)	22	(31,253)
Trademarks	(2)	(2)	---	(4)
Infrastructure	(22,457,845)	(275,401)	72,090	(22,661,156)
Total Accumulated Depreciation/Amortization	(24,695,673)	(469,901)	149,467	(25,016,107)
Total Capital Assets being Depreciated/Amortized, Net	24,191,276	885,031	(13,485)	25,062,822
Governmental Activities Capital Assets, Net	$ 30,636,621	$ 2,147,341	$ (1,304,943)	$ 31,479,019
Business-Type Activities:				
Capital Assets not being Depreciated/Amortized:				
Construction in Progress	$ 7,387	$ 2,322	$ (4,887)	$ 4,822
Land	9,351	111	---	9,462
Total Capital Assets not being Depreciated/Amortized	16,738	2,433	(4,887)	14,284
Capital Assets being Depreciated/Amortized:				
Land Improvements	8,834	81	---	8,915
Temporary Easements	50	---	---	50
Buildings and Improvements	31,016	324	(450)	30,890
Equipment	46,510	4,839	(2,650)	48,699
Software	1,713	56	---	1,769
Total Capital Assets being Depreciated/Amortized	88,123	5,300	(3,100)	90,323
Less Accumulated Depreciation/Amortization for:				
Land Improvements	(4,357)	(260)	---	(4,617)
Temporary Easements	(12)	(2)	---	(14)
Buildings and Improvements	(16,552)	(779)	226	(17,105)
Equipment	(32,149)	(3,401)	2,461	(33,089)
Software	(1,434)	(159)	---	(1,593)
Total Accumulated Depreciation/Amortization	(54,504)	(4,601)	2,687	(56,418)
Total Capital Assets being Depreciated/Amortized, Net	33,619	699	(413)	33,905
Business-Type Activities Capital Assets, Net	$ 50,357	$ 3,132	$ (5,300)	$ 48,189

*Beginning balances as of July 1, 2011 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	$ 32,512
Education	8,918
Natural and Economic Resources	13,275
Transportation and Law Enforcement	386,493
Human Services	28,703
Total	$ 469,901

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	$ 367,487	$ ---	$ 367,487
Land	153,577	7,220	160,797
Other Non-Depreciable/Amortizable Assets	21,747	---	21,747
Total Capital Assets not being Depreciated/Amortized	542,811	7,220	550,031
Capital Assets being Depreciated/Amortized:			
Land Improvements	30,432	---	30,432
Buildings and Improvements	5,191,492	75,706	5,267,198
Equipment, Fixtures, and Books	1,266,757	261	1,267,018
Software	112,870	23	112,893
Infrastructure	483,049	---	483,049
Total Capital Assets being Depreciated/Amortized	7,084,600	75,990	7,160,590
Less Total Accumulated Depreciation/Amortization	(3,031,415)	(9,515)	(3,040,930)
Total Capital Assets being Depreciated/Amortized, Net	4,053,185	66,475	4,119,660
Discretely Presented Component Units – Capital Assets, Net	$ 4,595,996	$ 73,695	$ 4,669,691

Capital Assets Impairment

Due to lack of funding, software development for projects Health Insurance Rate Review System (HIRRS) and IEP System for State School Severely Handicapped (SSSHI) have stopped. The impairment for project HIRRS and SSSHI is $13,000 and $33,000, respectively. These would be reported as a program expense in the government-wide financial statements.

Due to flooding, many state park buildings were physically damaged. The impairment amount of $120,000 and $224,000 would be reported as a special item in the government-wide Statement of Activities and in the proprietary Statement of Revenues, Expenses, and Changes in Fund Net Assets, respectively.

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 funds, college and universities, and non-major component units 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	Non-Major Component Units
2013	$ 9,980	$ 4,044	$ 85	$ 5,876	$ 3
2014	9,894	3,970	72	5,875	3
2015	9,868	3,926	67	5,875	3
2016	8,584	3,204	67	5,869	3
2017	8,423	1,993	67	5,801	3
2018-2022	29,472	428	6	23,465	1
2023-2027	1,567	---	---	10,950	---
Total Minimum Lease Payments	77,788	17,565	364	63,711	16
Less Amount Representing Interest	(8,621)	(867)	(8)	(15,099)	(1)
Present Value of Net Minimum Lease Payments	$ 69,167	$ 16,698	$ 356	$ 48,612	$ 15

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 buildings in Florissant, St. Louis, and Jennings. In May 2006, the Board issued $9,865,000 of Leasehold Revenue Bonds Series 2006 for the purpose of purchasing one building in St. Louis. 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
2013	$ 2,602
2014	2,593
2015	2,593
2016	2,592
2017	2,579
2018-2022	12,878
2023-2027	12,843
2028-2032	10,266
Total Minimum Lease Payments	48,946
Less Amount Representing Interest	(16,166)
Present Value of Net Minimum Lease Payments	$ 32,780

Series A 2005 Refunding Certificates of Participation dated March 1, 2005, in the amount of $120,490,000 refunded $13,945,000 of Missouri Public Facilities Corporation Certificates of Participation (Acute Care Psychiatric Hospital Project) Series A 1994, $13,400,000 of Missouri PRC Corporation Certificates of Participation (Psychiatric Rehabilitation Center Project) Series A 1995, $9,915,000 of Northwest Missouri Public Facilities Corporation Certificates of Participation (Northwest Missouri Psychiatric Rehabilitation Center Project) Series B 1995, and $83,480,000 of Missouri Public Facilities Corporation II Certificates of Participation (Bonne Terre Prison Project) Series A 1999. The State issued Refunding Certificates of Participation Series A 2011 dated June 7, 2011, in the amount of $76,910,000. The Refunding Certificates of Participation refunded $76,065,000 of Series A 2005 Refunding Certificates of Participation.

The State's obligation under these leases does not constitute a general obligation or other indebtedness of the State. The certificates of participation represent proportionate ownership interests of the certificate holders in the lease agreement. The certificates do not constitute a pledge of the full faith and credit of the State. Payments under the lease agreement have been structured in amounts sufficient to pay principal and interest on the certificate, and are subject to annual appropriation by the State legislature.

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
2013	$ 1,307
2014	12,984
2015	13,666
2016	13,666
2017	13,666
2018-2019	27,334
Total Minimum Lease Payments	82,623
Less Amount Representing Interest	(5,713)
Present Value of Net Minimum Lease Payments	$ 76,910

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, 2012 (in thousands of dollars):

	Governmental Funds	Internal Service Funds	Enterprise Funds	College and Universities	Non-Major Component Units
Buildings	$ 233,321	$ 43,162	$ ---	$ 8,332	$ 19
Equipment	5,429	27,048	510	52,825	--
	$ 238,750	$ 70,210	$ 510	$ 61,157	$ 19

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, 2012, were as follows (in thousands of dollars):

Fiscal Year Ending June 30	Governmental Funds	Enterprise Funds	Component Units
2013	$ 25,623	$ 3,569	$ 6,754
2014	1,086	3,569	5,273
2015	1,080	3,396	3,221
2016	1,004	49	2,414
2017	771	---	1,640
2018-2022	1,966	---	16
Total Minimum Commitments	$ 31,530	$ 10,583	$ 19,318

Expenditures for rent under operating leases for the years ended June 30, 2012 and June 30, 2011 were $54,042,000 and $51,028,000, 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 $3.6 million for primary government and $83.3 million for component units. The Department of Natural Resources (DNR) has $9,000 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, 2012, were as follows (in thousands of dollars):

Fiscal Year Ending June 30	Primary Government	Component Units
2013	$ 186	$ 3,651
2014	---	3,474
2015	---	3,583
2016	---	3,612
2017	---	3,617
2018-2022	---	15,895
2023-2027	---	14,137
2028-2032	---	13,231
2033-2037	---	13,602
2038-2042	---	12,157
2043-2047	---	5,066
2048-2052	---	2,112
2053-2057	---	1,788
2058-2062	---	1,767
2063-2067	---	500
2068-2072	---	500
2073-2077	---	500
2078-2082	---	500
2083-2087	---	500
2088-2092	---	450
Total Minimum Receivables	$ 186	$ 100,642

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.

Note 7 – Retirement Systems (cont.)

The MSEP has three benefit structures known as MSEP (closed plan), MSEP 2000, and MSEP 2011. The MSEP covers all full-time employees hired before July 1, 2000, who are not covered under another state-sponsored retirement plan. MSEP 2000 covers all full-time employees hired on or after July 1, 2000 and before January 2011. MSEP 2011 covers all full-time employees first hired on or after January 1, 2011. Members of the closed plan have the option at retirement to choose between the benefit structure of the MSEP or MSEP 2000.

The Judicial Plan covers eligible members appointed/elected before January 1, 2011. The Judicial Plan 2011 covers eligible members appointed/elected for the first time on or after January 1, 2011.

MOSERS provides retirement, survivor, and disability benefits to its members. Employees covered by the MSEP and the MSEP 2000 plans are fully vested after 5 years of creditable service (4 years for elected officials and either 4 or 6 years for legislators). Employees covered by the MSEP 2011 plan are fully vested after 10 years of creditable service. 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.

MSEP 2011
Age 67 with 10 years of service
Age 55 with age and service equaling 90 or more (Rule of 90)
Employees may retire early at age 62 with at least 10 years of service with reduced benefits.

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.

Judicial Plan 2011
Age 67 with 12 years of service
Age 62 with 20 years of service
Employees may retire early at age 67 with less than 12 years of service with reduced benefits or age 62 with less than 20 years of service with a reduced benefit based on years of service.

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.

Note 7 – Retirement Systems (cont.)

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. The MPERS has three benefit structures known as the Closed Plan, the Year 2000 Plan, and the Year 2000 Plan-2011 Tier. Generally, the Closed Plan covers employees hired before July 1, 2000. The Year 2000 Plan generally covers employees hired on or after July 1, 2000 and before January 2011. The Year 2000 Plan-2011 Tier covers employees hired on or after January 1, 2011. Employees covered by the Closed Plan and the Year 2000 Plan are fully vested after 5 years of creditable service. Employees covered by the 2011 Tier are fully vested after 10 years of creditable service.

The retirement eligibility requirements are as follows:

Closed Plan

MoDOT and non-uniformed patrol members:
Age 65 and active with 4 or more years of service
Age 65 with 5 or more years of service
Age 60 with 15 or more years of service
Age 48 with sum of age and service equaling 80 or more (Rule of 80)

Uniformed patrol members:
Age 55 and active with 4 or more years of service
Age 55 with 5 or more years of service
Age 48 with sum of age and service equaling 80 or more (Rule of 80)
Mandatory retirement at age 60

All non-uniformed members may retire early with reduced benefits at age 55 with at least 10 years of service.

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:
Age 62 with 5 or more years of service
Age 48 with sum of age and service equaling 80 or more (Rule of 80)

Uniformed patrol members:
Age 48 with sum of age and service equaling 80 or more (Rule of 80)
Mandatory retirement at age 60 with 5 or more years of service

All members may retire early with reduced benefits at age 57 with at least 5 years of service. COLAs are provided annually based on 80% of the change in the CPI up to a maximum rate of 5%.

Year 2000 Plan-2011 Tier

MoDOT and non-uniformed patrol members:
Age 67 with 10 or more years of service
Age 55 with sum of age and service equaling 90 or more (Rule of 90)

Uniformed patrol members:
Age 55 and active with 10 or more years of service equaling 80 or more (Rule of 80)
Mandatory retirement at age 60 with no minimum service amount

Note 7 – Retirement Systems (cont.)

Active MoDOT and non-uniformed patrol members may retire early with reduced benefits at age 62 with at least 10 years of service. Terminated and vested uniformed patrol members may retire at age 67 with 10 or more years of service. COLAs are provided annually based on 80% of the change in the CPI 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 MSEP (closed plan), MSEP 2000, MSEP 2011, and Judicial Plans. Beginning January 1, 2012, employee contributions of 4% of gross pay are required for those covered by the MSEP 2011 and Judicial Plan 2011. 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 13.97% and 57.30%, respectively. Actual contribution rates are the same as the actuarially determined rates.

The State of Missouri makes required contributions to MPERS. Beginning January 1, 2012, employee contributions of 4% of gross pay are required for those covered by the Year 2000 Plan-2011 Tier. Current year calculated contribution rates are 58.63% for uniformed members of the Highway Patrol and 45.45% 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.

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	$ 263,374	$ 26,325	$ 164,880
Interest on net pension obligation	5,550	3,822	---
Actuarial adjustment to annual required contribution	(4,398)	(3,029)	---
Annual pension cost	264,526	27,118	164,880
Contributions made	(263,374)	(26,325)	(164,880)
Increase in net pension obligation	1,152	793	---
Net pension obligation, beginning of year	69,375	47,780	---
Net pension obligation, end of year	$ 70,527	$ 48,573	$ ---

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):

	MSEP			Judicial Plan		
	Fiscal Year Ending			Fiscal Year Ending		
	06/30/12	06/30/11	06/30/10	06/30/12	06/30/11	06/30/10
Annual Pension Cost (APC)	$ 264,526	$ 265,108	$ 252,875	$ 27,118	$ 28,867	$ 28,164
Percentage of APC Contributed	99.56%	99.36%	99.35%	97.08%	95.97%	95.97%
Net Pension Obligation	$ 70,527	$ 69,375	$ 67,685	$ 48,573	$ 47,780	$ 46,616

	MPERS		
	Fiscal Year Ending		
	06/30/12	06/30/11	06/30/10
Annual Pension Cost (APC)	$ 164,880	$ 150,022	$ 124,053
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, 2012, are as follows (in thousands of dollars):

	MSEP	Judicial Plan	MPERS
Actuarial Value of Assets	$ 7,897,167	$ 102,267	$ 1,531,034
Actuarial Accrued Liability (AAL) Entry Age	$ 10,793,652	$ 413,333	$ 3,306,279
Unfunded Actuarial Accrued Liability (UAAL)	$ 2,896,484	$ 311,066	$ 1,775,245
Funded Ratio	73.2%	24.7%	46.3%
Covered Payroll	$ 1,864,069	$ 45,836	$ 341,638
UAAL as a Percentage of Covered Payroll	155.4%	678.6%	519.6%

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, 2010, 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.

Note 7 – Retirement Systems (cont.)

The actuarial valuation of the System dated June 30, 2012, will set the required contribution rates for the fiscal year ending June 30, 2014. The actuarial value of assets is based on a method that fully recognizes expected investment return and averages unanticipated market return over a 5-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, 2010, 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, 2012, will be used to determine the contribution rate for the Plan year ending June 30, 2014. The actuarial value of assets is based on a 3-year smoothed market value method. The total contribution is based on a 12-year closed amortization period for unfunded retiree liabilities and a 27-year closed 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 elected 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 $3,013,000, $3,458,000, and $3,972,000 for the years ending June 30, 2012, 2011, and 2010, respectively, to the System, equal to the required contributions for each year.

Copies of the System's June 30, 2012, 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

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.

Note 7 – Retirement Systems (cont.)

Full-time employees vest in the Retirement Plan after five years of credited service and become eligible for benefits based on age and years of service. A vested employee who retires at age 65 or older is eligible for a lifetime annuity calculated at a certain rate times the credited service years times the compensation base (average consumption for the five highest consecutive salary years). The rate is 1.0% if the employee was hired after September 30, 2012. 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 2012 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 7.2% of payroll for the year ended June 30, 2012. Employees are required to contribute 1% of their salary up to $50,000 in a calendar year and 2% of their salary in excess of $50,000. An actuarial valuation of the Plan is performed annually and the University's contribution rate is updated on July 1 at the beginning of the University's fiscal year, to 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	$ 74,618
Interest on net pension obligation	---
Actuarial adjustment to annual required contribution	---
Annual pension cost	74,618
Contributions made	74,618
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		
	06/30/12	06/30/11	06/30/10
Annual Pension Cost (APC)	$ 74,618	$ 57,541	$ 48,040
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, 2012, is as follows (in thousands of dollars):

	Actuarial Valuation October 1, 2011
Actuarial Value of Assets	$ 2,828,697
Actuarial Accrued Liability (AAL) Entry Age	$ 3,138,190
Unfunded Actuarial Accrued Liability (UAAL)	$ 309,493
Funded Ratio	90.14%
Covered Payroll	$ 1,031,891
UAAL as a Percentage of Covered Payroll	30.00%

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, 2011, 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 5.3% 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 18,973, 5,932, and 798, respectively. The eligible number of retirees/long-term disability claimants for MOSERS, MHPML, and CEIP for life insurance benefits are 21,026, 3,773, and 473, respectively. Health care benefits and MOSERS life insurance benefits are funded through both employer and employee contributions. MOSERS employer contribution rates are set by the Standard Insurance Company. MHPML and CEIP life insurance benefits are funded through employee contributions. MHPML and CEIP employer contribution rates are set by the Plans Board of Trustees and approved by their respective Commission. Employer contribution rates for MCHCP 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 2012, the State's contributions were 51.67% of the total (employer/employee) contributions made for other postemployment benefits.

During fiscal year 2012, the State contributed the following amounts (in thousands of dollars):

	Health Care	Life Insurance
MCHCP	$ 57,090	$ ---
MOSERS	---	1,808
MHPML	17,248	---
CEIP	2,569	---
Total	$ 76,907	$ 1,808

During fiscal year 2012, the expenditures recognized by the State for (employer/employee) other postemployment benefits were as follows (in thousands of dollars):

	Health Care	Life Insurance
MCHCP	$ 109,968	$ ---
MHPML	38,749	---
CEIP	4,959	328
Total	$ 153,676	$ 328

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 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 2012, MCHCP, MHPML, and CEIP contributed $57.1, $28.6, and $5.0 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, *Accounting and Fiscal Reporting by Employers for Postemployment Benefits Other Than Pensions*. 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	$ 100,800	$ 109,974	$ 12,473
Interest on net OPEB contribution	9,023	13,512	976
Adjustments to annual required contribution	(6,394)	(17,642)	(813)
Annual OPEB cost	103,429	105,844	12,636
Contributions made	(57,090)	(28,577)	(4,966)
Increase in net OPEB obligation	46,339	77,267	7,670
Net OPEB obligation, beginning of year	138,811	300,263	24,405
Net OPEB obligation, end of year	$ 185,150	$ 377,530	$ 32,075

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2012 are as follows (in thousands of dollars):

	MCHCP			MHPML		
	Fiscal Year Ending			Fiscal Year Ending		
	06/30/12	06/30/11	06/30/10	06/30/12	06/30/11	06/30/10
Annual OPEB Cost (AOC)	$ 103,429	$ 101,678	$ 95,334	$ 105,844	$ 109,285	$ 110,385
Percentage of AOC Contributed	55.20%	52.47%	78.03%	27.00%	27.77%	27.49%
Net OPEB Obligation	$ 185,150	$ 138,811	$ 90,487	$ 377,530	$ 300,263	$ 221,324

	CEIP		
	Fiscal Year Ending		
	06/30/12	06/30/11	06/30/10
Annual OPEB Cost (AOC)	$ 12,636	$ 9,899	$ 9,659
Percentage of AOC Contributed	39.30%	36.78%	34.36%
Net OPEB Obligation	$ 32,075	$ 24,405	$ 18,147

Note 8 – Other Postemployment Benefits (cont.)

Funded Status and Funding Progress

The funded status of the Plans as of June 30, 2012, are as follows (in thousands of dollars):

	MCHCP	MHPML	CEIP
Actuarial Accrued Liability (AAL)	$ 1,594,500	$ 1,082,655	$ 192,190
Less Actuarial Value of Plan Assets	83,599	---	---
Unfunded Actuarial Accrued Liability (UAAL)	$ 1,510,901	$ 1,082,655	$ 192,190
Funded Ratio	5.24%	0.00%	0.00%
Covered Payroll	$ 1,534,200	$ 341,638	$ 51,186
UAAL as a Percentage of Covered Payroll	98.48%	316.90%	375.47%

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective.

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, 2012, MCHCP used the entry-age method while MHPML and CEIP used the projected unit credit cost method. The actuarial assumptions for MCHCP, MHPML, and CEIP include a 6.5%, 4.5%, and 4.0% discount rate, respectively. The projected annual health care cost trend rate for non-Medicare health care is 8.00% initially, then decreasing by 3/5% per year to an ultimate rate of 5.0%. The projected annual health care cost trend rate for Medicare health care is 8.5% initially, then decreasing by 7/10% 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.

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, 6,552 retirees/long-term disability claimants meet the eligibility requirements. These postemployment benefits are funded through both employer and employee contributions. For fiscal year 2012, the University's contributions were 65.06% of the total (employer/employee) contributions made for other postemployment benefits.

Note 8 – Other Postemployment Benefits (cont.)

Currently, the number of retirees/long-term disability claimants participating in medical care, dental care, and life insurance are 5,217, 5,317, and 2,937, respectively. During fiscal year 2012, the University contributed $25,477,000 for other postemployment benefits. The expenditures recognized by the University for (employer/employee) other postemployment benefits were $36,766,000.

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 2012 (in thousands of dollars):

	University of Missouri System
Annual required contribution	$ 50,954
Interest on net OPEB obligation	4,790
Adjustment to annual OPEB obligation	(4,077)
Annual OPEB cost	51,667
Contributions made	(25,477)
Increase in net OPEB obligation	26,190
Net OPEB obligation (asset), beginning of year	83,306
Net OPEB obligation, end of year	$ 109,496

Note 8 – Other Postemployment Benefits (cont.)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2012 was as follows (in thousands of dollars):

	University of Missouri System		
	Fiscal Year Ending		
	06/30/12	06/30/11	06/30/10
Annual OPEB Cost (AOC)	$ 51,667	$ 60,935	$ 52,765
Percentage of AOC Contributed	49.31%	49.63%	45.08%
Net OPEB Obligation	$ 109,496	$ 83,306	$ 52,613

Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2012, was as follows (in thousands of dollars):

	University of Missouri System
Actuarial Accrued Liability (AAL)	$ 542,844
Less Actuarial Value of Plan Assets	45,745
Unfunded Actuarial Accrued Liability (UAAL)	$ 497,099
Funded Ratio	8.43%
Covered Payroll	$ 1,041,413
UAAL as a Percentage of Covered Payroll	47.73%

Actuarial Methods and Assumptions

In the July 1, 2011, 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 5.0% to 9.0% 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.

Note 9 – Deferred Compensation (cont.)

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

Missouri State Public 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 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 2012, rollover contributions to ICMA-RC were $35,842,000 and employer contributions to ICMA-RC were $2,000.

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, 2012 (in thousands of dollars):

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Governmental Activities:				
Bank Overdraft	$ 1	$ 958,122	$ (958,121)	$ 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, 2012 (in thousands of dollars):

	*Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012	Due Within One Year
Governmental Activities:					
Due to Other Entities	$ 23,909	$ 9,248	$ (4,370)	$ 28,787	$ 9,609
General Obligation Bonds Payable	487,090	---	(54,325)	432,765	58,290
Other Bonds Payable	3,880,975	163,145	(308,200)	3,735,920	179,715
Unamortized Bond Premium	158,870	7,944	(24,537)	142,277	---
Obligations under Lease/ Purchases	214,333	3,343	(22,121)	195,555	12,803
Pollution Remediation	6,929	5,007	(746)	11,190	2,404
Compensated Absences	161,629	167,177	(172,867)	155,939	146,277
Claims Liabilities	156,388	383,590	(388,732)	151,246	87,179
Contingent Liabilities	65,880	4,279	(49,927)	20,232	20,232
2nd Injury Fund Contingent Liabilities	1,520,089	114,507	(37,149)	1,597,447	37,149
Net Other Postemployment Benefit Obligation	463,479	221,909	(90,633)	594,755	---
Net Pension Obligation	117,155	456,524	(454,579)	119,100	---
Total Governmental Activities	$ 7,256,726	$ 1,536,673	$ (1,608,186)	$ 7,185,213	$ 553,658
Business-Type Activities:					
Obligations under Lease/ Purchases	$ 66	$ 328	$ (38)	$ 356	$ 82
Claims Liabilities	103,647	16,989	(12,447)	108,189	15,000
Grand Prize Winner Liability	96,581	57,611	(55,628)	98,564	59,025
Compensated Absences	3,462	4,003	(3,720)	3,745	3,720
Loans Payable	692,168	---	(129,363)	562,805	---
Total Business-Type Activities	$ 895,924	$ 78,931	$ (201,196)	$ 773,659	$ 77,827

*Beginning balances as of July 1, 2011 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.

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
Series A 2010-Refunding	7/27/10	81,450	A 2001	15,030
			A 2002	20,225
			B 2002-Refunding	12,990
			A 2005-Refunding	8,595
			A 2007	31,385

Note 12 – Bonds Payable (cont.)

	Date Issued	Amount Issued	Series Refunded	Amount Refunded
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
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
Series A 2010–Refunding	7/27/10	9,060	A 2002–Refunding	8,970
			A 2005–Refunding	1,470
Stormwater Control Bonds:				
Series A 2005–Refunding	6/29/05	17,175	A 1999	17,595
Series A 2010–Refunding	7/27/10	15,150	A 2001	7,320
			A 2002	8,475
			A 2005–Refunding	905

The additional principal amount of the refunding bonds does not decrease the amount of the authorization.

As of June 30, 2012, $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.

Note 12 – Bonds Payable (cont.)

General obligation bonds issued and outstanding as of June 30, 2012, were as follows (in thousands of dollars):

	Interest Rates	Payment Dates	Issue Date	Final Maturity Date	Issued	Outstanding
Water Pollution Control Bonds:						
Series A 2002	3.0 – 5.25%	2/1; 8/1	8/02	8/1/15	$ 30,000	$ 4,215
Series B 2002-Refunding	3.375 – 5.0%	4/1; 10/1	10/02	10/1/21	147,710	64,080
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	49,640
Series A 2007	4.0 – 5.0%	6/1; 12/1	11/07	12/1/21	50,000	16,355
Series A 2010-Refunding	4.0 – 5.0%	12/1; 6/1	7/10	12/1/22	81,450	81,450
Third State Building Bonds:						
Series A 2002-Refunding	4.0 – 5.0%	4/1; 10/1	10/02	10/1/12	211,630	4,270
Series A 2003-Refunding	3.25 – 6.0%	2/1; 8/1	10/03	8/1/12	75,650	1,220
Fourth State Building Bonds:						
Series A 2002-Refunding	3.375 – 5.0%	4/1; 10/1	10/02	10/1/21	154,840	110,535
Series A 2005-Refunding	5.0%	10/1; 4/1	6/05	10/1/16	45,330	41,045
Series A 2010-Refunding	4.0 – 5.0%	12/1; 6/1	7/10	12/1/22	9,060	9,060
Stormwater Control Bonds:						
Series A 2002	3.0 – 5.25%	2/1; 8/1	8/02	8/1/15	15,000	2,105
Series A 2005-Refunding	5.0%	10/1; 4/1	6/05	10/1/15	17,175	13,235
Series A 2010-Refunding	4.0 – 5.0%	12/1; 6/1	7/10	12/1/22	15,150	15,150
Total General Obligation Bonds					$ 1,022,750	$ 432,765
Less: Amount in Sinking Fund for payment of Principal						(78,083)
						$ 354,682

As of June 30, 2012, 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
2013	$ 58,290	$ 19,056	$ 77,346
2014	53,200	16,605	69,805
2015	55,870	14,158	70,028
2016	55,600	11,445	67,045
2017	55,220	8,722	63,942
2018-2022	142,495	18,570	161,065
2023	12,090	302	12,392
Totals	$ 432,765	$ 88,858	$ 521,623

Note 12 – Bonds Payable (cont.)

Other Bonds:

The Board of Public Buildings of the State of Missouri, upon the approval of the General Assembly, issues revenue bonds for building projects and commits state agencies to lease space in these buildings. The General Assembly appropriates to the Board, on behalf of the state agencies, amounts sufficient to pay the principal and interest on the bonds, maintain certain required reserves, and to pay the costs of operations. The total amount authorized for the Board equals $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	10/01/83	$ 43,445	A 1981	$ 43,445
Series A 1985-Refunding	12/01/85	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	12/01/91	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
Series A 2011-Refunding	09/27/11	143,020	A 2001	126,850
			A 2003	12,620
			A 2006	3,175

The additional principal amount of the refunding bonds does not decrease the amount of the authorization.

As of June 30, 2012, the Board of Public Buildings Bonds had issued $871,205,000 of the bond authorization. The remaining authorization is $73,795,000.

The Board of Public Buildings Bonds issued and outstanding as of June 30, 2012, were as follows (in thousands of dollars):

	Interest Rates	Payment Dates	Issue Date	Final Maturity Date	Issued	Outstanding
Board of Public Buildings:						
Series B 2001-Refunding	3.5 – 5.5%	6/1; 12/1	10/01	12/1/12	$ 83,465	$ 2,075
Series A 2003	4.0 – 6.0%	4/15;10/15	4/03	10/15/28	387,425	316,945
Series A 2006	4.0 – 5.0%	4/1; 10/1	10/06	10/1/31	120,000	105,450
Series A 2011-Refunding	2.25 – 5.0%	4/1; 10/1	9/11	10/1/28	143,020	143,020
Total Board of Public Buildings Bonds					$ 733,910	$ 567,490

Note 12 – Bonds Payable (cont.)

As of June 30, 2012, 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
2013	$ 18,475	$ 24,915	$ 43,390
2014	24,305	23,862	48,167
2015	25,205	22,718	47,923
2016	26,170	21,510	47,680
2017	27,170	20,294	47,464
2018-2022	154,125	81,786	235,911
2023-2027	190,685	42,896	233,581
2028-2032	101,355	6,929	108,284
Totals	$ 567,490	$ 244,910	$ 812,400

The Missouri Health and Educational Facilities Authority (MOHEFA) issued $35,000,000 of Educational Facilities Revenue Bonds (University of Missouri-Columbia Arena Project) Series 2001, dated November 1, 2001, to fund the design, acquisition, construction, furnishing, and equipping of a sports arena facility and related facilities on the University of Missouri-Columbia campus. The Missouri Health and Educational Facilities Authority (MOHEFA) issued $20,125,000 of Educational Facilities Refunding Revenue Bonds Series 2011, dated November 17, 2011. The Refunding Educational Facilities Revenue bonds refunded $22,770,000 of Educational Facilities Revenue Bonds Series 2001. These bonds are limited obligations of the Authority and do not constitute a pledge of the full faith and credit of the State. However, under a financing agreement, the Office of Administration will request that the Governor's annual budget request to the General Assembly include the State's financing amount for principal and interest each year.

The Educational Facilities Revenue Bonds issued and outstanding as of June 30, 2012, were as follows (in thousands of dollars):

	Interest Rates	Payment Dates	Issue Date	Final Maturity Date	Issued	Outstanding
Educational Facilities Revenue Bonds:						
Series 2011-Refunding	2.0 – 5.0%	4/1; 10/1	11/11	10/1/21	$ 20,125	$ 20,125

As of June 30, 2012, 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
2013	$ 1,675	$ 849	$ 2,524
2014	1,720	807	2,527
2015	1,780	745	2,525
2016	1,860	672	2,532
2017	1,930	597	2,527
2018-2022	11,160	1,451	12,611
Totals	$ 20,125	$ 5,121	$ 25,246

Note 12 – Bonds Payable (cont.)

The Regional Convention and Sports Complex Authority issued $132,910,000 of Convention and Sports Facility Project Bonds Series A 1991, dated August 15, 1991, to finance the costs of acquiring land and constructing a multi-purpose convention and indoor sports facility in downtown St. Louis, Missouri. On December 15, 1993, the Authority issued $121,705,000 of Convention and Sports Facility Project Refunding Bonds Series A 1993 for the purpose of refunding the callable portions of the outstanding bonds issued in August 1991 and to pay the costs of additions and enhancements to the project. The outstanding principal amount refunded was $101,410,000. On August 1, 2003, the Authority issued $116,030,000 of Convention and Sports Facility Project Refunding Bonds Series A 2003 for the purpose of refunding Convention and Sports Facility Project Bonds Series A 1991 and Series A 1993 refunding bonds and to pay the costs of additions and enhancements to the project. The outstanding principal amount refunded was $2,845,000 for the Series A 1991 bonds and $113,170,000 for the Series A 1993 refunding bonds. 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, 2012, 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	$ 76,780

As of June 30, 2012, the debt service requirements for these bonds are as follows (in thousands of dollars):

Fiscal Year Ended June 30	Principal	Interest	Totals
2013	$ 6,040	$ 3,799	$ 9,839
2014	6,355	3,478	9,833
2015	6,685	3,139	9,824
2016	7,035	2,777	9,812
2017	7,405	2,396	9,801
2018-2022	43,260	5,625	48,885
Totals	$ 76,780	$ 21,214	$ 97,994

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
2013	$ 10,000
2014	10,000
2015	10,000
2016	10,000
2017	10,000
2018-2022	45,000
Total	$ 95,000

Note 12 – Bonds Payable (cont.)

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, 2012, 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
Series C 2010-Refunding	11/10/10	130,390	A 2001	11,135
			A 2002	18,405
			A 2003	111,760

The State Road Bonds issued and outstanding as of June 30, 2012, 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 2005-First Lien	2.50 – 5.00%	5/1; 11/1	7/05	5/1/15	$ 278,660	$ 97,075
Series B 2005-Third Lien	Variable	Variable	7/05	5/1/15	72,000	45,095
Series A 2006-First Lien	3.75 – 5.00%	5/1; 11/1	8/06	5/1/21	296,670	231,670
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	504,680
Series A 2008-Second Lien	3.00 – 5.00%	5/1; 11/1	12/08	5/1/25	142,735	128,240
Series A 2009	2.00 – 5.00%	5/1; 11/1	9/09	5/1/21	195,625	165,935
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	109,730
Series B 2010	4.720 – 5.020%	5/1; 11/1	3/10	5/1/25	56,135	56,135
Series C 2010-Refunding	3.00 – 5.00%	2/1; 8/1	11/10	2/1/23	130,390	130,390
Total Missouri Highways and Transportation Commission					$ 3,430,455	$ 3,071,525

Note 12 – Bonds Payable (cont.)

As of June 30, 2012, 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
2013	$ 153,525	$ 149,349	$ 302,874
2014	162,050	143,402	305,452
2015	169,550	136,783	306,333
2016	168,470	129,749	298,219
2017	195,410	121,908	317,318
2018-2022	1,066,625	458,050	1,524,675
2023-2027	862,630	199,713	1,062,343
2028-2032	250,015	49,044	299,059
2033	43,250	2,355	45,605
Totals	$ 3,071,525	$ 1,390,353	$ 4,461,878

[1] The annual debt service schedule assumes an interest rate of 0.18%, representing the interest rate at June 30, 2012, for the Series B 2005 bonds. During the year, interest rates ranged from 0.04% to 0.25%. Interest is reported net of assumed federal subsidies.

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, 2012, 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
2013	$ 45,693	$ 84,429	$ 130,122
2014	49,983	82,861	132,844
2015	51,670	81,062	132,732
2016	56,726	79,047	135,773
2017	58,003	76,866	134,869
2018-2022	374,729	336,253	710,982
2023-2027	316,082	263,213	579,295
2028-2032	279,355	193,080	472,435
2033-2037	220,836	131,456	352,292
2038-2042	349,215	59,705	408,920
Totals [1]	$ 1,802,292	$ 1,387,972	$ 3,190,264

[1] The bond schedule does not include notes payable, therefore, it differs from the bonds and notes payable amount reported in the statements.

Note 12 – Bonds Payable (cont.)

Non-Major

Missouri Development Finance Board:

In December 2000, the Board issued $6,500,000 in St. Louis Convention Center Hotel Series 2000B, taxable infrastructure facilities revenue bonds and $14,600,000 in St. Louis Convention Center Hotel Series 2000C, tax-exempt infrastructure facilities revenue bonds, respectively for the purpose of paying the costs of acquiring land and constructing a parking garage. Bonds are payable, both principal and interest, out of revenues derived from the operation of the parking garage.

In April 2010, the Board issued $9,000,000 in Seventh Street Garage Series 2010A, tax exempt infrastructure facilities revenue bonds.

The Missouri Development Finance Board Revenue Bonds issued and outstanding as of June 30, 2012, 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 2010A	up to 5.264%	monthly	04/10	05/1/40	9,000	8,986
Total Missouri Development Finance Board Revenue Bonds					$ 30,100	$ 24,336

As of June 30, 2012, 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
2013	$ 172	$ 166	$ 338
2014	180	163	343
2015	189	160	349
2016	195	157	352
2017	204	154	358
2018-2022	16,513	690	17,203
2023-2027	1,438	464	1,902
2028-2032	1,779	344	2,123
2033-2037	2,197	197	2,394
2038-2040	1,469	33	1,502
Totals [1]	$ 24,336	$ 2,528	$ 26,864

[1] The bond schedule does not include notes payable, therefore, it differs from the bonds and notes payable amount reported in the statements.

Note 12 – Bonds Payable (cont.)

The annual debt service schedule assumes an interest rate of 0.211%, representing the interest rate at June 30, 2012, for the Series 2000B and Series 2000C bonds. The annual debt service also assumes an interest rate of 4.25%, representing the interest rate as of June 30, 2012, for the Seventh Street Garage Series 2010A bonds.

Bond Transactions of the State of Missouri – The following schedule is a summary of bond activity for the fiscal year ended June 30, 2012 (in thousands of dollars):

	Governmental Funds		Component Units	
	General Obligation Bonds	Other Bonds	Revenue Bonds	Totals
Bonds Payable at July 1, 2011	$ 487,090	$ 3,880,975	$ ---	$ 4,368,065
Bond Issuance	---	163,145	---	163,145
Bonds Retired	(54,325)	(308,200)	---	(362,525)
Subtotal	432,765	3,735,920	---	4,168,685
College and Universities (1)	---	---	1,802,292	1,802,292
Missouri Development Finance Board	---	---	24,336	24,336
Bonds Payable at June 30, 2012	$ 432,765	$ 3,735,920	$ 1,826,628	$ 5,995,313

(1) Detailed information for college and universities are not shown.

Note 13 – Defeased Debt

A. Current Year Debt Defeasance

On September 27, 2011, the Board of Public Buildings of the State of Missouri issued $143,020,000 in Board of Public Buildings Special Obligation Refunding Bonds, Series A 2011, with an interest rate ranging from 2.25% to 5.00%, to refund $126,850,000 of outstanding Board of Public Buildings, Series A 2001, with interest rates ranging 5.00% to 5.50%, to refund $12,620,000 of outstanding Board of Public Buildings, Series A 2003, with an interest rate of 5.50%, and $3,175,000 of Board of Public Buildings, Series A 2006, with an interest rate of 4.25%. As a result, the bonds are considered to be defeased and the liabilities for the bonds have been removed from the financial statements. As a result of the refunding, the Board reduced its total debt service payments by $12,677,000 to obtain an economic gain (difference between the present values of the old and the new debt service payments) of $19,118,000.

On November 17, 2011, the Health and Educational Facilities Authority of the State of Missouri, issued $20,125,000 in Educational Facilities Refunding Revenue Bonds (University of Missouri – Columbia Arena Project), Series 2011, with an interest rate ranging from 2.00% to 5.00%, to refund $22,770,000 of outstanding Educational Facilities Revenue Bonds (University of Missouri – Columbia Arena Project), Series 2001, with interest rates ranging from 4.10% to 5.00%. As a result of the refunding, the Authority reduced its total debt service payments by $3,645,000 to obtain an economic gain (difference between the present values of the old and the new debt service payments) of $3,226,000.

Note 13 – Defeased Debt (cont.)

On March 29, 2012, University of Central Missouri issued $6,945,000 in Health and Educational Facilities Revenue bonds with an interest rate ranging from 0.70% to 1.75% to refund $6,765,000 of outstanding Student Housing System Energy Savings and Library Facility Series 2002 Bonds, with interest rates ranging from 3.75% to 4.35%. As a result of the refunding, the University of Central Missouri reduced its total debt service payments $395,450 to obtain an economic gain (difference between the present values of the old and the new debt service payments) of $382,686.

On August 3, 2011, the University of Missouri System issued $54,125,000 in Series 2011 System Facilities Revenue Bonds, with an interest rate ranging from 2.00% to 5.00%, to refund $9,985,000 of Series 1998A System Facility Revenue Bonds, with interest rates ranging from 4.70% to 5.00%, $40,635,000 of Series 2001B System Facilities Revenue Bonds with interest rates ranging from 5.00% to 5.38%, and $9,035,000 of Series 2003B System Facilities Revenue Bonds with interest rates ranging from 3.75% to 5.00%. The bond also includes the cost of issuance of the Series 2011 bonds. The all-in-true interest cost of the Series 2011 bonds is 3.20%. As a result of the refunding, the University of Missouri System reduced its total debt service payments $6,665,000 to obtain an economic gain (difference between the present values of the old and the new debt service payments) of $6,463,000.

On May 2, 2012, the University of Missouri System issued $105,155,000 in Series 2012A System Facilities Revenue Bonds, with interest rates ranging from 3.00% to 5.00%, to refund $7,315,000 of Series 2003A Serial Bonds with interest rates ranging from 3.75% to 5.25%, $75,065,000 of Series 2006A Serial Bonds with interest rates ranging from 3.88% to 5.00%, and $33,085,000 of Series 2007A Serial Bonds with interest rates of 5.00%. The bond also includes cost of issuance of the 2012A bonds. The all-in-true cost of the Series 2012A bonds is 1.70%. As a result of the refunding, the University of Missouri System reduced its total debt service payments $32,607,000 to obtain an economic gain (difference between the present values of the old and the new debt service payments) of $17,210,000.

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, 2012, bonds outstanding of $218,840,000 are defeased.

College and Universities – As of June 30, 2012 bonds outstanding of $234,410,000 are defeased.

Note 14 – Payables and Receivables

A summary of accounts payable and accounts receivable at June 30, 2012, is shown below (in thousands of dollars):

	Governmental Activities	Business-Type Activities	Balance June 30, 2012
Accounts Payable:			
Taxpayers	$ 103,512	$ 9	$ 103,521
Other Governments	123,563	5	123,568
Vendors	1,005,385	19,117	1,024,502
Employees	105,487	2,934	108,421
Other	98,736	8	98,744
Total Accounts Payable	$ 1,436,683	$ 22,073	$ 1,458,756
Accounts Receivable with expected date of receipt within one year:			
Taxpayers	$ 1,959,434	$ 1,787	$ 1,961,221
Other Governments	603,202	5,287	608,489
Vendors	742,376	---	742,376
Customers	94,521	237,438	331,959
Other	1,220,026	1,339	1,221,365
	4,619,559	245,851	4,865,410
Accounts Receivable with expected date of receipt greater than one year:			
Vendors	5	---	5
Customers	---	30	30
	5	30	35
Accounts Receivable	4,619,564	245,881	4,865,445
Amounts not expected to be collected	(1,367,156)	(63)	(1,367,219)
Accounts Receivable, net	$ 3,252,408	$ 245,818	$ 3,498,226

Note 15 – Interfund Assets and Liabilities

A summary of interfund assets and liabilities at June 30, 2012, is shown below (in thousands of dollars):

Due to Other Funds, Component Units, and Primary Government	Due From Other Funds, Component Units, and Primary Government: Public Education	Conservation and Environmental Protection	Non-Major Governmental Funds	Unemployment Compensation	Non-Major Enterprise Funds	Internal Service Funds	Totals
General Fund	$ ---	$ ---	$ ---	$ ---	$ 48	$ 17,567	$ 17,615
Public Education	---	---	---	---	---	11	11
Conservation and Environmental Protection	---	---	---	---	31	427	458
Missouri Road Fund	---	---	---	---	---	286	286
Non-Major Governmental Funds	---	---	---	1	6	1,637	1,644
State Lottery	11,806	---	---	---	---	36	11,842
Unemployment Compensation	---	---	1,478	---	---	---	1,478
Petroleum Storage Tank Insurance	---	---	---	---	---	1	1
Non-Major Enterprise Funds	---	---	---	---	---	75	75
Internal Service Funds	---	---	---	---	15	298	313
Non-Major Component Units	---	677	---	---	---	1	678
Totals	$ 11,806	$ 677	$ 1,478	$ 1	$ 100	$ 20,339	$ 34,401

Advance To Component Units and Primary Government	Advance From Component Units and Primary Government: Missouri Road Fund	Non-Major Component Units	Totals
Conservation and Environmental Protection	$ ---	$ 3,742	$ 3,742
Non-Major Component Units	9,086	---	9,086
Totals	$ 9,086	$ 3,742	$ 12,828

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 in governmental activities in the amount of $20,226,000.

The amount reported as “Due from Other Funds” for fiscal year 2012 is significantly less than what was reported in fiscal year 2011. This was due to the fact that amounts due to the Lottery Proceeds Fund from State Lottery went from monthly transfers to weekly transfers.

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, 2012, were as follows (in thousands of dollars):

	Transfers In: General Fund	Public Education	Missouri Road Fund	Non-Major Governmental Funds
Transfers Out:				
General Fund	$ ---	$ 2,664,498	$ ---	$ 247,904
Public Education	32,424	---	---	6
Conservation and Environmental Protection	637	---	---	2,031
Non-Major Governmental Funds	12,422	34,278	499,302	11,609
State Lottery	---	273,532	---	---
Unemployment Compensation	---	---	---	26,997
Non-Major Enterprise Funds	30	---	---	98
Internal Service Funds	37	---	---	5
Totals	$ 45,550	$ 2,972,308	$ 499,302	$ 288,650

Continues Below

	State Lottery	Non-Major Enterprise Funds	Internal Service Funds	Totals
Transfers Out:				
General Fund	$ ---	$ ---	$ 144	$ 2,912,546
Public Education	---	---	---	32,430
Conservation and Environmental Protection	---	---	---	2,668
Non-Major Governmental Funds	---	---	---	557,611
State Lottery	---	---	---	273,532
Unemployment Compensation	---	---	---	26,997
Non-Major Enterprise Funds	---	---	---	128
Internal Service Funds	22	27	5	96
Totals	$ 22	$ 27	$ 149	$ 3,806,008

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 2012, there were transfers of $671,000 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.

Note 17 – Restatements

During fiscal year 2012, 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, 2011 Fund Balance/ Net Assets Previously Reported	Prior Period Adjustments	June 30, 2011 Fund Balance/ Net Assets Restated
GOVERNMENTAL FUNDS			
Major Governmental Funds			
General Fund	$ 1,415,751	$ (111)	$ 1,415,640
Public Education	343,094	(9,372)	333,722
Conservation and Environmental Protection	1,361,454	(10)	1,361,444
Non-Major Governmental Funds			
Special Revenue	469,717	(5,304)	464,413
Permanent	39,869	(18)	39,851
PROPRIETARY FUNDS			
Major Enterprise Funds			
Unemployment Compensation	(472,918)	(18,650)	(491,568)
Non-Major Proprietary Funds			
Enterprise	82,888	(12)	82,876
Internal Service	561,110	(6,856)	554,254
DISCRETELY PRESENTED COMPONENT UNITS			
Non-Major	184,006	(498)	183,508

Breakdown of restatements by type:

- General Fund, the decrease was due to an increase in cash and cash equivalents of $18,000 and a decrease in accounts receivable of $129,000.
- Public Education, the restatement was due to a decrease in due from other funds of $9,372,000 due from a Major Enterprise Fund – State Lottery.
- Conservation and Environmental Protection, the restatement was a decrease in accounts receivable of $10,000.
- Non-major special revenue funds, the restatements were an increase in cash and cash equivalents of $44,000, a decrease in accounts receivable of $5,000, and an increase in accounts payable of $5,343,000.
- Non-major permanent funds, the restatement was a decrease in cash and cash equivalents of $18,000.
- Major enterprise fund unemployment compensation, the restatement was a decrease in accounts receivable of $23,993,000 and a decrease in accounts payable of $5,343,000.
- Non-major enterprise funds, the restatement was a decrease in loans receivable of $13,000 and an increase in capital assets (net of accumulated depreciation/amortization) of $1,000.
- Non-major internal service funds, the restatement was a decrease in cash and cash equivalents of $48,000, a decrease in accounts receivable of $234,000, a decrease in capital assets (net of accumulated depreciation/amortization) of $3,694,000, an increase in accounts payable of $1,005,000, an increase in obligations under lease purchase of $2,880,000, and a decrease in compensated absences of $1,005,000.
- Discretely presented component units – non-major funds, the restatement was a decrease in inventories of $1,000, an increase in capital assets (net of accumulated depreciation/amortization) of $19,000, an increase in accounts payable of $224,000, an increase in deposits and reserves of $101,000, an increase in lease obligation of $17,000, as well as a decrease to fund balance of $174,000 due to the adoption of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* by the Missouri Development Finance Board.

Note 17 – Restatements (cont.)

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) decreased by $1,428,000, the Internal Balance increased by $72,000, accrued interest decreased by $732,000, obligations under lease purchase increased by $1,928,000, and an increase in pollution remediation obligation of $4,000.

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 $72,000.

Note 18 – Fund Deficit

The following funds had a deficit balance:

Enterprise Fund – Petroleum Storage Tank Insurance – At June 30, 2012, this fund had a net asset deficit of $36,253,000. The deficit at June 30, 2011 was $27,664,000. 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, 2012, this fund had a net asset deficit of $350,709,000. The deficit at June 30, 2011 was $491,568,000. The reason for this deficit is the high unemployment rate associated with the recent national economic climate. The prolonged high unemployment made it necessary for the State of Missouri, along with other states, to borrow from the federal government to pay unemployment benefits. Since Missouri has carried a loan balance through January 1st for three consecutive years, the federal government has begun reducing the Federal Unemployment Tax Act (FUTA) tax credit that Missouri employers are allowed to claim on their taxes. Additional tax dollars collected by the federal government as a result of the FUTA tax credit reduction will be used to begin paying down Missouri's loan balance. Missouri projects its current loan balance will be fully repaid in calendar year 2015.

Internal Service Fund – Transportation Self-Insurance Plan Fund – At June 30, 2012, this fund had a net asset deficit of $8,442,000. The deficit at June 30, 2011 was $18,299,000. 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, 2012, total investments of the Plan were $1,140,945,000 and investments in ING Life Insurance and Annuity Company were $258,157,000.

Note 20 – Commitments

Contracts

The Department of Conservation had contracts outstanding of $2,000 for land acquisitions and $3,467,000 for construction contracts at June 30, 2012. 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 $1,325,264,000 outstanding at June 30, 2012. These contracts are paid from capital projects funds with approximately 75% federal reimbursement expected.

The Office of Administration, Division of Facilities Management, Design and Construction, had construction contracts outstanding at June 30, 2012 of $7,942,000. Approximately 78% will be paid from the General Fund, 7% from special revenue funds, 10% from capital projects funds, and 5% from enterprise funds.

On March 10, 1988, the State of Missouri entered into a contract with the United States Army Corps of Engineers confirming an assurance agreement of April 8, 1965. The State obtained rights to a portion of the water supply storage from the Clarence Cannon Dam and Mark Twain Lake Project. The State agreed to pay up to $10.8 million plus interest for the investment costs allocated to the water supply storage, the amount of such payments to be determined by the portion of the water storage space put in use by the State for that purpose. The contract provided a ten year interest free period running from 1984 to 1994. In fiscal year 1995, the State began making interest payments. The interest payment amount for fiscal year 2012 was $364,000. This payment was made in arrears as it was part of a fiscal year 2012 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 $3,321,000 have been made, leaving $109,000 outstanding at June 30, 2012.

As of June 30, 2012, the University of Missouri had outstanding commitments for the usage and ongoing support of the University Health System's information technology environment totaling $139,216,000. The payments are as follows:

2013	$ 16,819,000
2014	17,323,000
2015	17,843,000
2016	18,378,000
2017	18,930,000
thereafter	49,923,000

Truman State University had approximately $14,053,000 in outstanding commitments for various construction contracts at June 30, 2012.

Note 20 – Commitments (cont.)

Southeast Missouri State University had outstanding commitments of approximately $63,500,000 related to construction contracts at June 30, 2012.

Missouri State University had approximately $24,900,000 in outstanding commitments for various construction contracts at June 30, 2012.

University of Central Missouri had approximately $1,620,000 in outstanding commitments related to construction contracts at June 30, 2012.

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.

The Transportation Self-Insurance Plan covers workers' compensation for employees of MoDOT and the State Highway Patrol, and covers vehicle liability and general liability insurance for the employees of MoDOT. The Transportation Self-Insurance Plan is presented as an internal service fund. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Estimated claims payable is based on known claims pending as well as an estimate of IBNR claims from data provided by an actuary. Liabilities are reported at their discounted value, assuming an investment yield of 2%.

The Missouri Consolidated Health Care Plan (MCHCP) provides health care insurance to all state employees, except for MoDOT, the State Highway Patrol, and the Department of Conservation. The Plan is presented as an internal service fund. Estimated claims payable is based on known medical claims pending as well as an estimate of IBNR claims from data provided by an actuary.

The MoDOT and MSHP Medical and Life Insurance Plan (MHPML) accounts for the medical coverage provided on a self-insured basis and life insurance benefits, underwritten by a commercial insurance company, for employees of MoDOT and the State Highway Patrol. The Plan is presented as an internal service fund. Estimated claims payable is based on known insurance claims pending as well as an estimate of IBNR claims from data provided by an actuary.

The Conservation Employees' Insurance Plan (CEIP) provides health care and life insurance to employees of the Department of Conservation. The Plan is presented as an internal service fund. Estimated claims payable is based on known claims pending as well as an estimate of IBNR claims.

Note 21 – Risk Management and Insurance (cont.)

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.

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 6/30/2011	Current Year Claims and Estimated Changes	Claim Payments	Fiscal Year Claims Liability 6/30/2012
OA Workers Compensation Fund	Workers Comp.	$ 15,227	$ 25,382	$ (26,699)	$ 13,910
OA Legal Expense Fund	Liability	1,061	4,870	(2,954)	2,977
Transportation Self-Insurance Plan	Workers Comp. and Liability	89,984	13,292	(15,451)	87,825
MCHCP	Health Care	36,390	216,918	(220,924)	32,384
MHPML	Health Care	11,400	105,676	(105,576)	11,500
CEIP	Health Care	2,326	17,452	(17,128)	2,650
Total Governmental Activities		$ 156,388	$ 383,590	$ (388,732)	$ 151,246
Business-Type Activities					
PSTIF	Contamination Cleanup	$ 103,647	$ 16,989	$ (12,447)	$ 108,189
Component Units					
University of Missouri System	Workers Comp. and Liability	$ 72,949	$ 213,357	$ (216,837)	$ 69,469
Missouri State University	Health Care, Workers Comp. and Liability	1,100	16,302	(16,001)	1,401
Total Component Units		$ 74,049	$ 229,659	$ (232,838)	$ 70,870

Note 21 - Risk Management and Insurance (cont.)

Governmental Activities	Type of Insurance Claims	Fiscal Year Claims Liability 6/30/2010	Current Year Claims and Estimated Changes	Claim Payments	Fiscal Year Claims Liability 6/30/2011
OA Workers Compensation Fund	Workers Comp.	$ 21,610	$ 24,025	$ (30,408)	$ 15,227
OA Legal Expense Fund	Liability	1,230	2,168	(2,337)	1,061
Transportation Self-Insurance Plan	Workers Comp. and Liability	81,561	28,563	(20,140)	89,984
MCHCP	Health Care	41,317	255,623	(260,550)	36,390
MHPML	Health Care	11,800	103,234	(103,634)	11,400
CEIP	Health Care	1,245	17,048	(15,967)	2,326
DOR	Southwestern Bell Lawsuit	16,100	2,912	(19,012)	---
Total Governmental Activities		$ 174,863	$ 433,573	$ (452,048)	$ 156,388
Business-Type Activities					
PSTIF	Contamination Cleanup	$ 106,816	$ 8,733	$ (11,902)	$ 103,647
Component Units					
University of Missouri System	Workers Comp. and Liability	$ 77,501	$ 194,051	$ (198,603)	$ 72,949
Missouri State University	Health Care, Workers Comp. and Liability	1,382	14,063	(14,345)	1,100
Total Component Units		$ 78,883	$ 208,114	$ (212,948)	$ 74,049

*Restated.

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 (DNR) was compelled to assess and oversee the cleanup of contaminated sites subject to federal law under the Resource Conservation and Recovery Act (RCRA), also known as the Superfund Law, administered by the U.S. Environmental Protection Agency (EPA). Under this law, the State is required to pay or ensure payment of 10% of the costs of remediation action and 100% of the costs of operations and maintenance at sites where the party responsible for the contamination is unknown, uncooperative, or insolvent. Similarly, 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 2012, the State was participating in the cleanup of eight Superfund sites. Total pollution remediation obligation for these sites totaled approximately $11.1 million. The basis for these costs are State Superfund contracts that list the estimated cost of cleanup, or actual costs if cleanup is complete, less any payments that have been made to the EPA. Estimated costs will change as actual costs become available. The Hazardous Waste Fund is a component of Conservation and Environmental Protection.

The Missouri Department of Transportation (MoDOT) performed work related to Missouri Department of Natural Resources' requirements for lagoons and a fuel leak. MoDOT is currently involved in remediation activities in three instances related to building and grounds caused by chemical contamination. There is a total remaining obligation of $51,000 as of June 30, 2012. There are also three additional issues with lagoons at rest areas. The potential for pollution remediation exists; however, any future remediation obligations are not yet estimable.

The Office of Administration (OA), Division of Facilities Management, Design and Construction, continued asbestos, mold, and lead abatement and remediation, and fuel spill cleanup in five State sites during fiscal year 2012. Three new sites were added which required asbestos abatement and mold remediation. At the end of the fiscal year, cleanup was not complete in two of the sites, with a total remaining obligation for fuel and asbestos debris cleanup of $5,000. These costs were based on contractual pricing estimates and are subject to change if the pollution remediation requires more time or material than was estimated.

The 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 Resource Conservation and Recovery Act (RCRA), also known as the Superfund Law, 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. At this time, it cannot be determined the Department of Public Safety's portion of the costs for the cleanup of the Pools Prairie Superfund site.

Note 22 – Pollution Remediation and Landfill Closure and Postclosure (cont.)

Changes in the balances of pollution remediation liability (in thousands of dollars) during the current fiscal year are as follows:

Governmental Activities	Type of Pollution Remediation	Fiscal Year Remediation Liability 6/30/2011 *	Current Year Assessments and Estimated Changes	Payments	Fiscal Year Remediation Liability 6/30/2012	Due Within One Year
DNR-Hazardous Waste Fund	Superfund Sites	$ 6,724	$ 4,550	$ (140)	$ 11,134	$ 2,348
MoDOT-Missouri Road Fund	Chemical Contamination	137	6	(92)	51	51
OA-General Revenue Fund	Fuel Spill Remediation	68	---	(64)	4	4
OA-Facilities Maintenance Reserve Fund	Asbestos Abatement and Inspections	---	28	(27)	1	1
OA-Facilities Maintenance Reserve Fund	Mold Remediation and Asbestos Abatement	---	59	(59)	---	---
OA-Adjutant General Federal Fund	Asbestos and Lead Paint Abatement and Demolition	---	341	(341)	---	---
OA-State Highway and Transportation Department Fund	Mold Remediation	---	23	(23)	---	---
Total Governmental Activities		$ 6,929	$ 5,007	$ (746)	$ 11,190	$ 2,404

*Restated.

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, 2012, the Missouri Department of Natural Resources, Solid Waste Program tracked the value of the secured financial assurance instruments held by the State to be $296,922,000. 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, 2012, 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, 2012, it is expected that $2,078,000 will be paid over the remaining monitoring periods. This is the amount of fund balance that has been designated as assigned 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, 2012, the amount of the contingent liabilities was $20.2 million. Changes in the reported liability since June 30, 2011, 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
2011-2012	$ 65,880	$ (37,309)	$ (8,339)	$ 20,232
2010-2011	54,800	14,480	(3,400)	65,880
2009-2010	26,997	31,957	(4,154)	54,800

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, 2012, the amount of liabilities for the Second Injury Fund was $1.6 billion. Changes in the reported liability since June 30, 2011, 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
2011-2012	$ 1,520,089	$ 114,507	$ (37,149)	$ 1,597,447
2010-2011	1,444,064	113,401	(37,376)	1,520,089
2009-2010	1,372,477	111,003	(39,416)	1,444,064

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:

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, 2012, for which the Authority has guaranteed payment is, $838,000 and $2,710,000, respectively. During 2012, 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. At this time, no current liability remains as of June 30, 2012. 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 $26.7 million, of which $14.7 million is related to the General Fund.

The State is also involved in tax litigation not included in the fiscal year 2012 liability amount, where it is reasonably possible that an adverse court decision may incur an estimated loss of $33.2 million.

Education Lawsuits:

School District of Kansas City, Missouri vs. Missouri Board of Fund Commissioners – The Cole County Circuit Court overturned the April 13, 2005, action of the Board of Fund Commissioners to end an offset collected from funds paid to charter schools to pay for leasehold revenue bonds issued by the School District of Kansas City, Missouri, as part of the desegregation remedy. The State of Missouri has been ordered to recoup the funds previously paid to charter schools and return them to the school district within 12 months of the judgment. The Judge ruled on September 29, 2011, that repayment mandated in his initial order would not begin until appeals are exhausted. On September 26, 2011, a Notice of Appeal was filed on behalf of the state defendants to the Missouri Court of Appeals, Western District.

State of Missouri ex rel. Saint Louis Charter School vs. State Board of Education – Petitioner is requesting a Writ of Mandamus ordering DESE to determine pursuant to Section 160.415.5 RSMo, petitioner's claim of underpayment by St. Louis Public Schools. On April 18, 2011, the Cole County Circuit Court denied the charter school's motion for a writ directing DESE to deduct the amount the school claims it was underpaid from future payments to the district. The Cole County Circuit Court entered a finding on July 15, 2011, that no further relief was required by mandamus. Relator Saint Louis Charter School filed notice of appeal on August 22, 2011. The timeline for the submission of briefs has been extended to April 20, 2012.

Tobacco Master Settlement Agreement:

This is a potential reduction in a liability owed to the State by tobacco manufacturers under the Master Settlement Agreement (MSA). The State is currently involved in national arbitration against the manufacturers participating in the MSA over their pending claim for a downward adjustment to their 2004 settlement payments. The manufacturers challenge the enforcement record of 35 settling states. The State's total exposure depends upon the arbitration panel's determination of whether Missouri and the 34 other challenged states diligently enforced their qualifying statues in 2003.

Missouri's total potential exposure is up to the entire amount of the 2004 annual payment from the manufacturers (subject to a later 20% reimbursement). The amount of $0 to $117 million is an estimate, which depends upon many variables. Should Missouri lose the arbitration, the State would lose almost $77 million presently held in a dispute account, and the next annual payment could be reduced by nearly $40 million, plus interest calculated from April 15, 2004. That 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 be taken as a credit against the manufacturers' MSA payments to Missouri in the next or subsequent years. Furthermore, the tobacco manufacturers 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, 2011, is presented below (in thousands of dollars):

Total Assets	$ 258,793
Total Liabilities	$ 155,443
Total Net Assets	103,350
Total Liabilities and Net Assets	$ 258,793
Total Revenues	$ 24,666
Total Expenses	23,999
Net Increase in Net Assets	$ 667

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 major component unit of the State. For the college and universities, except the University of Missouri, the net appreciation of the endowments available for expenditure is $2,448,000, and of this amount, $983,000 is reported as restricted non-expendable net assets, $1,296,000 is reported as restricted expendable net assets, and $169,000 is reported as unrestricted net assets. The University of Missouri reported a net depreciation/amortization of restricted non-expendable net assets in the amount of $19,271,000, 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, 2012, the Missouri Development Finance Board issued $1,308,358,000 in Single Issue Industrial Revenue Bonds and $1,878,705,000 in Public Purpose Capital Improvement and Refunding Leasehold Revenue Bonds. The outstanding balances on these bonds and notes as of June 30, 2012, were approximately $645,928,000 and $889,268,000, 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.

The State Environmental Improvement and Energy Resources Authority, a related organization of the State of Missouri, issues Water Pollution Control and Drinking Water Revenue Bonds on behalf of the Department of Natural Resources. The outstanding balance on these bonds as of June 30, 2012, is $1,088,134,000.

The State of Missouri has no liability for repayment of these revenue bonds beyond the resources provided by related loan programs. The bonds are limited obligations of the State Environmental Improvement and Energy Resources Authority.

Note 27 – Federal Surplus Commodities Inventory

The federal surplus commodities inventory for the Department of Social Services was $21,000 as of June 30, 2012. This inventory is not considered to be an asset of the State and is not included in the financial statements.

Note 28 – Subsequent Events

General Obligation Bonds:

On September 27, 2012, the Board of Fund Commissioners of the State of Missouri issued $62,460,000 of State Water Pollution Control General Obligation Refunding Bonds Series A 2012 and $100,395,000 in Fourth State Building General Obligation Refunding Bonds Series A 2012. The bonds will bear interest from 2.00% to 5.00%, due in semiannual installments beginning April 1, 2013. These refunded Board of Fund Commissioners Bonds in the following amounts: Water Pollution Control Series A 2002 – $3,225,000, Water Pollution Control Series B 2002 – $64,080,000, and Fourth State Building Series A 2002 – $110,535,000.

Other Bonds:

On August 23, 2012, the Board of Public Buildings of the State of Missouri issued $278,835,000 of Special Obligation Refunding Bonds Series A 2012. These bonds will bear interest from 2.00% to 5.00%, due in semiannual installments beginning October 1, 2012. This refunded Board of Public Buildings Bonds Series A 2003 outstanding principal in the amount of $285,380,000.

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 0.13% to 0.21%.

Missouri Western State University:

On November 8, 2012, the Board of Governors issued $20,895,000 of Auxiliary System Refunding and Improvement Revenue Bonds, Series 2012. This will refund the Auxiliary Refunding and Improvement Bonds, Series 2003. The bonds will be secured by the net revenues available for debt services of the University and other funds pledged to the payment of the bonds.

Unemployment Compensation:

With the continued high unemployment, Missouri is borrowing from the federal government in order to pay unemployment benefits. Since June 30, 2012, $7,501,000 has been borrowed. Since Missouri has carried a loan balance through January 1 for three consecutive years, the federal government has begun reducing the Federal Unemployment Tax Act (FUTA) tax credit that Missouri employers are allowed to claim on their taxes. The additional tax dollars collected by the federal government as a result of the FUTA tax credit reduction will be used to begin paying down Missouri’s loan balance.

Mortgage Settlement Agreement:

State of Missouri has joined a national settlement against five major banks which are Bank of America, Citigroup, JPMorgan Chase, Wells Fargo, and Ally Financial for their role in mortgage abuses of which the filing of settlement took place as of March 12, 2012. The State of Missouri is to receive over $40 million for penalties and economic harm caused by the unfair and deceptive conduct. This settlement will be implemented over the next three years.

Note 28 – Subsequent Events (cont.)

Medicaid Settlement:

On July 2, 2012, GlaxoSmithKline agreed to pay $32 million to the State of Missouri for its Medicaid program out of a $3 billion settlement with the United States Department of Justice. This was a result of illegal schemes related to the marketing and pricing of its drugs.

MOSERS Retirement Plan:

The board of trustees of MOSERS voted on July 19, 2012, to reduce the nominal investment return assumption from 8.5% to 8.0% and to adopt assumptions for wage inflation and price inflation of 3.0% and 2.5% respectively, decreases from 4.0% and 3.2% respectively. Also, in connection with the experience study, the board had previously adopted strengthened mortality tables and revised rates of withdrawal and retirement to better reflect recent experience. Other minor changes in demographic assumptions were also adopted, but their collective impact is expected to be negligible.

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, 2012

(In Thousands of Dollars)

	General Fund* Original Budget	Final Budget	Actual	Variance with Final Budget
Beginning Budgetary Fund Balance	$ 1,544,140	$ 1,544,140	$ 1,544,140	$ ---
Resources (Inflows):				
Taxes:				
Sales and Use	1,930,078	1,900,805	1,873,306	(27,499)
Individual Income	6,021,907	5,930,578	5,844,778	(85,800)
Corporate Income	445,693	438,933	432,582	(6,351)
County Foreign Insurance	197,712	194,714	191,897	(2,817)
Beer	8,399	8,271	8,152	(119)
Liquor	21,246	20,924	20,621	(303)
Cigarette	---	---	---	---
Corporation Franchise	72,298	71,202	70,171	(1,031)
Inheritance	176	173	171	(2)
Reimbursement/Miscellaneous	1,342,958	1,322,590	1,303,456	(19,134)
Total Taxes	10,040,467	9,888,190	9,745,134	(143,056)
Licenses, Fees, and Permits	89,317	87,970	86,698	(1,272)
Sales	1,068	1,052	1,037	(15)
Leases and Rentals	43	42	42	---
Services	304,564	304,299	125,709	(178,590)
Contributions and Intergovernmental	8,700,730	8,677,061	8,473,373	(203,688)
Interest	14,778	14,558	14,348	(210)
Penalties and Unclaimed Property	6,058	5,969	5,883	(86)
Cost Reimbursement/Miscellaneous	1,036,707	1,031,819	1,018,076	(13,743)
Proceeds from Bonds	1,923	1,895	1,867	(28)
Transfers In	2,985,110	3,636,778	3,429,007	(207,771)
Total Resources (Inflows)	23,180,765	23,649,633	22,901,174	(748,459)
Amount Available for Appropriation	24,724,905	25,193,773	24,445,314	(748,459)
Charges to Appropriations (Outflows):				
Current:				
General Government	2,123,523	2,157,009	1,849,683	307,326
Education	2,134,821	2,166,013	2,049,406	116,607
Natural and Economic Resources	438,597	503,184	406,555	96,629
Transportation and Law Enforcement	344,950	535,167	380,428	154,739
Human Services	11,787,396	12,406,109	11,589,736	816,373
Debt Service	55,046	55,672	48,462	7,210
Transfers Out	6,314,703	7,002,479	6,847,770	154,709
Total Charges to Appropriations	23,199,036	24,825,633	23,172,040	1,653,593
Ending Budgetary Fund Balance	$ 1,525,869	$ 368,140	$ 1,273,274	$ 905,134
Reconciling Items:				
Reclassifying Cash Equivalents as Investments			(941,870)	
Investments at Fair Value			965,920	
Invested Securities Lending Collateral			28,399	
Receivables, Net			1,744,895	
Due from Other Funds			---	
Due from Component Units			---	
Inventories			24,793	
Advance to Component Units			---	
Accounts Payable			(1,063,662)	
Accrued Payroll			(57,363)	
Due to Other Funds			(17,615)	
Securities Lending Obligation			(28,399)	
Deferred Revenue			(664,592)	
Escheat/Unclaimed Property			(100,187)	
Adjustments:				
Increase to Revenues: Medicaid			1,138,053	
Increase to Expenditures: Medicaid			(1,138,053)	
Fund Balance - GAAP Basis			$ 1,163,593	

	Public Education Original Budget	Final Budget	Actual	Variance with Final Budget
Beginning Budgetary Fund Balance	$ 224,086	$ 224,086	$ 224,086	$ ---
Resources (Inflows):				
Taxes:				
Sales and Use	900,612	900,612	751,656	(148,956)
Individual Income	4,901	4,901	4,090	(811)
Corporate Income	---	---	---	---
County Foreign Insurance	---	---	---	---
Beer	---	---	---	---
Liquor	---	---	---	---
Cigarette	81,188	81,188	67,760	(13,428)
Corporation Franchise	---	---	---	---
Inheritance	---	---	---	---
Reimbursement/Miscellaneous	407,418	407,418	340,034	(67,384)
Total Taxes	1,394,119	1,394,119	1,163,540	(230,579)
Licenses, Fees, and Permits	1,264	1,264	1,055	(209)
Sales	---	---	---	---
Leases and Rentals	---	---	---	---
Services	---	---	---	---
Contributions and Intergovernmental	133,028	133,028	111,027	(22,001)
Interest	1,309	1,309	1,092	(217)
Penalties and Unclaimed Property	4,152	4,152	3,465	(687)
Cost Reimbursement/Miscellaneous	77,419	77,419	64,614	(12,805)
Proceeds from Bonds	---	---	---	---
Transfers In	3,356,608	3,380,576	3,365,364	(15,212)
Total Resources (Inflows)	4,967,899	4,991,867	4,710,157	(281,710)
Amount Available for Appropriation	5,191,985	5,215,953	4,934,243	(281,710)
Charges to Appropriations (Outflows):				
Current:				
General Government	1,171	1,173	603	570
Education	4,361,580	4,355,662	4,323,573	32,089
Natural and Economic Resources	16,120	16,120	4,130	11,990
Transportation and Law Enforcement	155	188	183	5
Human Services	24,512	24,035	21,700	2,335
Debt Service	---	---	---	---
Transfers Out	445,366	429,663	422,473	7,190
Total Charges to Appropriations	4,848,904	4,826,841	4,772,662	54,179
Ending Budgetary Fund Balance	$ 343,081	$ 389,112	$ 161,581	$ (227,531)
Reconciling Items:				
Reclassifying Cash Equivalents as Investments			(118,503)	
Investments at Fair Value			124,600	
Invested Securities Lending Collateral			3,625	
Receivables, Net			116,968	
Due from Other Funds			11,806	
Due from Component Units			---	
Inventories			89	
Advance to Component Units			---	
Accounts Payable			(775)	
Accrued Payroll			(220)	
Due to Other Funds			(11)	
Securities Lending Obligation			(3,625)	
Deferred Revenue			(23,827)	
Escheat/Unclaimed Property			---	
Adjustments:				
Increase to Revenues: Medicaid			---	
Increase to Expenditures: Medicaid			---	
Fund Balance - GAAP Basis			$ 271,708	

	Conservation and Environmental Protection Original Budget	Final Budget	Actual	Variance with Final Budget
Beginning Budgetary Fund Balance	$ 415,084	$ 415,084	$ 415,084	$ ---
Resources (Inflows):				
Taxes:				
Sales and Use	173,960	173,960	181,018	7,058
Individual Income	---	---	---	---
Corporate Income	---	---	---	---
County Foreign Insurance	---	---	---	---
Beer	---	---	---	---
Liquor	---	---	---	---
Cigarette	---	---	---	---
Corporation Franchise	---	---	---	---
Inheritance	---	---	---	---
Reimbursement/Miscellaneous	602	602	627	25
Total Taxes	174,562	174,562	181,645	7,083
Licenses, Fees, and Permits	75,525	75,525	78,590	3,065
Sales	6,986	6,986	7,269	283
Leases and Rentals	208	208	217	9
Services	---	---	---	---
Contributions and Intergovernmental	92,904	92,904	96,673	3,769
Interest	4,450	4,450	4,630	180
Penalties and Unclaimed Property	131	131	136	5
Cost Reimbursement/Miscellaneous	62,737	62,737	65,281	2,544
Proceeds from Bonds	---	---	---	---
Transfers In	21	29	27	(2)
Total Resources (Inflows)	417,524	417,532	434,468	16,936
Amount Available for Appropriation	832,608	832,616	849,552	16,936
Charges to Appropriations (Outflows):				
Current:				
General Government	2,479	2,678	2,467	211
Education	---	---	---	---
Natural and Economic Resources	340,088	632,025	371,692	260,333
Transportation and Law Enforcement	993	993	783	210
Human Services	776	776	625	151
Debt Service	---	---	---	---
Transfers Out	49,006	50,063	43,085	6,978
Total Charges to Appropriations	393,342	686,535	418,652	267,883
Ending Budgetary Fund Balance	$ 439,266	$ 146,081	$ 430,900	$ 284,819
Reconciling Items:				
Reclassifying Cash Equivalents as Investments			(298,486)	
Investments at Fair Value			299,981	
Invested Securities Lending Collateral			23,770	
Receivables, Net			1,024,124	
Due from Other Funds			---	
Due from Component Units			677	
Inventories			562	
Advance to Component Units			3,742	
Accounts Payable			(3,353)	
Accrued Payroll			(4,487)	
Due to Other Funds			(458)	
Securities Lending Obligation			(23,770)	
Deferred Revenue			(14,242)	
Escheat/Unclaimed Property			---	
Adjustments:				
Increase to Revenues: Medicaid			---	
Increase to Expenditures: Medicaid			---	
Fund Balance - GAAP Basis			$ 1,438,960	

*Beginning balance was restated due to a restatement of cash and cash equivalents.

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, 2012, 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/pdffiles/AAR2012.pdf. The "original budget" expenditures and transfers are for what was originally appropriated for each fund. The "final budget" expenditures and transfers takes into account any increases and decreases to appropriations during the fiscal year less the Governor's amounts reverted (withheld) for each fund less any reappropriations to the next fiscal year.

Once a year, the Office of Administration-Division of Budget and Planning receives budgeted revenues from state agencies for each of their funds as well as a revised revenue estimate in the spring for the State's General Revenue Fund. The revised revenue estimate is used in the "final budget" column for the General Fund and is very comparable to actual revenue resulting in a small negative variance on this Schedule.

In accordance with State statute, all state funds must have an appropriation before amounts can be expended or transferred to another state fund; therefore, variances between "budgeted" and "actual" expenditures on the budgetary schedule will always be positive.

For budget purposes, interfund activity is not eliminated. A summary of interfund eliminations at June 30, 2012, is shown below (in thousands):

	Final Transfer		Actual Transfer	
	In	Out	In	Out
GENERAL FUND	$ 3,045,769	$ (3,045,769)	$ 2,922,264	$ (2,922,264)
SPECIAL REVENUE FUNDS				
Public Education	392,531	(392,531)	386,542	(386,542)
TOTAL	$ 3,438,300	$ (3,438,300)	$ 3,308,806	$ (3,308,806)

Budgetary Control:

Budgetary control is maintained at the departmental level; each Department of the Missouri government formulates a budget to be submitted for approval by the General Assembly prior to the beginning of the fiscal year. These budgets are prepared essentially on the cash basis. The legislature reviews, revises, and legally adopts these budgets. The Governor then has the authority to approve or veto each budget, subject to legislative override.

Budgeted expenditures cannot exceed estimated revenues and other sources of funding, including beginning fund balances. In the event that actual revenues are insufficient to cover budgeted expenditures, the Governor must order budget reductions or call a special session of the legislature to address the issue.

Unexpended appropriations lapse at the end of each appropriation year, unless reappropriated to the following appropriation year.

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, 2012
(In Thousands of Dollars)

	Missouri Road Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Beginning Budgetary Fund Balance	$ 1,458,546	$ 1,458,546	$ 1,458,546	$ ---
Resources (Inflows):				
Taxes:				
Vehicle Sales and Use	108,290	108,290	116,649	8,359
Fuel	107	107	148	41
Total Taxes	108,397	108,397	116,797	8,400
Licenses, Fees, and Permits	86,823	86,823	99,272	12,449
Contributions and Intergovernmental	886,938	830,526	865,166	34,640
Interest	10,209	10,209	8,714	(1,495)
Cost Reimbursment/Miscellaneous	138,352	138,352	141,366	3,014
Transfers In	616,956	616,956	588,810	(28,146)
Total Resources (Inflows)	1,847,675	1,791,263	1,820,125	28,862
Amount Available for Appropriation	3,306,221	3,249,809	3,278,671	28,862
Charges to Appropriations (Outflows):				
Current:				
Transportation and Law Enforcement	802,236	858,592	819,184	39,408
Capital Outlay				
Transportation and Law Enforcement	1,130,608	1,210,031	1,154,493	55,538
Debt Service	183,327	183,327	183,327	---
Total Charges to Appropriations	2,116,171	2,251,950	2,157,004	94,946
Ending Budgetary Fund Balance	$ 1,190,050	$ 997,859	$ 1,121,667	$ 123,808
Reconciling Items:				
Reclassifying Cash Equivalents as Investments			(759,192)	
Investments at Fair Value			760,879	
Invested Securities Lending Collateral			23,676	
Receivables, Net			120,826	
Inventories			45,789	
Accounts Payable			(111,910)	
Accrued Payroll			(15,400)	
Due to Other Funds			(286)	
Securities Lending Obligation			(23,676)	
Deferred Revenue			(44,218)	
Advance from Component Units			(9,086)	
Fund Balance - GAAP Basis			$ 1,109,069	

*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, 2012
(In Thousands of Dollars)

	General Fund		Totals
	General	Federal	June 30, 2012
ASSETS			
Cash and Cash Equivalents	$ 246,846	$ 84,558	$ 331,404
Investments	719,813	246,107	965,920
Invested Securities Lending Collateral	20,998	7,401	28,399
Accounts Receivable, Net	965,613	738,900	1,704,513
Interest Receivable	3,889	80	3,969
Inventories	23,226	1,567	24,793
Loans Receivable	36,413	---	36,413
Total Assets	$ 2,016,798	$ 1,078,613	$ 3,095,411
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	$ 493,535	$ 570,127	$ 1,063,662
Accrued Payroll	40,320	17,043	57,363
Due to Other Funds	14,805	2,810	17,615
Securities Lending Obligation	20,998	7,401	28,399
Deferred Revenue	514,965	149,627	664,592
Escheat/Unclaimed Property	100,187	---	100,187
Total Liabilities	1,184,810	747,008	1,931,818
Fund Balances:			
Nonspendable	59,639	1,567	61,206
Restricted	6,895	330,038	336,933
Committed	504,569	---	504,569
Assigned	65,122	---	65,122
Unassigned	195,763	---	195,763
Total Fund Balances	831,988	331,605	1,163,593
Total Liabilities and Fund Balances	$ 2,016,798	$ 1,078,613	$ 3,095,411

STATE OF MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND
For the Fiscal Year Ended June 30, 2012
(In Thousands of Dollars)

	General Fund			Totals
	General	Federal	Eliminations	June 30, 2012
Revenues:				
Taxes	$ 7,440,009	$ ---	$ ---	$ 7,440,009
Licenses, Fees, and Permits	86,341	510	---	86,851
Sales	514	18	---	532
Leases and Rentals	42	---	---	42
Services	6,558	112,361	---	118,919
Contributions and Intergovernmental	1,506,128	8,367,709	---	9,873,837
Investment Earnings:				
Net Increase (Decrease) in the Fair Value of Investments	4,449	660	---	5,109
Interest	14,680	276	---	14,956
Penalties and Unclaimed Properties	41,994	199	---	42,193
Cost Reimbursement/Miscellaneous	279,136	206,571	---	485,707
Total Revenues	9,379,851	8,688,304	---	18,068,155
Expenditures:				
Current:				
General Government	569,305	88,923	---	658,228
Education	976,594	1,078,431	---	2,055,025
Natural and Economic Resources	70,604	375,239	---	445,843
Transportation and Law Enforcement	111,554	374,495	---	486,049
Human Services	5,110,394	6,655,362	---	11,765,756
Debt Service:				
Principal	16,371	1,018	---	17,389
Interest	31,128	132	---	31,260
Bond Issuance Cost	425	---	---	425
Underwriter's Discount	2,074	---	---	2,074
Total Expenditures	6,888,449	8,573,600	---	15,462,049
Excess Revenues (Expenditures)	2,491,402	114,704	---	2,606,106
Other Financing Sources (Uses):				
Proceeds from Capital Leases	182	1,057	---	1,239
Issuance of Refunding Bonds	163,145	---	---	163,145
Payments to Escrow Agents	(168,589)	---	---	(168,589)
Bond Premium	7,944	---	---	7,944
Proceeds from Sale of Capital Assets	797	98	---	895
Transfers In	459,704	256,811	(670,965)	45,550
Transfers Out	(3,006,574)	(576,937)	670,965	(2,912,546)
Total Other Financing Sources (Uses)	(2,543,391)	(318,971)	---	(2,862,362)
Net Change in Fund Balances	(51,989)	(204,267)	---	(256,256)
Fund Balances – Beginning	880,472	535,168	---	1,415,640
Increase (Decrease) in Reserve for Inventory	3,505	704	---	4,209
Fund Balances – Ending	$ 831,988	$ 331,605	$ ---	$ 1,163,593

STATE OF MISSOURI
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
June 30, 2012
(In Thousands of Dollars)

	Special Revenue	Debt Service	Capital Projects	Permanent	Totals June 30, 2012
ASSETS					
Cash and Cash Equivalents	$ 125,911	$ 37,292	$ 4,709	$ 592	$ 168,504
Investments	265,384	72,443	14,351	41,081	393,259
Invested Securities Lending Collateral	7,768	6,818	437	55	15,078
Accounts Receivable, Net	175,882	10,624	55	---	186,561
Interest Receivable	547	159	43	1	750
Due from Other Funds	1,478	---	---	---	1,478
Inventories	3,612	---	7	---	3,619
Loans Receivable	2,839	---	---	---	2,839
Total Assets	$ 583,421	$ 127,336	$ 19,602	$ 41,729	$ 772,088
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	$ 65,898	$ 22	$ 69	$ ---	$ 65,989
Accrued Payroll	10,465	---	208	---	10,673
Due to Other Funds	1,428	---	216	---	1,644
Securities Lending Obligation	7,768	6,818	437	55	15,078
Deferred Revenue	10,031	80	31	1	10,143
Total Liabilities	95,590	6,920	961	56	103,527
Fund Balances:					
Nonspendable	6,451	---	7	41,569	48,027
Restricted	203,183	120,416	18,634	---	342,233
Committed	34,705	---	---	---	34,705
Assigned	243,492	---	---	104	243,596
Total Fund Balances	487,831	120,416	18,641	41,673	668,561
Total Liabilities and Fund Balances	$ 583,421	$ 127,336	$ 19,602	$ 41,729	$ 772,088

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, 2012
(In Thousands of Dollars)

	Special Revenue	Debt Service	Capital Projects	Permanent	Totals June 30, 2012
Revenues:					
Taxes	$ 933,382	$ 108,930	$ ---	$ ---	$ 1,042,312
Licenses, Fees, and Permits	386,541	---	---	---	386,541
Sales	1,213	---	---	---	1,213
Leases and Rentals	86	---	---	---	86
Services	138	---	---	---	138
Contributions and Intergovernmental	238,549	5,338	680	---	244,567
Investment Earnings:					
Net Increase (Decrease) in the Fair Value of Investments	516	212	38	(43)	723
Interest	1,802	844	125	3	2,774
Penalties and Unclaimed Properties	4,042	---	---	1,862	5,904
Cost Reimbursement/Miscellaneous	59,021	---	39	---	59,060
Total Revenues	1,625,290	115,324	882	1,822	1,743,318
Expenditures:					
Current:					
General Government	225,311	---	230	---	225,541
Education	2,683	---	---	---	2,683
Natural and Economic Resources	201,827	---	2,541	---	204,368
Transportation and Law Enforcement	287,908	---	4,542	---	292,450
Human Services	537,249	---	4	---	537,253
Capital Outlay:					
General Government	---	---	3	---	3
Transportation and Law Enforcement	---	---	2,685	---	2,685
Debt Service:					
Principal	923	79,790	---	---	80,713
Interest	148	103,427	---	---	103,575
Bond Issuance Costs	---	173	---	---	173
Total Expenditures	1,256,049	183,390	10,005	---	1,449,444
Excess Revenues (Expenditures)	369,241	(68,066)	(9,123)	1,822	293,874
Other Financing Sources (Uses):					
Proceeds from Capital Leases	481	---	---	---	481
Proceeds from Sale of Capital Assets	5,345	---	1	---	5,346
Transfers In	206,126	76,524	6,000	---	288,650
Transfers Out	(557,611)	---	---	---	(557,611)
Total Other Financing Sources (Uses)	(345,659)	76,524	6,001	---	(263,134)
Net Change in Fund Balances	23,582	8,458	(3,122)	1,822	30,740
Fund Balances - Beginning	464,413	111,958	21,756	39,851	637,978
Increase (Decrease) in Reserve for Inventory	(164)	---	7	---	(157)
Fund Balances - Ending	$ 487,831	$ 120,416	$ 18,641	$ 41,673	$ 668,561

*The **Special Revenue Funds** account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The State has numerous individual Special Revenue Funds. Therefore, the funds have been combined into specific functional areas.*

Non-Major Special Revenue Funds:

Professional Registration – Provides for the control and regulation of various professions. Each profession has its own fund to account for its operation.

Judicial Protection and Assistance – Provides for protection of public employees by the Attorney General's Office, conviction of criminal offenders by prosecuting attorneys and assistance to victims of criminal offenses.

Agriculture and State Fair – Provides for inspections of products, market development, and awards for competition at the State Fair.

Social Assistance – Provides financial, health, and other services to qualifying individuals.

Transportation and Law Enforcement – Provides transportation services, road construction and maintenance, and the enforcement of vehicle laws and traffic safety.

Unemployment and Workers' Compensation – Provides for the administration of these laws and benefits to workers who qualify for workers' compensation.

Reimbursements and Other – Provides various reimbursements of costs to other governments and various regulatory commissions not included in other functional areas.

STATE OF MISSOURI
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
June 30, 2012
(In Thousands of Dollars)

	Professional Registration	Judicial Protection and Assistance	Agriculture and State Fair	Social Assistance	Transportation and Law Enforcement	Unemployment and Workers' Compensation	Reimbursements and Other	Totals June 30, 2012
ASSETS								
Cash and Cash Equivalents	$ 12,607	$ 6,907	$ 2,419	$ 23,169	$ 54,093	$ 16,909	$ 9,807	$ 125,911
Investments	38,503	21,051	9,910	70,270	44,446	51,649	29,555	265,384
Invested Securities Lending Collateral	1,158	633	197	2,109	1,230	1,553	888	7,768
Accounts Receivable, Net	---	1,769	132	7,235	154,034	11,447	1,265	175,882
Interest Receivable	---	44	15	160	113	127	88	547
Due from Other Funds	---	---	---	---	---	1,478	---	1,478
Inventories	26	20	8	20	3,416	---	122	3,612
Loans Receivable	---	---	322	---	2,517	---	---	2,839
Total Assets	$ 52,294	$ 30,424	$ 13,003	$ 102,963	$ 259,849	$ 83,163	$ 41,725	$ 583,421
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts Payable	$ 846	$ 936	$ 135	$ 31,674	$ 3,291	$ 23,415	$ 5,601	$ 65,898
Accrued Payroll	212	357	271	288	6,696	395	2,246	10,465
Due to Other Funds	23	324	32	28	880	59	82	1,428
Securities Lending Obligation	1,158	633	197	2,109	1,230	1,553	888	7,768
Deferred Revenue	---	32	10	143	7,810	1,835	201	10,031
Total Liabilities	2,239	2,282	645	34,242	19,907	27,257	9,018	95,590
Fund Balances:								
Nonspendable	26	20	330	20	5,933	---	122	6,451
Restricted	---	24,740	5,762	47,883	44,256	55,906	24,636	203,183
Committed	13,284	260	755	19,062	1,273	---	71	34,705
Assigned	36,745	3,122	5,511	1,756	188,480	---	7,878	243,492
Total Fund Balances	50,055	28,142	12,358	68,721	239,942	55,906	32,707	487,831
Total Liabilities and Fund Balances	$ 52,294	$ 30,424	$ 13,003	$ 102,963	$ 259,849	$ 83,163	$ 41,725	$ 583,421

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, 2012
(In Thousands of Dollars)

	Professional Registration	Judicial Protection and Assistance	Agriculture and State Fair	Social Assistance	Transportation and Law Enforcement	Unemployment and Workers' Compensation	Reimbursements and Other	Totals June 30, 2012
Revenues:								
Taxes	$ 159	$ ---	$ 3,977	$ 110,727	$ 764,064	$ 54,354	$ 101	$ 933,382
Licenses, Fees, and Permits	18,791	35,955	9,293	20,661	195,775	---	106,066	386,541
Sales	---	---	5	734	---	---	474	1,213
Leases and Rentals	---	---	---	86	---	---	---	86
Services	---	126	---	5	---	---	7	138
Contributions and Intergovernmental	---	516	166	236,448	14	1,326	79	238,549
Investment Earnings:								
Net Increase (Decrease) in the Fair Value of Investments	103	57	(150)	191	97	138	80	516
Interest	---	110	30	516	537	343	266	1,802
Penalties and Unclaimed Properties	197	833	---	63	587	1,903	459	4,042
Cost Reimbursement/ Miscellaneous	195	1,521	124	34,717	1,954	573	19,937	59,021
Total Revenues	19,445	39,118	13,445	404,148	963,028	58,637	127,469	1,625,290
Expenditures:								
Current:								
General Government	172	13,181	70	1,990	199,090	4,368	6,440	225,311
Education	1,049	129	1	1,479	1	20	4	2,683
Natural and Economic Resources	15,791	12	10,868	3,570	432	89,897	81,257	201,827
Transportation and Law Enforcement	---	21,653	10	3,957	237,417	17	24,854	287,908
Human Services	---	---	10	533,096	6	276	3,861	537,249
Debt Service:								
Principal	---	23	---	---	91	168	641	923
Interest	---	3	---	---	13	52	80	148
Total Expenditures	17,012	35,001	10,959	544,092	437,050	94,798	117,137	1,256,049
Excess Revenues (Expenditures)	2,433	4,117	2,486	(139,944)	525,978	(36,161)	10,332	369,241
Other Financing Sources (Uses):								
Proceeds from Capital Leases	---	---	---	---	481	---	---	481
Proceeds from Sale of Capital Assets	2	21	---	---	5,296	1	25	5,345
Transfers In	5	1,224	---	154,155	98	26,997	23,647	206,126
Transfers Out	(920)	---	---	(11,961)	(499,807)	(50)	(44,873)	(557,611)
Total Other Financing Sources (Uses)	(913)	1,245	---	142,194	(493,932)	26,948	(21,201)	(345,659)
Net Change in Fund Balances	1,520	5,362	2,486	2,250	32,046	(9,213)	(10,869)	23,582
Fund Balances – Beginning	48,535	22,804	9,867	66,452	208,012	65,119	43,624	464,413
Increase (Decrease) in Reserve for Inventory	---	(24)	5	19	(116)	---	(48)	(164)
Fund Balances – Ending	$ 50,055	$ 28,142	$ 12,358	$ 68,721	$ 239,942	$ 55,906	$ 32,707	$ 487,831

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, 2012
(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:												
Sales and Use	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---
Cigarette	---	---	---	---	---	---	---	---	---	39,748	37,158	(2,590)
Fuel	---	---	---	---	---	---	---	---	---	---	---	---
County Foreign Insurance	---	---	---	---	---	---	---	---	---	---	---	---
Liquor/Wine	---	---	---	---	---	---	3,341	3,977	636	---	---	---
Reimbursement/Miscellaneous	161	160	(1)	---	---	---	---	---	---	55,185	51,589	(3,596)
Total Taxes	161	160	(1)	---	---	---	3,341	3,977	636	94,933	88,747	(6,186)
Licenses, Fees, and Permits	18,935	18,807	(128)	37,925	36,022	(1,903)	7,830	9,319	1,489	22,153	20,709	(1,444)
Leases and Rentals	---	---	---	---	---	---	---	---	---	92	86	(6)
Sales	---	---	---	---	---	---	4	5	1	785	734	(51)
Services	---	---	---	133	126	(7)	---	---	---	5	4	(1)
Contributions and Intergovernmental	6	6	---	2,179	2,069	(110)	158	188	30	261,604	244,557	(17,047)
Interest	---	---	---	109	104	(5)	25	30	5	525	491	(34)
Penalties and Unclaimed Property	198	197	(1)	877	833	(44)	---	---	---	29	28	(1)
Cost Reimbursement/ Miscellaneous	151	150	(1)	1,624	1,543	(81)	105	125	20	46,478	43,452	(3,026)
Total Revenues	19,451	19,320	(131)	42,847	40,697	(2,150)	11,463	13,644	2,181	426,604	398,808	(27,796)
Expenditures:												
Current:												
General Government	19	10	9	16,917	12,305	4,612	124	91	33	6,377	4,577	1,800
Education	1,117	1,052	65	---	---	---	---	---	---	2,883	1,773	1,110
Natural and Economic Resources	9,819	7,603	2,216	290	12	278	11,020	8,621	2,399	4,725	3,474	1,251
Transportation and Law Enforcement	---	---	---	36,752	23,070	13,682	---	---	---	6,291	3,481	2,810
Human Services	---	---	---	---	---	---	---	---	---	412,327	373,330	38,997
Debt Service	---	---	---	9	---	9	---	---	---	---	---	---
Total Expenditures	10,955	8,665	2,290	53,968	35,387	18,581	11,144	8,712	2,432	432,603	386,635	45,968
Excess Revenues (Expenditures)	8,496	10,655	2,159	(11,121)	5,310	16,431	319	4,932	4,613	(5,999)	12,173	18,172
Other Financing Sources (Uses):												
Transfers In	46	7	(39)	1,360	1,283	(77)	---	---	---	167,410	159,692	(7,718)
Transfers Out	(12,045)	(9,205)	2,840	(2,108)	(2,031)	77	(2,685)	(2,399)	286	(246,611)	(169,474)	77,137
Total Other Financing Sources (Uses)	(11,999)	(9,198)	2,801	(748)	(748)	---	(2,685)	(2,399)	286	(79,201)	(9,782)	69,419
Net Change in Fund Balances	(3,503)	1,457	4,960	(11,869)	4,562	16,431	(2,366)	2,533	4,899	(85,200)	2,391	87,591
Fund Balances - Beginning	49,550	49,550	---	23,338	23,338	---	6,339	6,339	---	90,739	90,739	---
Fund Balances - Ending	$ 46,047	$ 51,007	$ 4,960	$ 11,469	$ 27,900	$ 16,431	$ 3,973	$ 8,872	$ 4,899	$ 5,539	$ 93,130	$ 87,591
Reconciling Items:												
Reclassifying Cash Equivalents as Investments		(38,400)			(20,993)			(6,453)			(69,961)	
Investments at Fair Value		38,503			21,051			9,910			70,270	
Invested Securities Lending Collateral		1,158			633			197			2,109	
Receivables, Net		---			1,813			469			7,395	
Due from Other Funds		---			---			---			---	
Inventories		26			20			8			20	
Accounts Payable		(846)			(936)			(135)			(31,674)	
Accrued Payroll		(212)			(357)			(271)			(288)	
Due to Other Funds		(23)			(324)			(32)			(28)	
Securities Lending Obligation		(1,158)			(633)			(197)			(2,109)	
Deferred Revenue		---			(32)			(10)			(143)	
Fund Balance per GAAP		$ 50,055			$ 28,142			$ 12,358			$ 68,721	

*Beginning balance was restated due to a restatement of cash and cash equivalents.

This schedule is continued on pages 116-117.

	Transportation and Law Enforcement			Unemployment and Workers' Compensation			Reimbursements and Other*			Totals		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:												
Taxes:												
Sales and Use	$ 63,240	$ 62,884	$ (356)	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ 63,240	$ 62,884	$ (356)
Cigarette	---	---	---	---	---	---	---	---	---	39,748	37,158	(2,590)
Fuel	712,644	708,630	(4,014)	---	---	---	---	---	---	712,644	708,630	(4,014)
County Foreign Insurance	---	---	---	---	---	---	104	101	(3)	104	101	(3)
Liquor/Wine	---	---	---	---	---	---	---	---	---	3,341	3,977	636
Reimbursement/Miscellaneous	25,389	25,246	(143)	52,161	55,155	2,994	72	69	(3)	132,968	132,219	(749)
Total Taxes	801,273	796,760	(4,513)	52,161	55,155	2,994	176	170	(6)	952,045	944,969	(7,076)
Licenses, Fees and Permits	194,289	193,194	(1,095)	---	---	---	110,050	106,302	(3,748)	391,182	384,353	(6,829)
Leases and Rentals	---	---	---	---	---	---	---	---	---	92	86	(6)
Sales	5,159	5,130	(29)	---	---	---	535	516	(19)	6,483	6,385	(98)
Services	---	---	---	---	---	---	7	7	---	145	137	(8)
Contributions and Intergovernmental	1,363	1,355	(8)	958	1,013	55	101	98	(3)	266,369	249,286	(17,083)
Interest	535	532	(3)	22,821	24,131	1,310	270	261	(9)	24,285	25,549	1,264
Penalties and Unclaimed Property	482	480	(2)	4,871	5,150	279	476	460	(16)	6,933	7,148	215
Cost Reimbursement/ Miscellaneous	2,068	2,056	(12)	697	737	40	20,983	20,268	(715)	72,106	68,331	(3,775)
Total Revenues	1,005,169	999,507	(5,662)	81,508	86,186	4,678	132,598	128,082	(4,516)	1,719,640	1,686,244	(33,396)
Expenditures:												
Current:												
General Government	216,017	206,803	9,214	10,014	3,512	6,502	9,228	5,082	4,146	258,696	232,380	26,316
Education	---	---	---	---	---	---	---	---	---	4,000	2,825	1,175
Natural and Economic Resources	---	---	---	57,849	47,591	10,258	78,647	67,027	11,620	162,350	134,328	28,022
Transportation and Law Enforcement	286,151	255,205	30,946	---	---	---	24,537	22,122	2,415	353,731	303,878	49,853
Human Services	---	---	---	---	---	---	3,979	2,388	1,591	416,306	375,718	40,588
Debt Service	58	52	6	28,267	23,254	5,013	90	---	90	28,424	23,306	5,118
Total Expenditures	502,226	462,060	40,166	96,130	74,357	21,773	116,481	96,619	19,862	1,223,507	1,072,435	151,072
Excess Revenues (Expenditures)	502,943	537,447	34,504	(14,622)	11,829	26,451	16,117	31,463	15,346	496,133	613,809	117,676
Other Financing Sources (Uses):												
Transfers In	563,144	531,435	(31,709)	1	1	---	25,487	24,117	(1,370)	757,448	716,535	(40,913)
Transfers Out	(1,100,783)	(1,039,319)	61,464	(7,418)	(6,140)	1,278	(67,643)	(64,065)	3,578	(1,439,293)	(1,292,633)	146,660
Total Other Financing Sources (Uses)	(537,639)	(507,884)	29,755	(7,417)	(6,139)	1,278	(42,156)	(39,948)	2,208	(681,845)	(576,098)	105,747
Net Change in Fund Balances	(34,696)	29,563	64,259	(22,039)	5,690	27,729	(26,039)	(8,485)	17,554	(185,712)	37,711	223,423
Fund Balances - Beginning	64,911	64,911	---	62,729	62,729	---	47,752	47,752	---	345,358	345,358	---
Fund Balances - Ending	$ 30,215	$ 94,474	$ 64,259	$ 40,690	$ 68,419	$ 27,729	$ 21,713	$ 39,267	$ 17,554	$ 159,646	$ 383,069	$ 223,423
Reconciling Items:												
Reclassifying Cash Equivalents as Investments		(40,381)			(51,510)			(29,460)			(257,158)	
Investments at Fair Value		44,446			51,649			29,555			265,384	
Invested Securities Lending Collateral		1,230			1,553			888			7,768	
Receivables, Net		156,664			11,574			1,353			179,268	
Due from Other Funds		---			1,478			---			1,478	
Inventories		3,416			---			122			3,612	
Accounts Payable		(3,291)			(23,415)			(5,601)			(65,898)	
Accrued Payroll		(6,696)			(395)			(2,246)			(10,465)	
Due to Other Funds		(880)			(59)			(82)			(1,428)	
Securities Lending Obligation		(1,230)			(1,553)			(888)			(7,768)	
Deferred Revenue		(7,810)			(1,835)			(201)			(10,031)	
Fund Balance per GAAP		$ 239,942			$ 55,906			$ 32,707			$ 487,831	

*Beginning balance was restated due to a restatement of cash and cash equivalents.

This schedule is continued from pages 114-115.

*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, 2012
(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, 2012
ASSETS						
Cash and Cash Equivalents	$ 13,945	$ 1,967	$ 9,085	$ 2,082	$ 10,213	$ 37,292
Investments	26,250	3,703	17,100	3,920	21,470	72,443
Invested Securities Lending Collateral	3,167	447	2,063	473	668	6,818
Accounts Receivable, Net	---	---	---	---	10,624	10,624
Interest Receivable	58	8	37	8	48	159
Total Assets	$ 43,420	$ 6,125	$ 28,285	$ 6,483	$ 43,023	$ 127,336
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	$ ---	$ ---	$ ---	$ ---	$ 22	$ 22
Securities Lending Obligation	3,167	447	2,063	473	668	6,818
Deferred Revenue	42	5	27	6	---	80
Total Liabilities	3,209	452	2,090	479	690	6,920
Fund Balances:						
Restricted	40,211	5,673	26,195	6,004	42,333	120,416
Total Fund Balances	40,211	5,673	26,195	6,004	42,333	120,416
Total Liabilities and Fund Balances	$ 43,420	$ 6,125	$ 28,285	$ 6,483	$ 43,023	$ 127,336

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
For the Fiscal Year Ended June 30, 2012
(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, 2012
Revenues:						
Taxes	$ ---	$ ---	$ ---	$ ---	$ 108,930	$ 108,930
Contributions and Intergovernmental	---	---	---	---	5,338	5,338
Investment Earnings:						
Net Increase (Decrease) in the Fair Value of Investments	87	12	57	13	43	212
Interest	329	41	149	34	291	844
Total Revenues	416	53	206	47	114,602	115,324
Expenditures:						
Debt Service:						
Principal	37,335	5,185	9,415	2,390	25,465	79,790
Interest	11,980	375	7,859	1,542	81,671	103,427
Bond Issuance Costs	---	---	---	---	173	173
Total Expenditures	49,315	5,560	17,274	3,932	107,309	183,390
Excess Revenues (Expenditures)	(48,899)	(5,507)	(17,068)	(3,885)	7,293	(68,066)
Other Financing Sources (Uses):						
Transfers In	39,374	5,414	25,816	5,920	---	76,524
Total Other Financing Sources (Uses)	39,374	5,414	25,816	5,920	---	76,524
Net Change in Fund Balances	(9,525)	(93)	8,748	2,035	7,293	8,458
Fund Balances - Beginning	49,736	5,766	17,447	3,969	35,040	111,958
Fund Balances - Ending	$ 40,211	$ 5,673	$ 26,195	$ 6,004	$ 42,333	$ 120,416

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, 2012
(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	908	321	(587)	262	40	(222)	344	142	(202)	76	32	(44)
Total Revenues	908	321	(587)	262	40	(222)	344	142	(202)	76	32	(44)
Expenditures:												
Debt Service	49,315	49,315	---	5,561	5,561	---	17,274	17,274	---	3,932	3,932	---
Total Expenditures	49,315	49,315	---	5,561	5,561	---	17,274	17,274	---	3,932	3,932	---
Excess Revenues (Expenditures)	(48,407)	(48,994)	(587)	(5,299)	(5,521)	(222)	(16,930)	(17,132)	(202)	(3,856)	(3,900)	(44)
Other Financing Sources (Uses):												
Transfers In	30,629	39,373	8,744	5,618	5,413	(205)	25,986	25,816	(170)	14,871	5,920	(8,951)
Total Other Financing Sources (Uses)	30,629	39,373	8,744	5,618	5,413	(205)	25,986	25,816	(170)	14,871	5,920	(8,951)
Net Change in Fund Balances	(17,778)	(9,621)	8,157	319	(108)	(427)	9,056	8,684	(372)	11,015	2,020	(8,995)
Fund Balances - Beginning	49,729	49,729	---	5,766	5,766	---	17,445	17,445	---	3,969	3,969	---
Fund Balances - Ending	$ 31,951	$ 40,108	$ 8,157	$ 6,085	$ 5,658	$ (427)	$ 26,501	$ 26,129	$ (372)	$ 14,984	$ 5,989	$ (8,995)
Reconciling Items:												
Reclassifying Cash Equivalents as Investments		(26,163)			(3,691)			(17,044)			(3,907)	
Investments at Fair Value		26,250			3,703			17,100			3,920	
Invested Securities Lending Collateral		3,167			447			2,063			473	
Receivables, Net		58			8			37			8	
Accounts Payable		---			---			---			---	
Securities Lending Obligation		(3,167)			(447)			(2,063)			(473)	
Deferred Revenues		(42)			(5)			(27)			(6)	
Fund Balances - GAAP Basis		$ 40,211			$ 5,673			$ 26,195			$ 6,004	

This schedule is continued on page 122.

	Missouri Road Bond			Totals		
	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:						
Vehicle Sales and Use Tax	$ 99,446	$ 106,451	$ 7,005	$ 99,446	$ 106,451	$ 7,005
Interest	---	282	282	1,590	817	(773)
Total Revenues	99,446	106,733	7,287	101,036	107,268	6,232
Expenditures:						
Debt Service	104,151	101,974	2,177	180,233	178,056	2,177
Total Expenditures	104,151	101,974	2,177	180,233	178,056	2,177
Excess Revenues (Expenditures)	(4,705)	4,759	9,464	(79,197)	(70,788)	8,409
Other Financing Sources (Uses):						
Transfers In	---	---	---	77,104	76,522	(582)
Total Other Financing Sources (Uses)	---	---	---	77,104	76,522	(582)
Net Change in Fund Balances	(4,705)	4,759	9,464	(2,093)	5,734	7,827
Fund Balances - Beginning	26,884	26,884	---	103,793	103,793	---
Fund Balances - Ending	$ 22,179	$ 31,643	$ 9,464	$ 101,700	$ 109,527	$ 7,827
Reconciling Items:						
Reclassifying Cash Equivalents as Investments		(21,430)			(72,235)	
Investments at Fair Value		21,470			72,443	
Invested Securities Lending Collateral		668			6,818	
Receivables, Net		10,672			10,783	
Accounts Payable		(22)			(22)	
Securities Lending Obligation		(668)			(6,818)	
Deferred Revenues		---			(80)	
Fund Balances - GAAP Basis		$ 42,333			$ 120,416	

This schedule is continued from page 121.

*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.

STATE OF MISSOURI
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUNDS
June 30, 2012
(In Thousands of Dollars)

	Veterans' Homes Capital Improvement	Water Pollution Control	Totals June 30, 2012
ASSETS			
Cash and Cash Equivalents	$ 4,681	$ 28	$ 4,709
Investments	14,297	54	14,351
Invested Securities Lending Collateral	430	7	437
Accounts Receivable, Net	55	---	55
Interest Receivable	43	---	43
Inventories	7	---	7
Total Assets	$ 19,513	$ 89	$ 19,602
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	$ 69	$ ---	$ 69
Accrued Payroll	208	---	208
Due to Other Funds	216	---	216
Securities Lending Obligation	430	7	437
Deferred Revenue	31	---	31
Total Liabilities	954	7	961
Fund Balances:			
Nonspendable	7	---	7
Restricted	18,552	82	18,634
Total Fund Balances	18,559	82	18,641
Total Liabilities and Fund Balances	$ 19,513	$ 89	$ 19,602

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, 2012
(In Thousands of Dollars)

	Veterans' Homes Capital Improvement	Water Pollution Control	Totals June 30, 2012
Revenues:			
Contributions and Intergovernmental	$ 680	$ ---	$ 680
Investment Earnings:			
Net Increase (Decrease) in the Fair Value of Investments	38	---	38
Interest	120	5	125
Cost Reimbursement/ Miscellaneous	4	35	39
Total Revenues	842	40	882
Expenditures:			
Current:			
General Government	230	---	230
Natural and Economic Resources	---	2,541	2,541
Transportation and Law Enforcement	4,542	---	4,542
Human Services	4	---	4
Capital Outlay:			
General Government	3	---	3
Transportation and Law Enforcement	2,685	---	2,685
Total Expenditures	7,464	2,541	10,005
Excess Revenues (Expenditures)	(6,622)	(2,501)	(9,123)
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	1	---	1
Transfers In	6,000	---	6,000
Total Other Financing Sources (Uses)	6,001	---	6,001
Net Change in Fund Balances	(621)	(2,501)	(3,122)
Fund Balances - Beginning	19,173	2,583	21,756
Increase (Decrease) in Reserve for Inventory	7	---	7
Fund Balances - Ending	$ 18,559	$ 82	$ 18,641

*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.

STATE OF MISSOURI
COMBINING BALANCE SHEET
PERMANENT FUNDS
June 30, 2012
(In Thousands of Dollars)

	Arrow Rock State Historic Site Endowment	Confederate Memorial Park	State Public School	Smith Memorial Endowment Trust	Totals June 30, 2012
ASSETS					
Cash and Cash Equivalents	$ 7	$ 42	$ 451	$ 92	$ 592
Investments	21	131	40,650	279	41,081
Invested Securities Lending Collateral	1	4	42	8	55
Interest Receivable	---	---	---	1	1
Total Assets	$ 29	$ 177	$ 41,143	$ 380	$ 41,729
LIABILITIES AND FUND BALANCES					
Liabilities:					
Securities Lending Obligation	$ 1	$ 4	$ 42	$ 8	$ 55
Deferred Revenue	---	---	---	1	1
Total Liabilities	1	4	42	9	56
Fund Balances:					
Nonspendable	28	75	41,101	365	41,569
Assigned	---	98	---	6	104
Total Fund Balances	28	173	41,101	371	41,673
Total Liabilities and Fund Balances	$ 29	$ 177	$ 41,143	$ 380	$ 41,729

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
PERMANENT FUNDS
For the Fiscal Year Ended June 30, 2012
(In Thousands of Dollars)

	Arrow Rock State Historic Site Endowment	Confederate Memorial Park	State Public School	Smith Memorial Endowment Trust	Totals June 30, 2012
Revenues:					
Investment Earnings:					
Net Increase (Decrease) in the Fair Value of Investments	$ ---	$ ---	$ (43)	$ ---	$ (43)
Interest	---	1	---	2	3
Penalties and Unclaimed Properties	---	---	1,862	---	1,862
Total Revenues	---	1	1,819	2	1,822
Net Change in Fund Balances	---	1	1,819	2	1,822
Fund Balances - Beginning	28	172	39,282	369	39,851
Fund Balances - Ending	$ 28	$ 173	$ 41,101	$ 371	$ 41,673

NOTE: There were no expenditures for the fiscal year ended June 30, 2012.

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, 2012
(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	$ ---	$ ---	$ ---	$ 16	$ 1	$ (15)	$ ---	$ ---	$ ---	$ 3	$ 2	$ (1)
Penalties and Unclaimed Property	---	---	---	---	---	---	---	38	38	---	---	---
Reimbursement/ Miscellaneous	---	---	---	---	---	---	---	1,080	1,080	---	---	---
Total Revenues	---	---	---	16	1	(15)	---	1,118	1,118	3	2	(1)
Expenditures:												
Current:												
Human Services	---	---	---	---	---	---	---	---	---	35	---	35
Total Expenditures	---	---	---	---	---	---	---	---	---	35	---	35
Excess Revenues (Expenditures)	---	---	---	16	1	(15)	---	1,118	1,118	(32)	2	34
Other Financing Sources (Uses):												
Transfers In	---	---	---	---	---	---	1,825	1,825	---	---	---	---
Total Other Financing Sources (Uses)	---	---	---	---	---	---	1,825	1,825	---	---	---	---
Net Change in Fund Balances	---	---	---	16	1	(15)	1,825	2,943	1,118	(32)	2	34
Fund Balances - Beginning	28	28	---	172	172	---	24,296	24,296	---	369	369	---
Fund Balances - Ending	$ 28	$ 28	$ ---	$ 188	$ 173	$ (15)	$ 26,121	$ 27,239	$ 1,118	$ 337	$ 371	$ 34
Reconciling Items:												
Reclassifying Cash Equivalents as Investments		(21)			(131)			(26,788)			(279)	
Investments at Fair Value		21			131			40,650			279	
Invested Securities Lending Collateral		1			4			42			8	
Interest Receivable		---			---			---			1	
Securities Lending Obligation		(1)			(4)			(42)			(8)	
Deferred Revenue		---			---			---			(1)	
Fund Balance - GAAP Basis		$ 28			$ 173			$ 41,101			$ 371	

*Beginning balance was restated due to a restatement of cash and cash equivalents.

This schedule is continued on page 129.

	Totals		
	Budget	Actual	Variance
Revenues:			
Interest	$ 19	$ 3	$ (16)
Penalties and Unclaimed Property	---	38	38
Reimbursement/ Miscellaneous	---	1,080	1,080
Total Revenues	19	1,121	1,102
Expenditures:			
Current:			
Human Services	35	---	35
Total Expenditures	35	---	35
Excess Revenues (Expenditures)	(16)	1,121	1,137
Other Financing Sources (Uses):			
Transfers In	1,825	1,825	---
Total Other Financing Sources (Uses)	1,825	1,825	---
Net Change in Fund Balances	1,809	2,946	1,137
Fund Balances - Beginning	24,865	24,865	---
Fund Balances - Ending	$ 26,674	$ 27,811	$ 1,137
Reconciling Items:			
Reclassifying Cash Equivalents as Investments		(27,219)	
Investments at Fair Value		41,081	
Invested Securities Lending Collateral		55	
Interest Receivable		1	
Securities Lending Obligation		(55)	
Deferred Revenue		(1)	
Fund Balance - GAAP Basis		$ 41,673	

This schedule is continued from page 128.

*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, 2012
(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, 2012
ASSETS								
Current Assets:								
Cash and Cash Equivalents	$ 123	$ 7,799	$ 187	$ 362	$ 1,102	$ 761	$ 546	$ 10,880
Investments	375	23,825	570	1,104	3,368	2,325	1,682	33,249
Invested Securities Lending Collateral	11	716	17	33	101	70	50	998
Accounts Receivable, Net	---	520	---	---	5,464	---	81	6,065
Interest Receivable	1	---	---	4	11	7	---	23
Due from Other Funds	6	2	80	---	---	12	---	100
Inventories	4	543	473	---	552	---	---	1,572
Loans Receivable	---	---	---	605	---	---	---	605
Total Current Assets	520	33,405	1,327	2,108	10,598	3,175	2,359	53,492
Non-Current Assets:								
Capital Assets:								
Construction in Progress	---	4,688	---	---	134	---	---	4,822
Land	---	9,109	---	---	---	---	---	9,109
Land Improvements	75	8,444	---	---	182	214	---	8,915
Temporary Easements	---	50	---	---	---	---	---	50
Buildings	3	23,061	---	480	216	1,909	---	25,669
Equipment	416	13,689	17,432	32	7,519	1,424	204	40,716
Software	---	---	---	---	6	---	---	6
Less Accumulated Depreciation/Amortization	(427)	(26,803)	(11,906)	(192)	(3,397)	(1,649)	(193)	(44,567)
Total Non-Current Assets	67	32,238	5,526	320	4,660	1,898	11	44,720
Total Assets	587	65,643	6,853	2,428	15,258	5,073	2,370	98,212
LIABILITIES								
Current Liabilities:								
Accounts Payable	104	142	41	2	1,713	25	1	2,028
Accrued Payroll	20	57	---	6	2,102	25	---	2,210
Due to Other Funds	42	3	9	---	17	3	1	75
Securities Lending Obligation	11	716	17	33	101	70	50	998
Obligations Under Lease Purchase	---	---	82	---	---	---	---	82
Compensated Absences	2	69	---	13	2,984	34	---	3,102
Total Current Liabilities	179	987	149	54	6,917	157	52	8,495
Non-Current Liabilities:								
Obligations Under Lease Purchase	---	---	274	---	---	---	---	274
Compensated Absences	---	25	---	---	---	---	---	25
Total Non-Current Liabilities	---	25	274	---	---	---	---	299
Total Liabilities	179	1,012	423	54	6,917	157	52	8,794
NET ASSETS								
Invested in Capital Assets, Net of Related Debt	67	32,238	5,170	320	4,660	1,898	11	44,364
Unrestricted	341	32,393	1,260	2,054	3,681	3,018	2,307	45,054
Total Net Assets	$ 408	$ 64,631	$ 6,430	$ 2,374	$ 8,341	$ 4,916	$ 2,318	$ 89,418

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, 2012
(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, 2012
Operating Revenues:								
Licenses, Fees, and Permits	$ 2,832	$ 5,486	$ 12	$ ---	$ ---	$ ---	$ ---	$ 8,330
Sales	---	840	112	---	215	2,893	1,383	5,443
Leases and Rentals	1,117	2,015	---	---	---	---	---	3,132
Charges for Services	---	---	---	---	25,684	---	---	25,684
Cost Reimbursement/Miscellaneous	2	1,379	15	27	---	327	---	1,750
Total Operating Revenues	3,951	9,720	139	27	25,899	3,220	1,383	44,339
Operating Expenses:								
Cost of Goods Sold	---	---	759	---	---	1,544	---	2,303
Personal Service	1,086	1,083	30	217	57,291	896	---	60,603
Operations	2,657	7,905	340	76	8,238	554	---	19,770
Inventories	9	111	26	3	9,457	8	60	9,674
Specific Programs	30	15	---	7	929	---	---	981
Depreciation/Amortization	16	1,533	1,128	10	634	213	12	3,546
Other Charges	172	72	2	29	91	5	---	371
Total Operating Expenses	3,970	10,719	2,285	342	76,640	3,220	72	97,248
Operating Income (Loss)	(19)	(999)	(2,146)	(315)	(50,741)	---	1,311	(52,909)
Non-Operating Revenues (Expenses):								
Contributions and Intergovernmental	119	1,025	2,289	---	55,989	38	---	59,460
Interest Expense	---	---	(2)	---	---	---	---	(2)
Investment Earnings:								
Net Increase (Decrease) in the Fair Value of Investments	1	64	2	3	9	6	4	89
Interest	2	---	---	14	29	19	---	64
Disposal of Capital Assets	---	13	25	---	(20)	147	---	165
Special Items	---	(224)	---	---	---	---	---	(224)
Total Non-Operating Revenues (Expenses)	122	878	2,314	17	56,007	210	4	59,552
Income (Loss) Before Transfers	103	(121)	168	(298)	5,266	210	1,315	6,643
Transfers In	---	---	---	---	27	---	---	27
Transfers Out	---	---	---	---	---	(30)	(98)	(128)
Change in Net Assets	103	(121)	168	(298)	5,293	180	1,217	6,542
Total Net Assets - Beginning	305	64,752	6,262	2,672	3,048	4,736	1,101	82,876
Total Net Assets - Ending	$ 408	$ 64,631	$ 6,430	$ 2,374	$ 8,341	$ 4,916	$ 2,318	$ 89,418

STATE OF MISSOURI
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2012
(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, 2012
Cash Flows from Operating Activities:								
Receipts from Internal Customers and Users	$ 94	$ ---	$ ---	$ ---	$ ---	$ 662	$ 1,381	$ 2,137
Receipts from External Customers and Users	3,857	8,156	125	---	20,560	2,294	---	34,992
Payments to Suppliers	(2,589)	(1,115)	(1,180)	(79)	(16,653)	(2,481)	(20)	(24,117)
Payments to Employees	(1,085)	(8,339)	(30)	(220)	(56,262)	(898)	---	(66,834)
Payments Made for Program Expense	(30)	(15)	---	(7)	(929)	---	---	(981)
Other Receipts (Payments)	(172)	1,307	13	(2)	(91)	322	---	1,377
Net Cash Provided (Used) by Operating Activities	75	(6)	(1,072)	(308)	(53,375)	(101)	1,361	(53,426)
Cash Flows from Non-Capital Financing Activities:								
Loans Made to Outside Entities	---	---	---	14	---	---	---	14
Due to/from Other Funds	(3)	(37)	(25)	---	14	(14)	1	(64)
Contributions and Intergovernmental	119	1,025	2,267	---	55,961	---	---	59,372
Transfers to/from Other Funds	---	---	---	---	27	(30)	(98)	(101)
Net Cash Provided (Used) by Non-Capital Financing Activities	116	988	2,242	14	56,002	(44)	(97)	59,221
Cash Flows from Capital and Related Financing Activities:								
Interest Expense	---	---	(2)	---	---	---	---	(2)
Purchases and Construction of Capital Assets	(19)	---	(876)	---	(1,152)	---	---	(2,047)
Capital Lease Downpayment/Obligations	---	---	(38)	---	---	---	---	(38)
Disposal of Capital Assets	---	1,006	---	---	---	100	---	1,106
Net Cash Provided (Used) by Capital and Related Financing Activities	(19)	1,006	(916)	---	(1,152)	100	---	(981)
Cash Flows from Investing Activities:								
Proceeds from Investment Maturities	---	---	---	78	---	---	---	78
Purchase of Investments	(155)	(3,765)	(229)	---	(1,357)	(217)	(1,039)	(6,762)
Interest and Dividends Received	1	---	---	13	28	17	---	59
Net Cash Provided (Used) by Investing Activities	(154)	(3,765)	(229)	91	(1,329)	(200)	(1,039)	(6,625)
Net Increase (Decrease) in Cash	18	(1,777)	25	(203)	146	(245)	225	(1,811)
Cash and Cash Equivalents, Beginning of Year	105	9,576	162	565	956	1,006	321	12,691
Cash and Cash Equivalents, End of Year	$ 123	$ 7,799	$ 187	$ 362	$ 1,102	$ 761	$ 546	$ 10,880
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:								
Operating Income (Loss)	$ (19)	$ (999)	$ (2,146)	$ (315)	$ (50,741)	$ ---	$ 1,311	$ (52,909)
Depreciation/Amortization Expense	16	1,533	1,128	10	634	213	12	3,546
Changes in Assets and Liabilities:								
Accounts Receivable	---	(185)	1	---	(5,339)	63	(2)	(5,462)
Inventories	(3)	101	8	---	(170)	---	62	(2)
Accounts Payable	80	(22)	(63)	---	1,212	(375)	(22)	810
Accrued Payroll	1	(90)	---	(1)	338	---	---	248
Compensated Absences	---	(344)	---	(2)	691	(2)	---	343
Net Cash Provided (Used) by Operating Activities	$ 75	$ (6)	$ (1,072)	$ (308)	$ (53,375)	$ (101)	$ 1,361	$ (53,426)
Non-Cash Financing and Investing Activities:								
Capital Lease Issuance	$ ---	$ ---	$ 328	$ ---	$ ---	$ ---	$ ---	$ 328
Capital Asset Donations	---	---	22	---	28	38	---	88
Increase (Decrease) in Fair Value of Investments	1	64	2	3	9	6	4	89
Net Non-Cash Financing and Investing Activities	$ 1	$ 64	$ 352	$ 3	$ 37	$ 44	$ 4	$ 505

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, 2012
(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, 2012
ASSETS															
Current Assets:															
Cash and Cash Equivalents	$ 226	$ 483	$ 1,115	$ 2,765	$ 2,640	$ 311	$ 40	$ 59	$ 71	$ 478	$ 10,038	$ ---	$ 145,622	$ 9,576	$ 173,424
Investments	692	1,475	3,402	10,153	8,064	951	120	179	206	3,787	7,402	3,532	34,917	2,090	76,970
Restricted:															
Investments	---	---	---	---	---	---	---	---	---	---	200	---	---	100	300
Invested Securities Lending Collateral	21	44	102	305	242	29	4	5	6	---	---	---	---	---	758
Accounts Receivable, Net	---	---	---	4,115	706	39,589	---	---	---	694	---	959	3,126	1,597	50,786
Interest Receivable	---	---	---	---	---	---	---	---	---	8	150	---	---	81	239
Due from Other Funds	---	101	13,634	5,994	556	20	32	1	---	---	---	---	---	---	20,338
Due from Component Units	---	---	---	1	---	---	---	---	---	---	---	---	---	---	1
Inventories	147	16	6,850	1,381	10,757	---	168	2	14	---	---	---	---	---	19,335
Prepaid Items	---	---	---	---	---	---	---	---	---	---	---	---	122	---	122
Total Current Assets	1,086	2,119	25,103	24,714	22,965	40,900	364	246	297	4,967	17,790	4,491	183,787	13,444	342,273
Non-Current Assets:															
Investments	---	---	---	---	---	---	---	---	---	---	61,604	---	---	40,289	101,893
Restricted Assets:															
Cash and Cash Equivalents	---	---	1,007	571	---	---	---	---	---	---	---	---	---	---	1,578
Capital Assets:															
Construction in Progress	---	---	33	1,257	1,021	---	---	---	---	---	---	---	---	---	2,311
Software in Progress	454	---	---	---	---	2,364	---	---	---	---	---	---	---	---	2,818
Land	---	---	7,681	---	40	---	---	---	---	---	---	---	---	---	7,721
Land Improvements	---	---	3,052	---	62	---	---	---	---	---	---	---	---	---	3,114
Buildings	4,761	---	514,277	2,950	6,348	---	---	---	2,338	---	---	---	---	---	530,674
Equipment	5,438	2,439	14,027	57,572	20,633	2,254	4	291	1,903	---	---	3	2,914	---	107,478
Software	1,464	603	12	1,159	332	7,040	---	3	---	---	---	3	---	---	10,616
Less Accumulated Depreciation/Amortization	(7,439)	(2,300)	(160,367)	(42,395)	(22,507)	(2,125)	(4)	(276)	(2,837)	---	---	(1)	(2,569)	---	(242,820)
Total Non-Current Assets	4,678	742	379,722	21,114	5,929	9,533	---	18	1,404	---	61,604	5	345	40,289	525,383
Total Assets	5,764	2,861	404,825	45,828	28,894	50,433	364	264	1,701	4,967	79,394	4,496	184,132	53,733	867,656
LIABILITIES															
Current Liabilities:															
Bank Overdraft	---	---	---	---	---	---	---	---	---	---	---	2	---	---	2
Accounts Payable	99	3	3,951	1,458	75	668	3	14	221	374	11	3,703	24,381	2,314	37,275
Accrued Payroll	226	---	1,038	361	243	26	---	31	144	---	---	---	---	---	2,069
Due to Other Funds	21	---	37	15	123	102	---	4	11	---	---	---	---	---	313
Securities Lending Obligation	21	44	102	305	242	29	4	5	6	---	---	---	---	---	758
Unearned Revenue	---	---	---	276	---	---	---	---	---	17	---	---	26,245	7,794	34,332
Claims Liability	---	---	---	---	---	---	---	---	---	2,650	23,781	---	32,384	11,500	70,315
Obligations under Lease Purchase	351	---	1,289	3,181	8	---	---	---	5	---	---	---	42	---	4,876
Compensated Absences	489	---	2,359	678	554	43	---	45	223	---	---	---	---	---	4,391
Total Current Liabilities	1,207	47	8,776	6,274	1,245	868	7	99	610	3,041	23,792	3,705	83,052	21,608	154,331
Non-Current Liabilities:															
Claims Liability	---	---	---	---	---	---	---	---	---	---	64,044	---	---	---	64,044
Obligations under Lease Purchase	711	---	32,002	11,780	41	---	---	---	25	---	---	---	43	---	44,602
Compensated Absences	67	---	70	175	2	---	---	20	64	---	---	---	241	---	639
Total Non-Current Liabilities	778	---	32,072	11,955	43	---	---	20	89	---	64,044	---	284	---	109,285
Total Liabilities	1,985	47	40,848	18,229	1,288	868	7	119	699	3,041	87,836	3,705	83,336	21,608	263,616
NET ASSETS															
Invested in Capital Assets, Net of Related Debt	3,616	742	345,424	5,582	5,880	9,533	---	18	1,374	---	---	5	260	---	372,434
Restricted for:															
Revenue Bonds	---	---	1,007	---	---	---	---	---	---	---	---	---	---	---	1,007
Other Purposes	---	---	---	571	---	---	---	---	---	---	200	---	---	100	871
Unrestricted	163	2,072	17,546	21,446	21,726	40,032	357	127	(372)	1,926	(8,642)	786	100,536	32,025	229,728
Total Net Assets	$ 3,779	$ 2,814	$ 363,977	$ 27,599	$ 27,606	$ 49,565	$ 357	$ 145	$ 1,002	$ 1,926	$ (8,442)	$ 791	$ 100,796	$ 32,125	$ 604,040

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2012
(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, 2012
Operating Revenues:															
Employer Contributions	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ 9,871	$ 22,000	$ ---	$ 333,672	$ 78,752	$ 444,295
Employee Contributions	---	---	---	---	---	---	---	---	---	6,598	---	46,079	89,798	35,636	178,111
Medicare Part D Subsidy	---	---	---	---	---	---	---	---	---	409	---	---	---	4,124	4,533
Licenses, Fees, and Permits	---	---	---	---	---	19,492	---	---	1	---	---	---	---	---	19,493
Sales	---	---	2	---	27,892	11	4	---	---	---	---	---	---	---	27,909
Leases and Rentals	---	---	106,528	---	228	8	---	---	---	---	---	---	---	---	106,764
Charges for Services	13,525	7,264	3,497	87,048	---	720	815	801	6,119	---	---	---	---	---	119,789
Cost Reimbursement/Miscellaneous	64	241	194	2,416	3	15	---	156	3	1,388	229	608	---	1,880	7,197
Total Operating Revenues	13,589	7,505	110,221	89,464	28,123	20,246	819	957	6,123	18,266	22,229	46,687	423,470	120,392	908,091
Operating Expenses:															
Cost of Goods Sold	---	---	---	13,194	11,653	---	---	---	---	---	---	---	---	---	24,847
Personal Service	8,599	---	37,152	12,092	9,134	1,075	---	778	4,751	---	---	546	2,995	---	77,122
Operations	3,599	166	65,041	51,416	5,699	6,162	980	147	1,197	2,546	602	254	14,873	6,969	159,651
Inventories	---	---	---	30	---	52	---	15	42	---	---	---	---	---	139
Specific Programs	12	8,496	67	---	6	3,291	---	---	5	---	---	17,500	---	---	29,377
Insurance Benefits	---	---	---	---	---	---	---	---	---	17,129	13,292	28,556	369,224	111,926	540,127
Depreciation/Amortization	731	9	14,017	7,041	938	368	---	16	206	---	---	1	182	---	23,509
Other Charges	80	1	97	55	1,390	95	---	4	215	10	---	---	---	---	1,947
Total Operating Expenses	13,021	8,672	116,374	83,828	28,820	11,043	980	960	6,416	19,685	13,894	46,857	387,274	118,895	856,719
Operating Income (Loss)	568	(1,167)	(6,153)	5,636	(697)	9,203	(161)	(3)	(293)	(1,419)	8,335	(170)	36,196	1,497	51,372
Non-Operating Revenues (Expenses):															
Contributions and Intergovernmental	---	---	34	---	---	(1)	---	---	---	---	---	---	---	1	34
Interest Expense	(4)	---	(1,528)	(205)	(2)	---	---	---	(1)	---	---	---	---	---	(1,740)
Investment Earnings:															
Net Increase (Decrease) in the Fair Value of Investments	2	4	9	27	22	3	---	---	---	2	(283)	---	---	(238)	(452)
Interest	---	---	7	---	---	---	---	---	---	88	1,805	11	853	1,102	3,866
Penalties and Unclaimed Properties	1	---	---	---	---	---	---	---	---	---	---	---	---	---	1
Disposal of Capital Assets	(2)	---	(5)	---	(2,673)	3	---	---	---	---	---	---	---	---	(2,677)
Total Non-Operating Revenues (Expenses)	(3)	4	(1,483)	(178)	(2,653)	5	---	---	(1)	90	1,522	11	853	865	(968)
Income (Loss) Before Transfers	565	(1,163)	(7,636)	5,458	(3,350)	9,208	(161)	(3)	(294)	(1,329)	9,857	(159)	37,049	2,362	50,404
Transfers In	---	144	5	---	---	---	---	---	---	---	---	---	---	---	149
Transfers Out	---	(5)	---	(726)	---	(31)	---	---	(5)	---	---	---	---	---	(767)
Change in Net Assets	565	(1,024)	(7,631)	4,732	(3,350)	9,177	(161)	(3)	(299)	(1,329)	9,857	(159)	37,049	2,362	49,786
Total Net Assets - Beginning	3,214	3,838	371,608	22,867	30,956	40,388	518	148	1,301	3,255	(18,299)	950	63,747	29,763	554,254
Total Net Assets - Ending	$ 3,779	$ 2,814	$ 363,977	$ 27,599	$ 27,606	$ 49,565	$ 357	$ 145	$ 1,002	$ 1,926	$ (8,442)	$ 791	$ 100,796	$ 32,125	$ 604,040

STATE OF MISSOURI
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2012
(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, 2012
Cash Flows from Operating Activities:															
Receipts from Internal Customers and Users	$ 13,525	$ 7,258	$ 110,027	$ 85,212	$ 20,249	$ 103	$ 815	$ 801	$ 6,120	$ 9,670	$ 22,000	$ ---	$ 333,751	$ 78,752	$ 688,283
Receipts from External Customers and Users	---	6	---	875	7,689	11,422	4	---	---	7,007	---	46,228	89,798	41,047	204,076
Payments to Suppliers	(3,792)	(165)	(65,574)	(64,680)	(18,970)	(6,783)	(1,149)	(158)	(1,083)	(2,251)	(601)	(151)	(11,403)	(8,393)	(185,153)
Payments to Employees	(8,619)	---	(37,264)	(12,071)	(9,174)	(1,100)	---	(757)	(4,760)	---	---	(546)	(2,984)	---	(77,275)
Payments Made for Program Expense	(12)	(8,496)	(67)	---	(6)	(3,291)	---	---	(5)	(16,805)	(15,451)	(46,056)	(373,230)	(111,826)	(575,245)
Other Receipts (Payments)	(16)	240	97	2,361	(1,387)	(80)	---	152	(212)	1,378	229	608	---	1,880	5,250
Net Cash Provided (Used) by Operating Activities	1,086	(1,157)	7,219	11,697	(1,599)	271	(330)	38	60	(1,001)	6,177	83	35,932	1,460	59,936
Cash Flows from Non-Capital Financing Activities:															
Due to/from Other Funds	(63)	189	(2,012)	(3,103)	354	(108)	4	(1)	36	---	---	---	---	---	(4,704)
Contibutions and Intergovernmental	---	---	34	---	---	(1)	---	---	---	---	---	---	---	1	34
Transfers to/from Other Funds	---	139	5	(726)	---	(31)	---	---	(5)	---	---	---	---	---	(618)
Net Cash Provided (Used) by Non-Capital Financing Activities	(63)	328	(1,973)	(3,829)	354	(140)	4	(1)	31	---	---	---	---	1	(5,288)
Cash Flows from Capital and Related Financing Activities:															
Interest Expense	(4)	---	(1,528)	(205)	(2)	---	---	---	(1)	---	---	---	---	---	(1,740)
Purchase and Construction of Capital Assets	(627)	---	(633)	(8,756)	(1,768)	(2,369)	---	(1)	(71)	---	---	(6)	(69)	---	(14,300)
Capital Lease Downpayment/Obligations	(351)	---	(3,561)	(2,783)	(8)	---	---	---	---	---	---	---	(40)	---	(6,743)
Net Cash Provided (Used) by Capital and Related Financing Activities	(982)	---	(5,722)	(11,744)	(1,778)	(2,369)	---	(1)	(72)	---	---	(6)	(109)	---	(22,783)
Cash Flows from Investing Activities:															
Proceeds from Sales and Investment Maturities	---	411	---	1,592	1,226	1,417	209	---	---	271	51,105	911,276	14	37,164	1,004,685
Purchase of Investments	(99)	---	(26)	---	---	---	---	(42)	(16)	---	(58,951)	(911,365)	---	(37,220)	(1,007,719)
Interest and Dividends Received	---	---	7	---	---	---	---	---	---	90	1,867	11	853	1,223	4,051
Investment Fees	---	---	---	---	---	---	---	---	---	---	---	---	---	(45)	(45)
Penalties and Other Receipts	1	---	---	---	---	---	---	---	---	---	---	---	---	---	1
Net Cash Provided (Used) by Investing Activities	(98)	411	(19)	1,592	1,226	1,417	209	(42)	(16)	361	(5,979)	(78)	867	1,122	973
Net Increase (Decrease) in Cash	(57)	(418)	(495)	(2,284)	(1,797)	(821)	(117)	(6)	3	(640)	198	(1)	36,690	2,583	32,838
Cash and Cash Equivalents, Beginning of Year	283	901	2,617	5,620	4,437	1,132	157	65	68	1,118	9,840	(1)	108,932	6,993	142,162
Cash and Cash Equivalents, End of Year	$ 226	$ 483	$ 2,122	$ 3,336	$ 2,640	$ 311	$ 40	$ 59	$ 71	$ 478	$ 10,038	$ (2)	$ 145,622	$ 9,576	$ 175,000
Reconciliation of Operating Income (Loss) of Net Cash Provided (Used) by Operating Activities:															
Operating Income (Loss)	$ 568	$ (1,167)	$ (6,153)	$ 5,636	$ (697)	$ 9,203	$ (161)	$ (3)	$ (293)	$ (1,419)	$ 8,335	$ (170)	$ 36,196	$ 1,497	$ 51,372
Depreciation/Amortization Expense	731	9	14,017	7,041	938	368	---	16	206	---	---	1	182	---	23,509
Changes in Assets and Liabilities:												---			
Accounts Receivable	---	---	---	(1,156)	(182)	(8,706)	---	---	---	(206)	---	149	(943)	1,441	(9,603)
Inventories	(144)	---	(750)	(184)	(1,640)	---	(168)	---	(2)	---	---	---	---	---	(2,888)
Prepaid Items	---	---	---	---	---	---	---	---	---	---	---	---	(91)	---	(91)
Accounts Payable	(49)	1	217	144	22	(569)	(1)	4	156	295	1	103	3,561	(1,424)	2,461
Accrued Payroll	(8)	---	(38)	10	(14)	(13)	---	7	(9)	---	---	---	---	---	(65)
Unearned Revenue	---	---	---	195	---	---	---	---	---	5	---	---	1,022	(154)	1,068
Claims Liability	---	---	---	---	---	---	---	---	---	324	(2,159)	---	(4,006)	100	(5,741)
Compensated Absences	(12)	---	(74)	11	(26)	(12)	---	14	2	---	---	---	11	---	(86)
Net Cash Provided (Used) by Operating Activities	$ 1,086	$ (1,157)	$ 7,219	$ 11,697	$ (1,599)	$ 271	$ (330)	$ 38	$ 60	$ (1,001)	$ 6,177	$ 83	$ 35,932	$ 1,460	$ 59,936
Non-Cash Financing and Investing Activities:															
Capital Lease Issuance	$ ---	$ ---	$ ---	$ 1,486	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ 125	$ ---	$ 1,611
Capital Asset Donations	---	---	5	324	---	---	---	---	---	---	---	---	---	---	329
Increase (Decrease) in Fair Value of Investments	2	4	9	27	22	3	---	---	---	2	(283)	---	---	(238)	(452)
Net Non-Cash Financing and Investing Activities	$ 2	$ 4	$ 14	$ 1,837	$ 22	$ 3	$ ---	$ ---	$ ---	$ 2	$ (283)	$ ---	$ 125	$ (238)	$ 1,488

The ***Fiduciary Funds*** *account for assets held by the State in a trustee or agent capacity.*

Pension (and Other Employee Benefit) Trust Funds:

Missouri State Employees’ Retirement System:

Missouri State Employees' Plan – Accounts for retirement, survivor, and disability benefits paid to employees of the State who are not covered under another state-sponsored retirement plan.

Judicial Plan – Accounts for retirement, survivor, and disability benefits to judges in the State of Missouri.

Missouri Department of Transportation and Highway Patrol Employees’ Retirement System – Accounts for retirement, survivor, and disability benefits paid to Department of Transportation employees and members of the Missouri State Highway Patrol.

Missouri Consolidated Health Care Plan State Retiree Welfare Benefit Trust – Accounts for health and welfare benefits paid for the exclusive benefit of current and future retired employees of the State who are not covered under another state-sponsored other post-employment benefit plan.

Missouri State Public Employees’ Deferred Compensation Incentive (IRC 401a) Plan – Accounts for retirement benefits paid to employees of the State.

Missouri State Public Employees’ Deferred Compensation (IRC 457) Plan – Accounts for deposits from State employees, which are invested for the benefit of the employees until properly authorized to distribute.

Private-Purpose Trust Funds:

Alternative Care Trust – Accounts for all moneys received and spent by the Division of Family Services on behalf of children in their custody.

Johnson-Travis Memorial Trust – Accounts for all moneys, stocks, and securities given to the State by Miss Pansy Johnson or for the benefit of the Pansy Johnson-Travis Memorial State Gardens. Moneys will be used solely to establish, develop, and maintain the gardens.

Unclaimed Property – Accounts for moneys unpaid or unclaimed within one year after final settlement of any executor or administrator, assignee, sheriff or receiver and all unclaimed deposits, dividends, and interest of banks unable to locate the owners.

Agency Funds:

Social Security Contributions – Accounts for the receipt of contributions from various state funds for the State's share of social security contributions, which are due to the Federal Social Security Administration.

Missouri State Employees’ Voluntary Life Insurance – Accounts for moneys withheld from employees’ compensation for the contracts entered into with life insurance companies.

Program – Accounts for the receipt of various taxes, refundable deposits, and other moneys to be held until the State has the right or obligation to distribute them to various entities or individuals.

Institution – Accounts for deposits to various institutional accounts and other receipts held by the State until there is proper authorization to disburse them directly to others.

STATE OF MISSOURI
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS
June 30, 2012
(In Thousands of Dollars)

	Missouri State Employees' Retirement System		Missouri Department of Transportation and Highway Patrol Employees' Retirement System	Missouri Consolidated Health Care Plan State Retiree Welfare Benefit Trust	Missouri State Public Employees' Deferred Compensation		Totals
	Missouri State Employees' Plan	Judicial Plan			401 (a) Plan	457 Plan	June 30, 2012
ASSETS							
Cash and Cash Equivalents	$ 879,730	$ 11,473	$ 104	$ 4,240	$ 253	$ 744	$ 896,544
Investments at Fair Value	6,670,250	86,991	1,533,376	76,407	396,256	1,140,945	9,904,225
Invested Securities Lending Collateral	683,562	8,915	57,497	---	---	---	749,974
Receivables:							
Accounts Receivable	57,456	1,706	13,256	18,586	273	821	92,098
Interest Receivable	---	---	3,764	---	---	---	3,764
Prepaid Expenses	41	1	6	---	---	---	48
Capital Assets:							
Land	264	3	84	---	---	---	351
Buildings	3,623	47	582	---	---	---	4,252
Equipment	1,643	21	176	---	---	---	1,840
Software	123	2	3,248	---	---	---	3,373
Accumulated Depreciation/ Amortization	(2,629)	(34)	(1,175)	---	---	---	(3,838)
Total Capital Assets, Net	3,024	39	2,915	---	---	---	5,978
Total Assets	8,294,063	109,125	1,610,918	99,233	396,782	1,142,510	11,652,631
LIABILITIES							
Accounts Payable	30,068	392	11,816	268	39	113	42,696
Securities Lending Obligation	681,551	8,889	57,698	---	---	---	748,138
Unearned Revenue	---	---	---	5,314	---	---	5,314
Claims Liability	---	---	---	10,052	---	---	10,052
Compensated Absences	561	7	---	---	---	---	568
Total Liabilities	712,180	9,288	69,514	15,634	39	113	806,768
Net Assets Held in Trust for Benefits	$ 7,581,883	$ 99,837	$ 1,541,404	$ 83,599	$ 396,743	$ 1,142,397	$ 10,845,863

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, 2012
(In Thousands of Dollars)

	Missouri State Employees' Retirement System		Missouri Department of Transportation and Highway Patrol Employees' Retirement System	Missouri Consolidated Health Care Plan State Retiree Welfare Benefit Trust	Missouri State Public Employees' Deferred Compensation		Totals
	Missouri State Employees' Plan	Judicial Plan			401 (a) Plan	457 Plan	June 30, 2012
Additions:							
Contributions:							
Employer	$ 263,374	$ 26,325	$ 164,880	$ 65,366	$ ---	$ ---	$ 519,945
Plan Member	7,825	150	203	50,832	---	51,071	110,081
Other	2,675	---	1,174	---	35,844	612	40,305
Total Contributions	273,874	26,475	166,257	116,198	35,844	51,683	670,331
Investment Earnings:							
Increase (Decrease) in Appreciation of Assets	173,456	2,262	24,342	---	(2,094)	(9,137)	188,829
Interest and Dividends	94,408	1,230	34,245	3,492	7,594	17,823	158,792
Securities Lending Income	1,788	23	210	---	---	---	2,021
Total Investment Earnings	269,652	3,515	58,797	3,492	5,500	8,686	349,642
Less Investment Expenses:							
Investment Activity Expense	(111,280)	(1,451)	(16,706)	---	---	---	(129,437)
Securities Lending Expense	(270)	(4)	---	---	---	---	(274)
Total Investment Expense	(111,550)	(1,455)	(16,706)	---	---	---	(129,711)
Net Investment Earnings	158,102	2,060	42,091	3,492	5,500	8,686	219,931
Cost Reimbursement/ Miscellaneous	448	6	14	---	---	---	468
Total Additions	432,424	28,541	208,362	119,690	41,344	60,369	890,730
Deductions:							
Benefits	611,522	26,821	219,704	109,968	31,533	---	999,548
Administrative Expenses	6,792	88	2,553	6,343	196	547	16,519
Program Distributions	123	---	---	---	---	69,011	69,134
Service Transfer Payments	588	---	---	---	---	---	588
Depreciation/Amortization	225	3	382	---	---	---	610
Total Deductions	619,250	26,912	222,639	116,311	31,729	69,558	1,086,399
Change in Net Assets	(186,826)	1,629	(14,277)	3,379	9,615	(9,189)	(195,669)
Net Assets Held in Trust for Benefits Beginning of Year	7,768,709	98,208	1,555,681	80,220	387,128	1,151,586	11,041,532
End of Year	$ 7,581,883	$ 99,837	$ 1,541,404	$ 83,599	$ 396,743	$ 1,142,397	$ 10,845,863

STATE OF MISSOURI
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE-PURPOSE TRUST FUNDS
June 30, 2012
(In Thousands of Dollars)

	Alternative Care Trust	Johnson-Travis Memorial Trust	Unclaimed Property	Totals June 30, 2012
ASSETS				
Cash and Cash Equivalents	$ 1,322	$ 196	$ 6,164	$ 7,682
Investments at Fair Value	4,039	657	18,827	23,523
Invested Securities Lending Collateral	121	18	566	705
Interest Receivable	14	2	---	16
Inventories	---	---	2	2
Capital Assets:				
Equipment	---	---	49	49
Software	---	---	8	8
Less: Accumulated Depreciation/Amortization	---	---	(49)	(49)
Total Capital Assets, Net	---	---	8	8
Total Assets	5,496	873	25,567	31,936
LIABILITIES				
Accounts Payable	874	---	12	886
Accrued Payroll	---	---	20	20
Securities Lending Obligation	121	18	566	705
Total Liabilities	995	18	598	1,611
NET ASSETS				
Net Assets Held in Trust for Other Purposes	$ 4,501	$ 855	$ 24,969	$ 30,325

STATE OF MISSOURI
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE-PURPOSE TRUST FUNDS
For the Fiscal Year Ended June 30, 2012
(In Thousands of Dollars)

	Alternative Care Trust	Johnson-Travis Memorial Trust	Unclaimed Property	Totals June 30, 2012
Additions:				
Increase (Decrease) in Appreciation of Assets	$ 11	$ ---	$ 50	$ 61
Interest	40	7	---	47
Total Investment Earnings	51	7	50	108
Unclaimed Property	---	---	42,921	42,921
Cost Reimbursement/Miscellaneous	13,798	---	1	13,799
Total Additions	13,849	7	42,972	56,828
Deductions:				
Administrative Expenses	---	---	1,724	1,724
Program Distributions	13,900	---	36,416	50,316
Depreciation/Amortization	---	---	13	13
Total Deductions	13,900	---	38,153	52,053
Change in Net Assets	(51)	7	4,819	4,775
Net Assets - Beginning	4,552	848	20,150	25,550
Net Assets - Ending	$ 4,501	$ 855	$ 24,969	$ 30,325

STATE OF MISSOURI
COMBINING BALANCE SHEET
AGENCY FUNDS
June 30, 2012
(In Thousands of Dollars)

	Social Security Contributions	Missouri State Employees' Voluntary Life Insurance	Program	Institution	Totals June 30, 2012
ASSETS					
Cash and Cash Equivalents	$ 25	$ 39	$ 4,862	$ 31,916	$ 36,842
Investments at Fair Value	76	119	483,657	1,577	485,429
Invested Securities Lending Collateral	2	4	93	---	99
Receivables:					
Accounts Receivable	5,742	---	319,919	446	326,107
Interest Receivable	---	---	43	---	43
Total Assets	$ 5,845	$ 162	$ 808,574	$ 33,939	$ 848,520
LIABILITIES					
Accounts Payable	$ ---	$ ---	$ 31	$ ---	$ 31
Due to Other Entities	5,843	158	802,641	---	808,642
Due to Individuals	---	---	5,809	33,939	39,748
Securities Lending Obligation	2	4	93	---	99
Total Liabilities	$ 5,845	$ 162	$ 808,574	$ 33,939	$ 848,520

STATE OF MISSOURI
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2012
(In Thousands of Dollars)

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
SOCIAL SECURITY CONTRIBUTIONS				
ASSETS				
Cash and Cash Equivalents	$ 33	$ 144,458	$ 144,466	$ 25
Investments at Fair Value	68	76	68	76
Invested Securities Lending Collateral	4	2	4	2
Accounts Receivable	5,932	5,742	5,932	5,742
Total Assets	$ 6,037	$ 150,278	$ 150,470	$ 5,845
LIABILITIES				
Due to Other Entities	$ 6,033	$ 438,083	$ 438,273	$ 5,843
Securities Lending Obligation	4	2	4	2
Total Liabilities	$ 6,037	$ 438,085	$ 438,277	$ 5,845
MISSOURI STATE EMPLOYEES' VOLUNTARY LIFE INSURANCE				
ASSETS				
Cash and Cash Equivalents	$ 52	$ 4,000	$ 4,013	$ 39
Investments at Fair Value	110	119	110	119
Invested Securities Lending Collateral	6	4	6	4
Total Assets	$ 168	$ 4,123	$ 4,129	$ 162
LIABILITIES				
Due to Other Entities	$ 162	$ 4,052	$ 4,056	$ 158
Securities Lending Obligation	6	4	6	4
Total Liabilities	$ 168	$ 4,056	$ 4,062	$ 162
PROGRAM				
ASSETS				
Cash and Cash Equivalents	$ 347,918	$ 6,018,163	$ 6,361,219	$ 4,862
Investments at Fair Value	127,487	875,782	519,612	483,657
Invested Securities Lending Collateral	49	93	49	93
Receivables:				
Accounts Receivable	311,977	25,448	17,506	319,919
Interest Receivable	32	196	185	43
Total Assets	$ 787,463	$ 6,919,682	$ 6,898,571	$ 808,574
LIABILITIES				
Accounts Payable	$ 32	$ 327	$ 328	$ 31
Due to Other Entities	784,354	6,896,814	6,878,527	802,641
Due to Individuals	3,028	19,244	16,463	5,809
Securities Lending Obligation	49	93	49	93
Total Liabilities	$ 787,463	$ 6,916,478	$ 6,895,367	$ 808,574
INSTITUTION				
ASSETS				
Cash and Cash Equivalents	$ 27,767	$ 168,781	$ 164,632	$ 31,916
Investments at Fair Value	1,553	109	85	1,577
Accounts Receivable	408	97	59	446
Total Assets	$ 29,728	$ 168,987	$ 164,776	$ 33,939
LIABILITIES				
Due to Individuals	$ 29,728	$ 168,987	$ 164,776	$ 33,939
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash and Cash Equivalents	$ 375,770	$ 6,335,402	$ 6,674,330	$ 36,842
Investments at Fair Value	129,218	876,086	519,875	485,429
Invested Securities Lending Collateral	59	99	59	99
Receivables:				
Accounts Receivable	318,317	31,287	23,497	326,107
Interest Receivable	32	196	185	43
Total Assets	$ 823,396	$ 7,243,070	$ 7,217,946	$ 848,520
LIABILITIES				
Accounts Payable	$ 32	$ 327	$ 328	$ 31
Due to Other Entities	790,549	7,338,949	7,320,856	808,642
Due to Individuals	32,756	188,231	181,239	39,748
Securities Lending Obligation	59	99	59	99
Total Liabilities	$ 823,396	$ 7,527,606	$ 7,502,482	$ 848,520

*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, 2012
(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, 2012
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 14,647	$ 2,040	$ 4,174	$ 244	$ 21,105
Investments	2,881	4,028	3,522	747	11,178
Invested Securities Lending Collateral	---	1	---	22	23
Interest Receivable	107	---	1,384	3	1,494
Restricted Assets:					
Cash and Cash Equivalents	---	---	4,701	---	4,701
Receivables, Net	---	---	53	---	53
Loans Receivable	---	---	12,935	---	12,935
Prepaid Items	1,360	---	---	---	1,360
Loans Receivable	238	544	---	---	782
Total Current Assets	19,233	6,613	26,769	1,016	53,631
Non-Current Assets:					
Investments	---	---	5,834	---	5,834
Advance to Primary Government	---	---	9,086	---	9,086
Deferred Charges	181	---	---	---	181
Loans Receivable	41,093	3,145	---	---	44,238
Interest Rate Cap Agreement	34	---	---	---	34
Restricted Assets:					
Cash and Cash Equivalents	5,013	465	---	---	5,478
Investments	4,794	682	---	---	5,476
Loans Receivables	---	---	54,936	---	54,936
Capital Assets:					
Land	7,220	---	---	---	7,220
Buildings	75,687	---	---	19	75,706
Equipment	254	---	---	7	261
Software	23	---	---	---	23
Less Accumulated Depreciation/ Amortization	(9,509)	---	---	(6)	(9,515)
Total Non-Current Assets	124,790	4,292	69,856	20	198,958
Total Assets	144,023	10,905	96,625	1,036	252,589
LIABILITIES					
Current Liabilities:					
Accounts Payable	244	98	1	4	347
Accrued Payroll	30	---	---	9	39
Due to Primary Government	---	677	---	1	678
Bonds and Notes Payable	172	---	---	---	172
Interest Payable	57	38	---	---	95
Securities Lending Obligation	---	1	---	22	23
Compensated Absences	---	---	---	23	23
Capital Lease Obligations	---	---	---	3	3
Total Current Liabilities	503	814	1	62	1,380
Non-Current Liabilities:					
Advance from Primary Government	---	3,742	---	---	3,742
Deposits and Reserves	3,362	101	---	---	3,463
Bonds and Notes Payable	54,005	---	---	---	54,005
Unearned Revenue	1,957	---	7	---	1,964
Capital Lease Obligations	---	---	---	12	12
Total Non-Current Liabilities	59,324	3,843	7	12	63,186
Total Liabilities	59,827	4,657	8	74	64,566
NET ASSETS					
Invested in Capital Assets, Net	19,498	---	---	5	19,503
Restricted for:					
Other Purposes	8,668	1,046	81,711	---	91,425
Unrestricted	56,030	5,202	14,906	957	77,095
Total Net Assets	$ 84,196	$ 6,248	$ 96,617	$ 962	$ 188,023

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
NON-MAJOR COMPONENT UNITS
For the Fiscal Year Ended June 30, 2012
(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, 2012
Operating Revenues:					
Licenses, Fees, and Permits	$ 1,632	$ 167	$ 37	$ ---	$ 1,836
Interest on Receivables	594	---	2,522	---	3,116
Leases and Rentals	4,062	---	---	---	4,062
Cost Reimbursement/Miscellaneous	979	---	---	19	998
Total Operating Revenues	7,267	167	2,559	19	10,012
Operating Expenses:					
Personal Service	812	404	36	356	1,608
Operations	1,748	95	10	1,117	2,970
Inventories	---	---	---	4	4
Specific Programs	1,158	1,520	---	3	2,681
Depreciation/Amortization	1,943	---	---	2	1,945
Bad Debt Expense	19	---	---	---	19
Other Charges	53	2	2	6	63
Total Operating Expenses	5,733	2,021	48	1,488	9,290
Operating Income (Loss)	1,534	(1,854)	2,511	(1,469)	722
Non-Operating Revenues (Expenses):					
Contributions and Intergovernmental	---	3,079	---	1,591	4,670
Investment Earnings:					
Increase (Decrease) in Fair Value of Investments	---	11	(155)	2	(142)
Interest	69	247	266	8	590
Interest Expense	(1,227)	(83)	---	(1)	(1,311)
Miscellaneous Expenses	---	---	(14)	---	(14)
Total Non-Operating Revenues (Expenses)	(1,158)	3,254	97	1,600	3,793
Change in Net Assets	376	1,400	2,608	131	4,515
Total Net Assets - Beginning	83,820	4,848	94,009	831	183,508
Total Net Assets - Ending	$ 84,196	$ 6,248	$ 96,617	$ 962	$ 188,023

STATE OF MISSOURI
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR COMPONENT UNITS
For the Fiscal Year Ended June 30, 2012
(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, 2012
Cash Flows from Operating Activities:					
Receipts from Customers and Users	$ 6,058	$ 167	$ 2,456	$ ---	$ 8,681
Loans to Outside Entities	---	1,232	(8,065)	---	(6,833)
Payments to Vendors and Suppliers	(7,934)	(340)	(11)	(1,120)	(9,405)
Payments to Employees	(812)	(404)	(36)	(367)	(1,619)
Payments Made for Program Expense	---	---	---	(3)	(3)
Net Payments/Receipts for Tax Credit Projects	(282)	---	---	---	(282)
Other Receipts (Payments)	---	(1,522)	(2)	13	(1,511)
Net Cash Provided (Used) by Operating Activities	(2,970)	(867)	(5,658)	(1,477)	(10,972)
Cash Flows from Non-Capital Financing Activities:					
Loans Receivable Principal Receipts	530	---	---	---	530
Loans Receivable Issuance	(588)	---	---	---	(588)
Due to/from Primary Government	---	11	---	---	11
Advance to/from Primary Government	---	(676)	(5,234)	---	(5,910)
Contributions and Intergovernmental	---	3,079	---	1,591	4,670
Net Cash Provided (Used) by Non-Capital Financing Activities	(58)	2,414	(5,234)	1,591	(1,287)
Cash Flows from Capital and Related Financing Activities:					
Interest Expense	(1,229)	(90)	---	---	(1,319)
Purchases and Construction of Capital Assets	(2,095)	---	---	(2)	(2,097)
Captial Lease Downpayment/Obligations	---	---	---	(2)	(2)
Principal Payments on Capital Debt	(15,014)	---	---	---	(15,014)
Net Cash Provided (Used) by Capital and Related Financing Activities	(18,338)	(90)	---	(4)	(18,432)
Cash Flows from Investing Activities:					
Proceeds from Investment Maturities	8,611	---	45,690	---	54,301
Purchase of Investments	---	(958)	(37,066)	(155)	(38,179)
Interest	124	247	266	7	644
Investment Fees	---	---	(14)	---	(14)
Net Cash Provided (Used) by Investing Activities	8,735	(711)	8,876	(148)	16,752
Net Increase (Decrease) in Cash	(12,631)	746	(2,016)	(38)	(13,939)
Cash and Cash Equivalents, Beginning of Year	32,291	1,759	10,891	282	45,223
Cash and Cash Equivalents, End of Year	$ 19,660	$ 2,505	$ 8,875	$ 244	$ 31,284
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	$ 1,534	$ (1,854)	$ 2,511	$ (1,469)	$ 722
Depreciation/Amortization Expense	1,943	---	---	2	1,945
Changes in Assets and Liabilities:					
Accounts Receivable	(194)	---	---	---	(194)
Interest Receivable	(13)	---	(110)	---	(123)
Deferred Charges	(94)	---	7	---	(87)
Prepaid Items	41	---	---	---	41
Loans Receivable	---	1,232	(8,065)	---	(6,833)
Accounts Payable	(5,015)	(245)	(1)	1	(5,260)
Accrued Payroll	---	---	---	(1)	(1)
Deposit and Reserve	(1,172)	---	---	---	(1,172)
Compensated Absences	---	---	---	(10)	(10)
Net Cash Provided (Used) by Operating Activities	$ (2,970)	$ (867)	$ (5,658)	$ (1,477)	$ (10,972)
Non-Cash Investing Activities:					
Increase (Decrease) in Fair Value of Investments	$ ---	$ 11	$ (155)	$ 2	$ (142)
Net Non-Cash Investing Activities	$ ---	$ 11	$ (155)	$ 2	$ (142)

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.

Net Assets by Component 151
Changes in Net Assets 152
Fund Balances – Governmental Funds 154
Changes in Fund Balances – Governmental Funds 156

Revenue Capacity

These schedules contain information to help the reader understand the State's capacity to raise revenues and the sources of those revenues.

Revenue Base – Taxable Sales by Industry 158
Revenue Base – Personal Income by Industry 159
Personal Income Tax Revenue 160
Personal Income Tax Rates 161
Revenue Payers by Industry 162
Personal Income Tax Filers/Liability 163

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.

Ratios of Outstanding Debt 164
Pledged Revenue Coverage 166

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.

Demographic Indicators 167
Economic Indicators 168
Principal Employers 169

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.

State Employees by Function 170
Operating Indicators by Function 171
Capital Asset Statistics by Function 172

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 2005-2012
(In Thousands of Dollars)

	2012	2011*	2010	2009
Governmental Activities				
Invested in Capital Assets,				
Net of Related Debt	$ 27,873,493	$ 26,595,552	$ 25,850,787	$ 26,247,223
Restricted	3,902,391	4,339,603	3,907,120	3,537,444
Unrestricted	(1,857,130)	(1,159,743)	(940,675)	(1,260,231)
Total Governmental Activities Net Assets	$ 29,918,754	$ 29,775,412	$ 28,817,232	$ 28,524,436
Business-Type Activities				
Invested in Capital Assets,				
Net of Related Debt	$ 47,833	$ 50,291	$ 45,990	$ 48,442
Restricted	9,675	6,303	7,949	6,771
Unrestricted	(344,726)	(485,576)	(437,995)	(1,050)
Total Business-Type Activities Net Assets	$ (287,218)	$ (428,982)	$ (384,056)	$ 54,163
Primary Government				
Invested in Capital Assets,				
Net of Related Debt	$ 27,921,326	$ 26,645,843	$ 25,896,777	$ 26,295,665
Restricted	3,912,066	4,345,906	3,915,069	3,544,215
Unrestricted	(2,201,856)	(1,645,319)	(1,378,670)	(1,261,281)
Total Primary Government Net Assets	$ 29,631,536	$ 29,346,430	$ 28,433,176	$ 28,578,599

Continues Below

	2008	2007	2006	2005
Governmental Activities				
Invested in Capital Assets,				
Net of Related Debt	$ 25,324,173	$ 25,475,504	$ 25,840,886	$ 25,572,008
Restricted	6,003,212	5,032,619	3,824,769	3,250,204
Unrestricted	(2,327,482)	(1,909,993)	(1,453,203)	(1,321,738)
Total Governmental Activities Net Assets	$ 28,999,903	$ 28,598,130	$ 28,212,452	$ 27,500,474
Business-Type Activities				
Invested in Capital Assets,				
Net of Related Debt	$ 42,360	$ 40,922	$ 39,669	$ 43,304
Restricted	45,362	9,517	3,942	12,407
Unrestricted	329,265	185,453	33,993	(151,323)
Total Business-Type Activities Net Assets	$ 416,987	$ 235,892	$ 77,604	$ (95,612)
Primary Government				
Invested in Capital Assets,				
Net of Related Debt	$ 25,366,533	$ 25,516,426	$ 25,880,555	$ 25,615,312
Restricted	6,048,574	5,042,136	3,828,711	3,262,611
Unrestricted	(1,998,217)	(1,724,540)	(1,419,210)	(1,473,061)
Total Primary Government Net Assets	$ 29,416,890	$ 28,834,022	$ 28,290,056	$ 27,404,862

*Fiscal year 2011 amounts have been restated.

STATE OF MISSOURI
CHANGES IN NET ASSETS
FISCAL YEARS 2005-2012
(In Thousands of Dollars)

Governmental Activities:	2012	2011*	2010	2009	2008	2007	2006	2005
Expenses								
General Government	$ 1,028,710	$ 1,089,731	$ 1,129,030	$ 1,182,233	$ 1,210,044	$ 1,092,613	$ 981,614	$ 1,035,396
Education	6,373,671	6,536,907	6,815,521	6,589,358	6,379,189	6,042,581	5,773,048	5,669,627
Natural and Economic	1,053,573	935,078	1,082,526	1,043,449	1,006,560	928,873	867,915	834,269
Transportation and Law Enforcement	2,022,399	2,529,791	2,699,070	2,375,104	2,258,653	2,303,272	2,025,341	2,189,839
Human Services	12,301,153	11,713,021	11,740,145	10,898,796	9,876,132	9,191,994	9,890,652	9,771,651
Interest on Debt (Excluding Direct Expense)	207,919	199,948	196,413	210,342	174,011	149,987	130,438	126,202
Total Expenses	22,987,425	23,004,476	23,662,705	22,299,282	20,904,589	19,709,320	19,669,008	19,626,984
Program Revenues								
Charges for Services:								
General Government	885,333	705,914	875,161	756,969	775,528	669,640	724,442	705,241
Transportation and Law Enforcement	240,203	267,875	319,941	400,842	400,134	474,086	308,743	134,297
Human Services	460,704	550,690	653,463	531,250	363,644	302,002	422,912	422,706
Other Activities	286,329	314,375	380,133	369,976	277,190	239,907	154,925	191,423
Operating Grants and Contributions	9,889,539	9,802,842	9,489,240	8,317,356	7,697,736	7,828,289	7,758,885	7,767,831
Capital Grants and Contributions	1,096,062	1,814,207	1,454,811	966,394	971,801	306	---	---
Total Program Revenues	12,858,170	13,455,903	13,172,749	11,342,787	10,486,033	9,514,230	9,369,907	9,221,498
Total Governmental Activities								
Net Program (Expense) Revenue	(10,129,255)	(9,548,573)	(10,489,956)	(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	2,705,883	2,570,243	2,572,491	2,635,068	2,871,465	2,929,398	3,047,305	3,003,405
Individual Income	5,118,541	4,878,166	4,840,809	5,169,741	5,447,817	5,140,588	5,271,506	4,821,500
Corporate Income	378,568	394,389	360,764	377,801	463,826	496,378	520,324	351,116
County Foreign Insurance	168,024	182,679	171,497	177,393	186,566	178,507	186,647	163,952
Alcoholic Beverage	28,661	27,247	27,657	26,689	27,754	28,074	29,068	28,045
Corporate Franchise	61,409	70,743	82,182	82,114	82,360	69,704	76,574	118,343
Inheritance	150	1,833	233	2,671	3,073	5,351	15,319	41,832
Miscellaneous Taxes	1,243,743	1,210,758	1,207,501	1,160,700	1,173,076	1,164,171	1,307,727	1,334,595
Grants and Contributions not Restricted to Specific Programs	243,408	889,742	1,301,531	499,542	196,397	195,662	158,745	158,140
Unrestricted Investment Earnings	23,722	23,281	28,870	69,339	136,782	145,879	146,234	80,161
Special Items	(120)	---	---	---	---	---	---	---
Transfers	300,608	255,908	258,947	257,441	264,416	256,687	258,773	207,159
Total General Revenues and Other Changes in Net Assets	10,272,597	10,504,989	10,852,482	10,458,499	10,853,532	10,610,399	11,018,222	10,308,248
Total Governmental Activities Change in Net Assets	$ 143,342	$ 956,416	$ 362,526	$ (497,996)	$ 434,976	$ 415,309	$ 719,121	$ (97,238)
Business-Type Activities:								
Expenses								
State Lottery	$ 835,522	$ 755,410	$ 724,915	$ 726,106	$ 740,189	$ 689,426	$ 665,848	$ 575,667
Unemployment Compensation	1,280,157	1,714,276	2,216,078	1,292,531	498,318	444,962	412,937	501,098
Petroleum Storage Tank Insurance	22,171	13,940	13,925	17,186	21,516	16,249	13,243	25,944
State Fair Fees	3,963	3,700	3,843	4,303	3,648	4,189	4,060	3,800
State Parks and DNR	12,903	12,278	9,042	14,211	8,178	7,686	12,656	5,456
Historic Preservation	340	509	1,145	714	403	256	93	267
Missouri Veterans' Homes	76,597	76,033	70,884	62,378	57,075	53,215	46,662	58,756
Surplus Property	3,065	2,293	2,542	1,759	3,530	3,152	3,086	2,635
Revenue Information	72	1,199	1,513	5,345	1,090	1,234	871	1,191
Total Expenses	2,234,790	2,579,638	3,043,887	2,124,533	1,333,947	1,220,369	1,159,456	1,174,814
Program Revenues								
Charges for Services:								
State Lottery	1,109,108	1,011,055	984,187	981,431	1,005,421	946,017	925,079	793,750
Other Activities	56,538	55,153	56,659	60,015	101,062	65,390	64,624	63,924
Operating Grants and Contributions	1,507,428	1,725,481	1,823,732	967,324	657,534	618,071	603,727	542,984
Total Program Revenues	2,673,074	2,791,689	2,864,578	2,008,770	1,764,017	1,629,478	1,593,430	1,400,658
Total Business-Type Activities								
Net Program (Expense) Revenue	438,284	212,051	(179,309)	(115,763)	430,070	409,109	433,974	225,844
General Revenues and Other Changes in Net Assets								
Unrestricted Investment Earnings	4,312	(1,050)	2,533	10,152	15,424	5,684	(2,189)	3,213
Special Items	(224)	---	---	---	---	---	---	---
Extraordinary Items	---	---	---	---	---	---	35	---
Transfers	(300,608)	(255,908)	(258,947)	(257,441)	(264,416)	(256,687)	(258,773)	(207,159)
Total General Revenues and Other Changes in Net Assets	(296,520)	(256,958)	(256,414)	(247,289)	(248,992)	(251,003)	(260,927)	(203,946)
Total Business-Type Activities Change in Net Assets	$ 141,764	$ (44,907)	$ (435,723)	$ (363,052)	$ 181,078	$ 158,106	$ 173,047	$ 21,898
Total Primary Government Change in Net Assets	$ 285,106	$ 911,509	$ (73,197)	$ (861,048)	$ 616,054	$ 573,415	$ 892,168	$ (75,340)

*Fiscal year 2011 amounts have been restated.

STATE OF MISSOURI
FUND BALANCES - GOVERNMENTAL FUNDS
FISCAL YEARS 2005-2012
(In Thousands of Dollars)

	2012	2011*	2010
General Fund			
Nonspendable	$ 61,206	$ 42,906	$ 44,158
Restricted	336,933	475,205	186,737
Committed	504,569	512,623	534,620
Assigned	65,122	59,783	51,734
Unassigned	195,763	325,123	423,227
Total General Fund	1,163,593	1,415,640	1,240,476
All Other Governmental Funds			
Nonspendable	1,077,138	1,016,981	986,201
Restricted	1,752,610	2,137,789	2,021,223
Committed	291,738	284,455	219,557
Assigned	366,812	339,192	355,202
Total All Other Governmental Funds	3,488,298	3,778,417	3,582,183
Total Fund Balances, Governmental Funds	$ 4,651,891	$ 5,194,057	$ 4,822,659

*Fiscal year 2011 amounts have been restated.

	2009	2008	2007	2006	2005
General Fund					
Reserved	$ 589,532	$ 584,516	$ 567,880	$ 526,159	$ 577,561
Unreserved	716,371	1,310,239	1,289,033	988,240	326,920
Total General Fund	1,305,903	1,894,755	1,856,913	1,514,399	904,481
All Other Governmental Funds					
Reserved	1,218,019	1,112,262	1,068,533	988,493	876,859
Unreserved, Reported in:					
Special Revenue Funds	1,182,724	1,314,796	1,184,853	1,192,431	1,043,965
Capital Projects Funds	540,554	927,694	542,038	213,026	251,124
Permanent Funds	124	116	88	96	87
Total All Other Governmental Funds	2,941,421	3,354,868	2,795,512	2,394,046	2,172,035
Total Fund Balances, Governmental Funds	$ 4,247,324	$ 5,249,623	$ 4,652,425	$ 3,908,445	$ 3,076,516

STATE OF MISSOURI
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEARS 2005-2012
(In Thousands of Dollars)

	2012	2011*	2010	2009	2008	2007	2006	2005
Revenues:								
Taxes	$ 9,959,733	$ 9,398,840	$ 8,987,066	$ 9,503,743	$ 10,220,623	$ 10,030,906	$ 10,648,213	$ 9,646,452
Licenses, Fees, and Permits	650,888	630,944	637,078	657,725	638,048	574,873	622,911	591,530
Sales	8,827	10,131	8,917	10,301	12,064	34,973	11,321	16,849
Leases and Rentals	313	665	934	448	438	373	155	2,143
Services	119,076	155,498	243,998	244,557	231,509	230,173	240,857	182,112
Contributions and Intergovernmental	11,228,754	12,500,062	12,265,891	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	8,597	(53)	1,734	(9,565)	6,172	15,758	(113)	3,152
Interest	33,047	34,496	44,954	103,068	203,782	185,163	136,876	69,698
Penalties and Unclaimed Properties	51,698	54,812	60,284	48,730	64,004	63,151	83,174	25,854
Cost Reimbursement/Miscellaneous	745,871	662,070	963,030	739,288	507,021	478,419	427,916	441,555
Total Revenues	22,806,804	23,447,465	23,213,886	21,062,049	20,749,623	19,639,768	20,101,809	18,880,454
Expenditures:								
Current:								
General Government	887,018	883,953	889,467	952,780	1,021,589	923,316	850,355	852,997
Education	6,363,367	6,525,986	6,809,217	6,582,393	6,373,671	6,044,098	5,776,495	5,668,542
Natural and Economic Resources	934,385	832,855	974,260	894,815	853,872	819,326	759,733	792,650
Transportation and Law Enforcement	1,628,798	1,758,410	1,814,485	1,515,903	1,429,102	1,394,597	1,206,611	1,174,113
Human Services	12,322,050	11,627,776	11,632,371	10,829,000	9,835,109	9,158,585	9,796,523	9,795,983
Capital Outlay:								
General Government	3	1	5	---	---	321	386	245
Education	---	---	---	---	---	18,042	21,687	13,769
Transportation and Law Enforcement	1,115,454	1,253,100	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	212,483	242,497	227,307	219,496	196,669	197,212	170,295	127,264
Interest	208,518	225,858	209,428	191,684	186,432	165,470	121,301	120,982
Bond Issuance Costs	606	1,552	8,101	1,278	2,694	5,775	1,821	---
Underwriter's Discount	2,074	437	---	---	390	247	---	326
Arbitrage	---	42	374	583	---	---	---	---
Total Expenditures	23,674,756	23,352,467	23,974,576	22,496,467	21,046,832	19,987,470	19,948,618	19,458,468
Excess Revenues (Expenditures)	(867,952)	94,998	(760,690)	(1,434,418)	(297,209)	(347,702)	153,191	(578,014)
Other Financing Sources (Uses):								
Proceeds from Capital Leases	1,732	6,300	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	163,145	312,960	---	---	---	394,870	---	157,605
Swap Termination Payment	---	---	---	---	(11,118)	---	---	---
Payments to Escrow Agent	(168,589)	(351,599)	---	---	---	(433,477)	---	(175,553)
Bond Premium	7,944	40,468	30,631	2,835	28,361	77,099	21,336	18,274
Proceeds from Capital Asset Sale	16,864	14,703	12,938	11,087	13,142	8,675	6,634	5,920
Transfers In	300,699	255,959	259,810	258,568	266,263	257,287	260,967	239,465
Transfers Out	(144)	---	(738)	(902)	(6,476)	(120,586)	(1,598)	(19,420)
Total Other Financing Sources (Uses)	321,651	278,791	1,394,316	440,640	896,658	1,112,662	679,923	279,316
Net Change in Fund Balances	(546,301)	373,789	633,626	(993,778)	599,449	764,960	833,114	(298,698)
Increase (Decrease) in Reserve for Inventory	4,135	(2,389)	(279)	(105)	(2,251)	838	(129)	327
Net Change in Fund Balances	$ (542,166)	$ 371,400	$ 633,347	$ (993,883)	$ 597,198	$ 765,798	$ 832,985	$ (298,371)
Debt Service as a Percentage of Non-Capital Expenditures	1.89%	2.14%	1.99%	1.96%	1.96%	1.99%	1.59%	1.35%

*Fiscal year 2011 amounts have been restated.

STATE OF MISSOURI
REVENUE BASE - TAXABLE SALES BY INDUSTRY
FISCAL YEARS 2005-2012

Taxable Sales by Industry	2012	2011	2010	2009
Agricultural/Forestry, Fishing, and Other	$ 221,013,601	$ 201,234,995	$ 202,810,606	$ 209,980,903
Mining	74,803,209	73,001,501	85,194,876	88,867,589
Construction	861,403,612	794,578,753	786,022,254	889,561,095
Manufacturing	3,761,027,682	2,916,005,779	2,994,039,718	3,203,288,128
Transportation and Public Utilities	7,836,415,362	8,377,819,035	8,347,862,197	8,247,781,684
Wholesale Trade	8,205,030,046	7,636,707,697	5,708,391,048	7,019,606,804
Retail Trade	45,578,697,317	43,451,150,211	42,667,031,160	44,820,794,586
Finance, Insurance, and Real Estate	577,095,000	573,590,035	562,957,084	592,136,070
Services	9,239,885,195	8,712,983,898	8,676,719,865	8,648,622,385
State and Local Government	167,737,492	150,984,890	135,174,330	158,765,152
Non-Classifiable	15,869,773	13,130,346	14,230,874	21,079,516
Total Taxable Sales	$ 76,538,978,289	$ 72,901,187,140	$ 70,180,434,012	$ 73,900,483,912
Direct Sales Tax Rate	4.225%	4.225%	4.225%	4.225%

Continues Below

Taxable Sales by Industry	2008	2007	2006	2005
Agricultural/Forestry, Fishing, and Other	$ 192,024,683	$ 198,564,812	$ 190,183,959	$ 173,064,997
Mining	106,892,575	128,534,001	148,041,999	144,360,458
Construction	887,618,876	929,753,447	929,146,007	781,324,533
Manufacturing	2,995,302,916	2,862,904,859	3,217,299,757	3,033,835,702
Transportation and Public Utilities	7,130,631,754	7,673,318,253	7,285,790,054	6,950,561,788
Wholesale Trade	8,028,332,745	8,338,189,598	8,604,467,502	8,136,436,052
Retail Trade	46,413,720,906	46,166,130,737	44,878,694,872	42,950,724,459
Finance, Insurance, and Real Estate	538,271,852	529,797,617	533,582,629	507,350,286
Services	9,212,468,960	8,787,849,846	8,433,450,983	8,015,509,010
State and Local Government	162,520,783	161,631,024	156,947,658	84,808,852
Non-Classifiable	19,669,233	15,518,372	16,694,236	16,301,552
Total Taxable Sales	$ 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%

Source: Missouri Department of Revenue

STATE OF MISSOURI
REVENUE BASE - PERSONAL INCOME BY INDUSTRY
CALENDAR YEARS 2004-2011

Personal Income by Industry (In Thousands of Dollars)	2011	2010*	2009*	2008*
Farm Earnings	$ 2,383,353	$ 1,674,934	$ 1,682,723	$ 2,376,908
Agricultural/Forestry, Fishing, and Other	362,517	358,424	294,724	303,227
Mining	430,104	377,269	348,557	502,316
Construction/Utilities	10,786,628	10,828,858	11,376,972	12,516,453
Manufacturing	17,645,592	16,920,689	17,605,185	20,134,090
Transportation and Public Utilities	5,959,245	5,853,394	5,923,929	6,293,608
Wholesale Trade	9,000,784	8,746,678	8,658,265	9,231,605
Retail Trade	10,865,629	10,549,829	10,477,144	10,570,173
Finance, Insurance, and Real Estate	12,675,068	12,265,858	11,801,109	11,670,581
Services	69,375,418	66,953,006	64,925,067	67,549,088
Federal, Civilian	5,929,962	5,982,774	5,712,883	5,351,539
Military	2,753,594	2,699,386	2,862,170	2,595,583
State and Local Government	19,567,962	19,508,933	19,310,053	18,813,044
Total Personal Income	$ 167,735,856	$ 162,720,032	$ 160,978,781	$ 167,908,215
Total Direct Personal Income Tax Rate	6.0%	6.0%	6.0%	6.0%

Continues Below

Personal Income by Industry (In Thousands of Dollars)	2007	2006	2005	2004
Farm Earnings	$ 1,374,784	$ 1,275,728	$ 1,418,941	$ 2,249,533
Agricultural/Forestry, Fishing, and Other	305,046	296,794	285,101	298,302
Mining	440,499	382,200	493,876	376,755
Construction/Utilities	12,386,303	12,504,699	11,841,236	11,336,058
Manufacturing	19,030,882	19,108,565	18,615,722	18,349,966
Transportation and Public Utilities	6,255,137	6,103,789	5,879,793	5,631,080
Wholesale Trade	9,027,671	8,465,151	8,073,239	7,627,621
Retail Trade	10,617,610	10,540,177	10,325,489	9,996,119
Finance, Insurance, and Real Estate	11,183,515	11,405,949	10,865,949	10,480,778
Services	63,543,402	59,934,255	56,500,169	53,613,041
Federal, Civilian	5,011,544	4,852,757	4,689,078	4,524,741
Military	2,323,860	2,109,152	1,972,637	1,828,320
State and Local Government	17,853,285	16,825,963	16,065,575	15,346,234
Total Personal Income	$ 159,353,538	$ 153,805,179	$ 147,026,805	$ 141,658,548
Total Direct Personal Income Tax Rate	6.0%	6.0%	6.0%	6.0%

*Calendar years 2008, 2009, and 2010 have been updated by the Bureau of Economic Analysis.

Source: Bureau of Economic Analysis

STATE OF MISSOURI
PERSONAL INCOME TAX REVENUE
FISCAL YEARS 2005-2012

Personal Income Tax Revenue	2012	2011	2010	2009
Personal Income Tax Revenue	$5,851,270,707	$5,641,812,271	$5,495,341,696	$5,949,266,333
Personal Income (Federal AGI)	$232,336,289,876	$206,107,657,668	$214,909,582,160	$254,573,370,206
Taxable Income	$170,827,410,945	$147,407,200,244	$124,489,765,954	$188,091,389,476
Average Effective Rate:				
Federal Adjusted Gross	2.52%	2.74%	2.56%	2.34%
Taxable Income	3.43%	3.83%	4.41%	3.16%

Continues Below

Personal Income Tax Revenue	2008	2007	2006	2005
Personal Income Tax Revenue	$6,119,090,558	$5,736,793,026	$5,360,679,833	$4,866,468,578
Personal Income (Federal AGI)	$242,481,271,497	$215,491,776,833	$185,705,288,582	$161,726,939,117
Taxable Income	$172,825,313,183	$157,963,987,815	$133,414,355,787	$114,900,652,083
Average Effective Rate:				
Federal Adjusted Gross	2.52%	2.66%	2.89%	3.01%
Taxable Income	3.54%	3.63%	4.02%	4.24%

Note: Article X, Sections 16 through 24 of the Missouri Constitution establishes a revenue limit for Missouri State Government. When total revenues exceed the limit, tax refunds are generated.

Source: Missouri Department of Revenue

STATE OF MISSOURI
PERSONAL INCOME TAX RATES
FISCAL YEARS 2005-2012

Ranges of Tax Rates on the Portion of Taxable Income (In Thousands of Dollars)	2012	2011	2010	2009	2008	2007	2006	2005
Tax Rate	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Income Levels	1.1-2	1.1-2	1.1-2	1.1-2	1.1-2	1.1-2	1.1-2	1.1-2
Tax Rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Income Levels	2.1-3	2.1-3	2.1-3	2.1-3	2.1-3	2.1-3	2.1-3	2.1-3
Tax Rate	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Income Levels	3.1-4	3.1-4	3.1-4	3.1-4	3.1-4	3.1-4	3.1-4	3.1-4
Tax Rate	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Income Levels	4.1-5	4.1-5	4.1-5	4.1-5	4.1-5	4.1-5	4.1-5	4.1-5
Tax Rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Income Levels	5.1-6	5.1-6	5.1-6	5.1-6	5.1-6	5.1-6	5.1-6	5.1-6
Tax Rate	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Income Levels	6.1-7	6.1-7	6.1-7	6.1-7	6.1-7	6.1-7	6.1-7	6.1-7
Tax Rate	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Income Levels	7.1-8	7.1-8	7.1-8	7.1-8	7.1-8	7.1-8	7.1-8	7.1-8
Tax Rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Income Levels	8.1-9	8.1-9	8.1-9	8.1-9	8.1-9	8.1-9	8.1-9	8.1-9
Tax Rate	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Income Levels	9.1+	9.1+	9.1+	9.1+	9.1+	9.1+	9.1+	9.1+

Note: Article X, Sections 16 through 24 of the Missouri Constitution establishes a revenue limit for Missouri State Government. When total revenues exceed the limit, tax refunds are generated.

Source: Missouri Department of Revenue

STATE OF MISSOURI
REVENUE PAYERS BY INDUSTRY
FISCAL YEARS 2005-2012

Sales Tax

	2012	%	2011	%	2010	%
Agricultural	$ 9,337,825	0.29%	$ 8,502,179	0.28%	$ 8,568,748	0.29%
Mining	3,160,435	0.10%	3,084,313	0.10%	3,599,484	0.12%
Construction	36,394,303	1.13%	33,570,952	1.09%	33,209,440	1.12%
Manufacturing	158,903,420	4.91%	123,201,244	4.00%	126,498,178	4.27%
Transportation & Utilities	331,088,549	10.24%	353,962,854	11.49%	352,697,178	11.90%
Wholesale Trade	346,662,519	10.72%	322,650,900	10.47%	241,179,522	8.13%
Retail Trade	1,925,699,962	59.55%	1,835,811,096	59.60%	1,802,682,066	60.80%
Finance, Insurance, & Real Estate	24,382,264	0.75%	24,234,179	0.79%	23,784,937	0.80%
Services	390,385,149	12.07%	368,123,570	11.95%	366,591,414	12.36%
Government	7,086,909	0.22%	6,379,112	0.21%	5,711,115	0.19%
Non-Classifiable	670,498	0.02%	554,757	0.02%	601,254	0.02%
Total	$ 3,233,771,833	100.00%	$ 3,080,075,156	100.00%	$ 2,965,123,336	100.00%

	2009	%	2008	%	2007	%
Agricultural	$ 8,871,693	0.28%	$ 8,113,043	0.25%	$ 8,389,363	0.26%
Mining	3,754,656	0.12%	4,516,211	0.14%	5,430,562	0.17%
Construction	37,583,956	1.20%	37,501,898	1.17%	39,282,083	1.23%
Manufacturing	135,338,923	4.34%	126,551,548	3.96%	120,957,730	3.78%
Transportation & Utilities	348,468,776	11.16%	301,269,192	9.42%	324,197,696	10.12%
Wholesale Trade	296,578,387	9.50%	339,197,058	10.61%	352,288,511	11.00%
Retail Trade	1,893,678,571	60.65%	1,960,979,708	61.32%	1,950,519,024	60.91%
Finance, Insurance, & Real Estate	25,017,749	0.80%	22,741,986	0.71%	22,383,949	0.70%
Services	365,404,296	11.70%	389,226,814	12.17%	371,286,656	11.60%
Government	6,707,828	0.22%	6,866,503	0.22%	6,828,911	0.21%
Non-Classifiable	890,610	0.03%	831,025	0.03%	655,651	0.02%
Total	$ 3,122,295,445	100.00%	$ 3,197,794,986	100.00%	$ 3,202,220,136	100.00%

	2006	%	2005	%
Agricultural	$ 8,035,272	0.26%	$ 7,311,996	0.25%
Mining	6,254,774	0.20%	6,099,229	0.20%
Construction	39,256,419	1.25%	33,010,961	1.10%
Manufacturing	135,930,915	4.32%	128,179,558	4.29%
Transportation & Utilities	307,824,630	9.79%	293,661,236	9.82%
Wholesale Trade	363,538,752	11.57%	343,764,423	11.49%
Retail Trade	1,896,124,858	60.32%	1,814,668,108	60.67%
Finance, Insurance, & Real Estate	22,543,866	0.72%	21,435,550	0.72%
Services	356,313,304	11.34%	338,655,256	11.32%
Government	6,631,039	0.21%	3,583,174	0.12%
Non-Classifiable	705,332	0.02%	688,741	0.02%
Total	$ 3,143,159,161	100.00%	$ 2,991,058,232	100.00%

Source: Missouri Department of Revenue

STATE OF MISSOURI
PERSONAL INCOME TAX FILERS/LIABILITY
FISCAL YEARS 2005-2012

Personal Income *

2012**				
	Number of Filers	% of Total	Personal Income Tax Liability	% of Total
$50,000 and under	3,353,191	76.35%	$ 1,316,349,980	23.83%
$50,000 - $100,000	758,112	17.26%	1,512,730,778	27.39%
$100,000 - $250,000	216,848	4.94%	1,053,432,138	19.07%
$250,000 - $1,000,000	51,764	1.18%	738,864,647	13.38%
$1,000,000 and over	12,172	0.28%	902,715,721	16.34%
Total	4,392,087	100.00%	$ 5,524,093,264	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 2005-2012
(In Thousands of Dollars Except Per Capita)

	2012	2011*	2010	2009	2008	2007	2006	2005
Governmental Activities								
General Obligation Bonds	$ 432,765	$ 487,090	$ 528,910	$ 600,075	$ 666,165	$ 684,515	$ 739,935	$ 790,910
Other Bonds	3,735,920	3,880,975	4,060,855	3,102,685	3,084,670	2,660,875	1,873,140	1,609,815
Leasehold Revenue Bonds	32,780	33,880	34,935	35,955	36,935	37,880	38,860	---
Certificates of Participation	76,910	76,910	87,550	96,235	105,325	113,990	122,255	124,490
Capital Leases	85,865	103,543	97,423	113,147	108,815	74,641	74,049	107,647
Total Governmental Activities	$ 4,364,240	$ 4,582,398	$ 4,809,673	$ 3,948,097	$ 4,001,910	$ 3,571,901	$ 2,848,239	$ 2,632,862
Business-Type Activities								
Capital Leases	$ 356	$ 66	$ 116	$ 210	$ 244	$ ---	$ ---	$ ---
Total Business-Type Activities	$ 356	$ 66	$ 116	$ 210	$ 244	$ ---	$ ---	$ ---
Total Primary Government	$ 4,364,596	$ 4,582,464	$ 4,809,789	$ 3,948,307	$ 4,002,154	$ 3,571,901	$ 2,848,239	$ 2,632,862
Personal Income	$ 228,218,407	$ 218,778,293	$ 216,049,019	$ 223,548,498	$ 209,131,189	$ 198,727,013	$ 186,752,616	$ 180,546,848
Debt as a Percentage of Personal Income[1]	1.9%	2.1%	2.2%	1.8%	1.9%	1.8%	1.5%	1.5%
Debt Per Capita[1]	$ 726	$ 764	$ 807	$ 666	$ 680	$ 611	$ 492	$ 458
Legal Debt Margin Calculation for Fiscal Year 2012:								
General Obligation Bonds Authorized (Legislative Debt Limit)	$ 1,726,395							
Unforeseen Emergency or Casual Deficiency	1,000							
Less: General Obligation Issued	(1,489,494)							
Legal Debt Margin	$ 237,901							
Legal Debt Margin Summary by Fiscal Year:								
Legislative Debt Limit	$ 1,726,395	$ 1,726,395	$ 1,726,395	$ 1,726,395	$ 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)	(1,488,494)	(1,488,494)	(1,438,494)	(1,438,494)	(1,438,494)
Legal Debt Margin	$ 237,901	$ 237,901	$ 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%	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.

STATE OF MISSOURI
PLEDGED REVENUE COVERAGE
FISCAL YEARS 2006-2012
(In Thousands of Dollars)

Fiscal Year	Gross Revenues[1]	Less: Operating Expenses[2]	Net Available Revenues	Debt Service		Coverage[3]
				Principal	Interest	
	Missouri Road Fund					
2012	$ 1,761,382	$ 342,240	$ 1,419,142	$ 133,190	$ 140,202	5.2
2011	2,237,700	305,649	1,932,051	137,015	146,326	6.8
2010	1,760,497	281,320	1,479,177	88,285	128,851	6.8
2009	997,990	279,971	718,019	84,896	113,591	3.6
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 2004-2011

	2011	2010	2009	2008
Population				
Missouri (In Thousands)	6,011	5,996	5,961	5,924
Change	0.8%	1.2%	0.6%	0.6%
National (In Thousands)	311,592	309,330	306,772	304,094
Change	1.6%	1.7%	0.9%	1.0%
Total Personal Income				
Missouri				
(In Thousands of Dollars)	$ 228,218,407	$ 218,778,293	$ 216,049,019	$ 223,548,498
Change	5.6%	-2.1%	-3.4%	6.9%
National				
(In Thousands of Dollars)	$ 12,949,905,000	$ 12,308,496,000	$ 11,916,808,000	$ 12,451,599,000
Change	8.7%	-1.1%	-4.3%	4.6%
Per Capita Personal Income				
Missouri	$ 37,969	$ 36,406	$ 36,243	$ 37,737
Change	4.8%	-3.5%	-4.0%	6.2%
National	$ 41,560	$ 39,791	$ 38,846	$ 40,947
Change	7.0%	-2.8%	-5.1%	3.6%
Resident Civilian Labor Force and Employment				
Civilian Labor Force				
(In Thousands)	3,046	3,053	3,051	3,046
Employed (In Thousands)	2,786	2,767	2,768	2,861
Unemployed (In Thousands)	261	286	283	186
Unemployment Rate	8.6%	9.4%	9.3%	6.1%
National Unemployment Rate	8.9%	9.6%	9.3%	5.8%

Continues Below

	2007	2006	2005	2004
Population				
Missouri (In Thousands)	5,888	5,843	5,790	5,748
Change	0.8%	0.9%	0.7%	
National (In Thousands)	301,231	298,380	295,517	292,805
Change	1.0%	1.0%	0.9%	
Total Personal Income				
Missouri				
(In Thousands of Dollars)	$ 209,131,189	$ 198,727,013	$ 186,752,616	$ 180,546,848
Change	5.2%	6.4%	3.4%	
National				
(In Thousands of Dollars)	$ 11,900,562,000	$ 11,256,516,000	$ 10,476,669,000	$ 9,928,790,000
Change	5.7%	7.4%	5.5%	
Per Capita Personal Income				
Missouri	$ 35,521	$ 34,013	$ 32,253	$ 31,412
Change	4.4%	5.5%	2.7%	
National	$ 39,506	$ 37,725	$ 35,452	$ 33,909
Change	4.7%	6.4%	4.6%	
Resident Civilian Labor Force and Employment				
Civilian Labor Force				
(In Thousands)	3,050	3,034	3,011	2,986
Employed (In Thousands)	2,896	2,888	2,850	2,814
Unemployed (In Thousands)	155	147	162	172
Unemployment Rate	5.1%	4.8%	5.4%	5.8%
National Unemployment Rate	4.6%	4.6%	5.1%	5.5%

Note: 2010 National Population, 2010 Missouri and National Personal Income, 2010 Missouri and National Per Capita Income changed due to a change in the reported totals from Bureau of Economic Analysis SA1-3.

2010 Civilian Labor Force, Employed, Unemployed, Unemployment Rate, and National Unemployment rate changed due to a change in reported totals from Missouri Economic Research Center Local Area Unemployment Statistics (LAUS).

Sources: Bureau of Economic Analysis, Missouri Economic Research and Information Center, Bureau of Labor Statistics

STATE OF MISSOURI
ECONOMIC INDICATORS
CALENDAR YEARS 2004-2011

	2011-12	2010-11	2009-10	2008-09
School Enrollment (In Thousands)				
Elementary and Secondary Education	886	890	892	893
Higher Education - Private Institutions	98	95	93	89
Total Enrollment	984	985	985	982
% Change from Prior Year	-0.1%	0.0%	0.3%	0.0%
Higher Education				
Public Community Colleges				
Number of Campuses	19	19	20	19
Number of Students (FTE*)	70,964	70,320	65,034	56,365
Number of Regular Term Teaching Positions (FTE)	1,349	1,233	1,402	1,413
State Technical College				
Number of Campuses	1	1	1	1
Number of Students (FTE)	1,161	1,133	1,116	976
Number of Regular Term Teaching Positions (FTE)	45	46	45	45
State Colleges/Universities				
Number of Campuses	14	14	14	14
Number of Students (FTE)	117,609	114,655	112,539	108,159
Number of Regular Term Teaching Positions (FTE)	4,617	4,296	4,791	4,764

Continues Below

	2007-08	2006-07	2005-06	2004-05
School Enrollment (In Thousands)				
Elementary and Secondary Education	894	898	898	892
Higher Education - Private Institutions	88	86	84	82
Total Enrollment	982	984	982	974
% Change from Prior Year	-0.2%	0.2%	0.8%	0.3%
Higher Education				
Public Community Colleges				
Number of Campuses	19	18	18	18
Number of Students (FTE*)	54,900	52,377	51,945	52,204
Number of Regular Term Teaching Positions (FTE)	1,352	1,332	1,309	1,291
State Technical College				
Number of Campuses	1	1	1	1
Number of Students (FTE)	891	888	885	854
Number of Regular Term Teaching Positions (FTE)	45	57	51	50
State Colleges/Universities				
Number of Campuses	14	14	14	14
Number of Students (FTE)	106,056	103,856	102,628	100,717
Number of Regular Term Teaching Positions (FTE)	4,731	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 2011 AND 2002

2011

Employer	Number of Employees	Percent of Total State Employment
State of Missouri[1]	58,000	2.08%
Wal-Mart Associates, Inc.	20,000+	0.72%
University of Missouri	20,000+	0.72%
Washington University	15,000-20,000	0.54% - 0.72%
US Post Office	15,000-20,000	0.54% - 0.72%
The Boeing Company	10,000-15,000	0.36% - 0.54%
Barnes-Jewish Hospital	7,500-10,000	0.27% - 0.36%
Department of Defense	7,500-10,000	0.27% - 0.36%
Schnuck Markets, Inc.	7,500-10,000	0.27% - 0.36%
Department of Veterans Affairs	7,500-10,000	0.27% - 0.36%
Division of Adult Institutions	7,500-10,000	0.27% - 0.36%
Total	175,500-203,000	6.31% - 7.30%
Total Missouri Employment		**2,785,797**

2002

Employer	Number of Employees	Percent of Total State Employment
State of Missouri[1]	63,000	2.23%
Wal-Mart Associates, Inc.	32,500-35,000	1.15% - 1.24%
Boeing Corporation	12,500-15,000	0.44% - 0.53%
Washington University	12,500-15,000	0.44% - 0.53%
Schnucks Markets, Inc.	10,000-12,500	0.35% - 0.44%
Barnes-Jewish Hospital	7,500-10,000	0.27% - 0.35%
May Department Stores	7,500-10,000	0.27% - 0.35%
Ford Motor Company	7,500-10,000	0.27% - 0.35%
Daimler Chrysler	5,000-7,500	0.18% - 0.27%
Lester E Cox Medical	5,000-7,500	0.18% - 0.27%
American Airlines, Inc.	5,000-7,500	0.18% - 0.27%
SBC (Southwestern Bell) Management	5,000-7,500	0.18% - 0.27%
Hallmark Cards	5,000-7,500	0.18% - 0.27%
AT&T Corporation	5,000-7,500	0.18% - 0.27%
United Parcel Service, Inc.	5,000-7,500	0.18% - 0.27%
St. John's Regional Health Center	5,000-7,500	0.18% - 0.27%
Total	162,500-185,000	6.86% - 8.18%
Total Missouri Employment		**2,829,985**

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 2003, State Employee Headcount report

STATE OF MISSOURI
STATE EMPLOYEES BY FUNCTION
FISCAL YEARS 2006-2012
FULL-TIME EQUIVALENTS*

	2012	2011	2010	2009	2008	2007	2006
General Government							
Legislature	683	703	725	716	719	732	749
Judiciary	3,369	3,393	3,626	3,755	3,731	3,777	3,826
Public Defender	595	578	570	558	555	558	561
Governor	28	32	33	24	32	33	34
Lt. Governor	6	6	6	6	6	7	7
Secretary of State	244	253	261	272	277	275	266
State Auditor	116	116	119	124	128	127	132
State Treasurer	49	50	49	51	51	51	51
Attorney General	350	371	408	420	451	443	427
Office of Administration	2,161	2,139	2,040	2,091	2,046	1,783	868
Revenue	1,364	1,383	1,421	1,487	1,523	1,586	1,766
Total General Government	8,965	9,024	9,258	9,504	9,519	9,372	8,687
Education							
Elementary and Secondary Education	2,714	2,635	2,662	2,760	2,650	2,654	2,719
Higher Education	61	65	75	73	67	58	67
Total Education	2,775	2,700	2,737	2,833	2,717	2,712	2,786
Natural and Economic Resources							
Agriculture	467	535	617	494	479	467	456
Insurance, Financial Institutions and Professional Registration	755	744	734	741	748	192	200
Conservation	1,872	1,894	1,982	2,085	2,065	2,190	2,270
Economic Development	891	947	1,019	994	1,024	1,604	1,681
Labor and Industrial Relations	998	987	924	777	810	913	1,056
Natural Resources	2,042	1,934	1,903	2,121	2,102	2,061	2,175
Total Natural and Economic Resources	7,025	7,041	7,179	7,212	7,228	7,427	7,838
Transportation and Law Enforcement							
Transportation	5,804	6,399	6,970	6,969	6,961	7,196	7,300
Public Safety	5,309	5,281	5,336	5,412	5,294	5,085	5,101
Total Transportation and Law Enforcement	11,113	11,680	12,306	12,381	12,255	12,281	12,401
Human Services							
Health and Senior Services	1,753	1,706	1,826	1,927	1,885	1,877	1,969
Mental Health	8,089	8,256	8,961	9,613	9,500	9,602	9,784
Social Services	7,371	7,562	8,138	8,584	8,624	8,553	8,794
Corrections	10,864	10,990	11,175	11,364	11,020	11,138	11,235
Total Human Services	28,077	28,514	30,100	31,488	31,029	31,170	31,782
State Total	57,955	58,959	61,580	63,418	62,748	62,962	63,494

*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 2006-2012

	2012	2011	2010	2009	2008	2007	2006
General Government							
Individual Income Tax Returns Processed (In Thousands)	2,969	2,917	2,877	2,946	3,013	3,902	2,770
Sales and Use Tax Returns Processed (In Thousands)	760	773	785	772	788	1,055	742
Driver Licenses Processed (In Thousands)	1,208	1,160	1,090	1,179	964	1,052	1,106
Motor Vehicle Registrations Processed (In Thousands)	3,905	3,828	3,844	3,502	3,866	3,856	2,994
Audit Reports Issued	123	168	151	101	91	88	103
Statewide Court Filings (In Thousands)*	2,565	2,525	2,359	2,322	2,196	2,027	2,152
Business Services Requests made on Secretary of State Web Page (In Thousands)	121,974	81,643	79,974	76,744	44,300	36,000	35,000
Checks Issued (In Thousands)	1,971	2,216	2,465	2,667	2,807	3,035	3,309
Unclaimed Property Returned (In Thousands)	$ 38,239	$ 36,373	$ 35,014	$ 26,672	$ 34,531	$ 22,966	$ 21,816
Education							
High School Drop Out Rate*	3.5%	4.0%	4.1%	3.9%	4.2%	4.7%	3.8%
Elementary and Secondary Schools Meeting Adequate Yearly Progress**	---	25.6%	35.3%	35.7%	40.1%	62.6%	65.2%
Clients Achieving Employment after Receiving Vocational Rehabilitation Services	61.0%	56.0%	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)	$ 97,077	$ 91,146	$ 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	55.2%	58.2%	57.9%	64.0%	66.0%	62.0%	63.3%
Insurance Policies Filed Electronically	99.5%	96.0%	96.0%	94.7%	50.0%	50.0%	50.0%
Initial Unemployment Claims (In Thousands)	427	502	582	565	396	411	393
International Agricultural Exports (In Thousands)	$ 38,700	$ 15,000	$ 38,000	$ 22,700	$ 30,300	$ 19,760	$ 18,191
Hunting License Holders (In Thousands)*	593	588	592	591	580	579	570
Visitors to Missouri State Parks and Historic Sites (In Thousands)	17,846	16,363	15,891	15,307	15,577	16,069	16,650
Transportation and Law Enforcement							
Methamphetamine Labs Seized	274	340	245	165	274	259	375
State - Licensed Fire Safety Inspections	15,177	11,487	10,603	11,008	11,998	11,684	9,848
Buildings Served by Missouri Capitol Police	72	73	75	83	82	82	79
Alcohol Arrests***	---	---	385	845	736	954	1,084
Missouri Major Roads Rated in Good Condition	88.1%	85.8%	86.5%	83.4%	78.0%	74.0%	60.8%
Difference Between Awarded and Actual Transportation Construction Costs	0.2%	(0.4%)	(1.9%)	1.1%	0.9%	0.9%	3.1%
Human Services							
Medicaid Enrollees	889,159	897,306	892,691	850,722	833,112	822,685	830,262
Food Stamp Recipients	943,835	949,136	909,139	827,639	899,332	826,313	795,963
Doses of Vaccine Issued by Vaccines for Children Providers (In Thousands)	1,354	1,420	1,384	1,317	1,360	1,097	1,075
Incarcerated Offenders	31,057	30,771	30,418	30,476	30,803	29,975	30,185
Individuals Served in State Comprehensive Psychiatric Service Facilities	1,716	2,170	4,120	6,759	6,882	7,805	7,772

*Previous fiscal year data was used since it was the most recent available.

**Received NCLB waiver from the federal government. No longer evaluating disctricts based on AYP.

***Number of Alcohol Arrests is zero due to a loss of grant funding to perform alcohol compliance buys.

****Total loans guaranteed during fiscal year 2012 was zero, as the authority to ensure loans ended June 30, 2010, due to the enactment of the Health Care and Education Affordability Reconciliation Act. However, the Department of Higher Education will continue to act as the US Department of Education's agent in fulfilling responsibilities relating to outstanding guarantees, which totaled $2.7 billion as of June 30, 2012.

Sources: State agencies

STATE OF MISSOURI
CAPITAL ASSET STATISTICS
BY FUNCTION
FISCAL YEARS 2005-2012

	2012	2011	2010	2009	2008	2007	2006	2005
General Government								
Parcels of Land	20	20	20	21	21	20	18	15
Land Improvements	40	38	38	37	37	35	35	31
Square Footage of Buildings	1,006,449	1,013,314	1,011,732	1,015,214	1,001,281	996,590	991,800	1,071,699
Equipment	35,651	35,316	35,333	36,813	35,171	42,333	44,469	49,644
Software	293	213	168	88	---	---	---	---
Education								
Parcels of Land	31	31	31	31	31	32	32	32
Land Improvements	46	43	43	32	31	31	31	29
Square Footage of Buildings	136,465	136,465	133,494	135,230	135,230	135,230	102,719	134,162
Equipment	6,102	5,984	5,911	6,031	6,010	6,679	6,780	6,723
Trademarks	1	1	---	---	---	---	---	---
Natural and Economic Resources								
Parcels of Land	826	825	824	823	815	811	815	812
Land Improvements	328	324	323	325	323	318	320	216
Temporary Easements	1	1	1	---	---	---	---	---
Square Footage of Buildings	611,550	616,729	622,181	622,285	625,779	622,887	528,136	370,505
Equipment	35,064	36,097	36,881	38,807	41,145	43,534	46,574	46,915
Software	36	20	12	3	---	---	---	---
State Parks and Historic Sites	85	85	85	85	84	84	84	84
State Conservation Areas	1,193	1,196	1,179	1,169	1,165	1,151	1,148	1,140
Transportation and Law Enforcement								
Parcels of Land	790	805	819	831	836	853	862	1,608
Land Improvements	349	307	264	245	198	184	177	183
Permanent Easements	382	254	221	---	---	---	---	---
Temporary Easements	833	961	1,086	---	---	---	---	---
Square Footage of Buildings	175,664	175,138	164,119	164,119	151,533	158,081	157,658	157,172
Equipment	66,994	67,649	67,959	67,100	65,074	63,327	62,984	61,965
Software	573	202	146	---	---	---	---	---
Miles of State Highway	33,845	33,702	33,639	33,676	33,685	32,800	32,423	32,402
State-Owned Bridges and Culverts	10,405	10,405	10,335	10,249	10,276	10,240	10,224	10,190
Highway Patrol Stations	9	9	9	9	9	9	9	9
Human Services								
Parcels of Land	83	83	83	84	84	84	83	85
Land Improvements	161	157	154	130	118	115	115	112
Square Footage of Buildings	900,749	924,380	932,827	952,117	962,710	967,653	870,129	834,352
Equipment	50,229	63,442	70,684	78,543	91,178	98,649	107,434	106,334
Software	28	13	10	7	---	---	---	---
Correctional Facilities	30	30	30	30	28	26	26	24

Source: State of Missouri capital asset records by agency.

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