



MISSOURI

Comprehensive Annual Financial Report
for Fiscal Year Ended June 30, 2008

On the Cover:

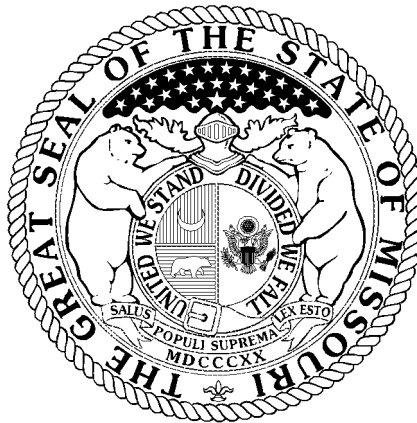
Dogwood Bloom

Courtesy of Ray Jagger, Kirksville

This report can be viewed on the Internet at <http://www.oa.mo.gov/acct/cafrfy2008/index.htm>

STATE OF MISSOURI
COMPREHENSIVE ANNUAL
FINANCIAL REPORT

Fiscal Year Ended June 30, 2008



MATT BLUNT

Governor

LARRY W. SCHEPKER

Commissioner

Office of Administration

THOMAS J. SADOWSKI

Director

Division of Accounting

STATE OF MISSOURI
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2008

TABLE OF CONTENTS

<u>INTRODUCTORY SECTION</u>	<u>Page</u>
Letter of Transmittal	I
Organizational Chart	V
Principal State Officials	VI
 <u>FINANCIAL SECTION</u>	
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.....	99
Notes to Required Supplementary Information Budgetary Reporting	101
Supplementary Information	
Budgetary Comparison Schedule Major Capital Projects Fund	102
Combining Fund Statement – General Fund	
Balance Sheet.....	103
Statement of Revenues, Expenditures, and Changes in Fund Balance	104
Combining and Individual Fund Statements and Schedules – Non-Major Funds	
Governmental Funds	
Combining Balance Sheet Non-Major Governmental Funds – by Fund Type.....	105
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Non-Major Governmental Funds – by Fund Type.....	106
Special Revenue Funds	
Combining Balance Sheet	107
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	108
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual.....	109
Debt Service Funds	
Combining Balance Sheet	113
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	114
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual.....	115
Capital Projects Funds	
Combining Balance Sheet	117
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	118
Permanent Funds	
Combining Balance Sheet	119
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	120
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual.....	121

Proprietary Funds

Enterprise Funds

Combining Statement of Net Assets	124
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	126
Combining Statement of Cash Flows	128

Internal Service 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

Fiduciary Funds

Pension (and Other Employee Benefit) Trust Funds

Combining Statement of Fiduciary Net Assets	136
Combining Statement of Changes in Fiduciary Net Assets	137

Private-Purpose Trust Funds

Combining Statement of Fiduciary Net Assets	138
Combining Statement of Changes in Fiduciary Net Assets	139

Agency Funds

Combining Balance Sheet	140
Combining Statement of Changes in Assets and Liabilities	141

Component Units

Combining Statement of Net Assets	142
Combining Statement of Revenues, Expenses, and Changes in Net Assets	143
Combining Statement of Cash Flows	144

<u>STATISTICAL SECTION</u>	145
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Acknowledgements	159
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*The **Introductory Section** includes material to familiarize the reader with the organizational structure of the State, the nature and scope of services the State provides, and a summary of the financial activities of the State and the factors that influence these activities.*

Matt Blunt
Governor



Larry W. Schepker
Commissioner

State of Missouri
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Division of Accounting
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Thomas J. Sadowski
Director

January 9, 2009

The Honorable Matt Blunt
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 of the State of Missouri for the fiscal year ended June 30, 2008. 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 of Missouri Auditor's Office. The State Auditor conducts the audit in accordance with generally accepted government auditing standards, and her opinion has been included in this report. The State Auditor conducts a "Single Audit" of all federal funds in accordance with the Federal Single Audit Act 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 12, 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, law enforcement, 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. Budgetary control is maintained at the departmental level. Expenditures cannot exceed the appropriation amount at the individual appropriation level. Also, the Governor has the authority to reduce the allotments of appropriations in any fund if it appears that the revenue estimate will not be met. Unexpended appropriations lapse at the end of each appropriation year, unless reappropriated to the following appropriation year.

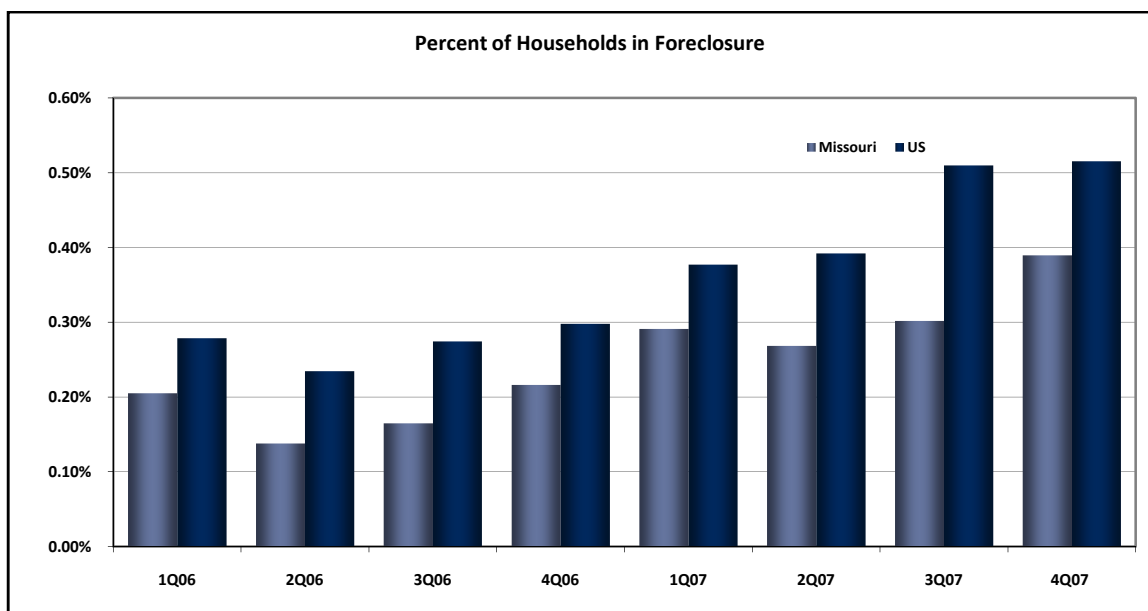
The financial reporting entity of the State includes all of the funds of the primary government as well as component units for which the State is financially accountable. The transmittal letter, MD&A, and the financial statements focus on the primary government and its activities. Although information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

ECONOMIC CONDITION AND OUTLOOK

State Economy

Missouri's economy is diversified and often follows the trends of the U.S. While Missouri's economy was growing in 2007, Missouri and the U.S. have seen an economic slowdown in 2008. Previously Missouri had not experienced the decline in the housing market to the extent of the rest of the nation, however, the troubles in the housing sector have begun to spill over into other industries.

Foreclosure rates in Missouri have been rising similarly to the national rate throughout the housing crisis but remain lower than the U.S. average. In Missouri, there were 32,022 foreclosure filings in 2007, or about one of every 81 households in the state. On average in the U.S., one of every 57 households was in foreclosure last year. Only 1.5 percent of the nation's foreclosures over the year were in Missouri.



Source: Missouri Economic Research and Information Center/RealtyTrac

Missouri's personal income, which directly impacts individual income tax and sales tax, rose at a 5.6% rate during calendar year 2007. Per capita personal income has grown more rapidly than inflation and Missouri ranked 16th in personal income growth in the second quarter of 2008. Along with higher personal income, Missourians also enjoy the fifth lowest cost of living in the United States.

Through the end of June 2008, exports by Missouri companies totaled \$6.5 billion, compared to \$6.8 billion after the second quarter of 2007. This is particularly good news for the State's businesses because Missouri set a record for exports in 2007 with \$13.4 billion in total global sales.

Long-Term Financial Planning

Missouri's funding priorities include education, health care, public safety, and economic development. Continued efforts within State government to provide more efficient and effective customer service while using fewer administrative resources will save money that can be used to improve various State services.

Missouri also has a long-range plan to improve highways and bridges and is exploring options for funding the improvements through fuel tax revenues and sales taxes on motor vehicle sales. The national credit market disruption has forced a change in plans to use private financing to make improvements to 802 bridges in Missouri. The Missouri Highways and Transportation Commission decided to issue its own bonds to pay for the work, which it intends to finish in five years. The repairs are estimated to cost \$700 million. The debt will be repaid with a portion of the federal bridge money received each year.

In March 2008, an agreement was signed to promote trade in Missouri. The agreement was designed as a preliminary step toward turning St. Louis into a trade hub with China. Increasing trade between Missouri and China by 50 percent over the next three years is the target created by the agreement. The increase is aimed mostly toward high-tech manufacturing and agriculture, particularly beef. In 2007, exports to China increased by approximately one-third to more than \$1 billion.

Relevant Financial Policies

Article X of the Missouri Constitution imposes a limit on the amount of taxes that may be imposed by the General Assembly in any fiscal year. This limit is tied to total State revenues for each fiscal year and adjusted annually based on a formula which is tied to increases in the personal income of Missouri for certain designated periods. If the revenue limit is exceeded by 1% or more in any fiscal year, the excess revenue will be refunded based on the liability reported on state income tax returns. If the excess revenue collected is less than 1% of the revenue limit, the excess revenue shall be transferred to the General Revenue Fund.

The revenue limit can be exceeded by a constitutional amendment adopted by the people or if the General Assembly approves, by a two-thirds vote, an emergency declaration by the Governor. The State has refunded money to income taxpayers for fiscal years 1995 through 1999, but has not exceeded the revenue limit in fiscal years 2000 through 2008. The State does not expect the limit to be exceeded in fiscal year 2009.

Major Initiatives

Missouri will continue to focus on controlling increasing costs through various cost-effective alternatives and streamlining government functions. Funding priorities are focused in the areas of education, health care, public safety, and economic development.

Education. Funding for education remains a top priority for Missouri. A revision of the school funding formula was approved in 2005 and is being phased in over a seven year period, which began in fiscal year 2007. The fiscal year 2009 budget includes a \$121 million increase for public education as part of the revision to the school funding formula. The fiscal year 2009 budget also includes \$5 million to create 100 technologically advanced classrooms and to equip 300 classrooms with advance math, science, and health and wellness curriculum; \$54.2 million increase for Missouri's public two and four year colleges and universities; and \$100 million for the Access Missouri scholarship program for need-based scholarships for Missouri students.

Health. Funding for MO HealthNet for fiscal year 2009 is \$5.8 billion, an increase of \$420.4 million over fiscal year 2008. This increase includes expanded health care coverage for children and low-income women. MO HealthNet provides health care coverage to some of the state's most vulnerable citizens. The number of individuals in Missouri without health care coverage is rising. In Missouri, from 2001 to 2005 the number of employers offering health insurance to their employees declined 10.1 percent, individuals under age 65 with private insurance declined 8.5 percent, and individuals under the age of 65 without any insurance coverage increased by 29.8 percent – the fifth highest increase in the U.S. The Missouri legislature has considered initiatives to help insure uninsured Missourians, but legislation has yet to be passed.

Public Safety. Last year, Missouri led the nation in improved highway safety. The Smooth Roads Initiative (SRI) was completed a year early and an additional \$359 million was made available through the initiative which resulted in significant improvements in pavement conditions. Missouri Department of Transportation (MoDOT) currently reports 78 percent of Missouri's major highways to be in good condition, up 46 percent from the beginning of SRI in 2004. Missourians now travel on smoother, safer roads throughout most of the State. This turnaround fuels job creation, supports tourism and ensures that Missouri families have the transportation system they need. The State has made significant improvements in safety. Traffic deaths in Missouri are down 21.2 percent in 2007 compared to 2005 and the downward trend is continuing.

The fiscal year 2009 budget includes an additional \$483 million for road construction projects. However, in 2010 decreased funding will present a challenge for MoDOT. There is a significant gap between transportation needs and projected funding. The new Better Roads, Brighter Future Initiative will result in 5,600 miles of major roads with smooth pavement; brighter, wider striping; larger signs; rumble strips; and, in most cases, a minimum four-foot paved shoulder by 2012.

Economic Development. September 2007 marked the inaugural Tour of Missouri bicycle race, giving Missouri the opportunity to showcase the State to an international audience. Over six days some of the world's top athletes covered 600 miles of the State. One million dollars was committed to bringing the Tour of Missouri to the State. The race surpassed all expectations and demonstrated its value and benefits, generating an estimated \$26.2 million in new tourism dollars.

In addition to the Tour of Missouri, increased funding for economic development and the environment in fiscal year 2009 included \$5.9 million for life sciences research, \$36 million for improvements to state conservation areas, and \$15 million for incentives to produce biodiesel fuels.

AWARDS

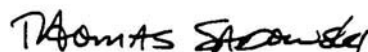
The Missouri Accountability Portal (MAP) is an online database of financial records that can be accessed in real-time. During fiscal year 2008, Missouri's Information Technology Services Division Team won an American Business Award for the development of the MAP site for their achievement in government transparency.

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 are greatly appreciative to all.

Sincerely,

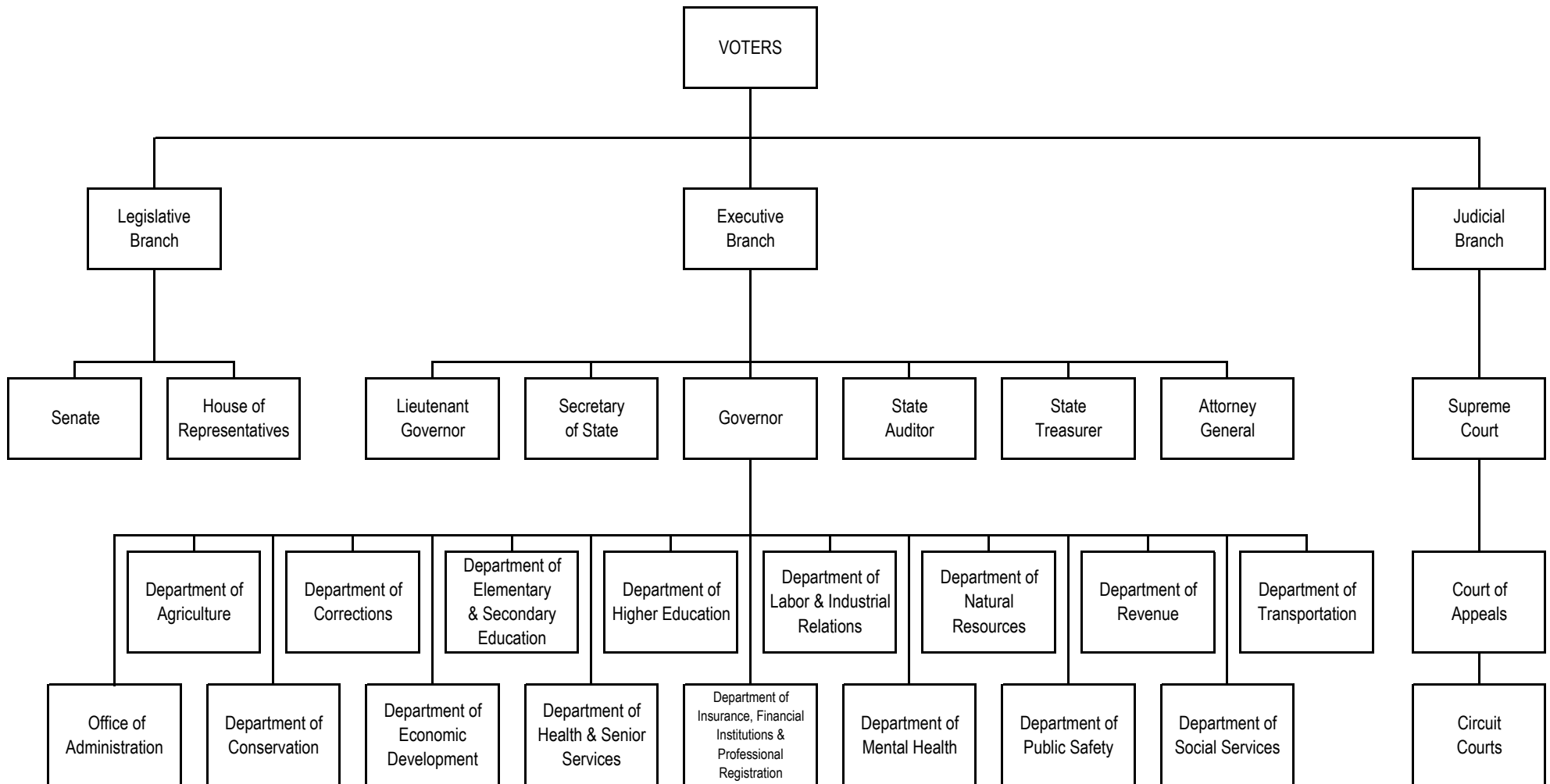


Thomas Sadowski, CGFM, CPA
Director

STATE OF MISSOURI

ORGANIZATIONAL CHART

June 30, 2008



**STATE OF MISSOURI
PRINCIPAL STATE OFFICIALS
as of June 30, 2008**

EXECUTIVE

Matt Blunt
Governor

Peter Kinder
Lieutenant Governor

Robin Carnahan
Secretary of State

Susan Montee, CPA
State Auditor

Sarah Steelman
State Treasurer

Jeremiah W. (Jay) Nixon
Attorney General

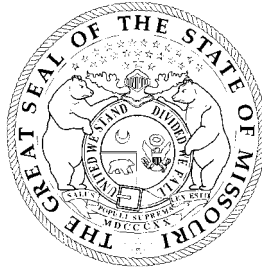
LEGISLATIVE

Michael Gibbons
President Pro Tem of the Senate

Rod Jetton
Speaker of the House of Representatives

JUDICIAL

Laura Denvir Stith
Chief Justice of the Supreme Court



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



SUSAN MONTEE, CPA

Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT

Honorable Matt Blunt, 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, 2008, 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 these amounts, are based on the reports of the other auditors. Those entities were:

1. The Missouri Department of Transportation and blended transportation corporations identified in Note 1A., the Missouri Consolidated Health Care Plan, the Missouri State Employees' Insurance Plan, the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan, the Transportation Self-Insurance Plan, and the Conservation Employees' Insurance Plan, which represent 77 percent and 13 percent of the assets and revenues, respectively, of the governmental activities.
2. The State Lottery and the Petroleum Storage Tank Insurance Fund, which represent 32 percent and 58 percent of the assets and revenues, respectively, of the business-type activities.
3. The component units.
4. The pension (and other employee benefit) trust funds and the Missouri Department of Transportation Local Fund, which represent 95 percent and 95 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 Fulton 54 Transportation Corporation, the Missouri Highway 63 Transportation Corporation, the Highway 179 Transportation Corporation, and the Wentzville Parkway Transportation Corporation, blended component units; the Missouri Consolidated Health Care Plan, the Missouri State Employees' Insurance Plan, and the Conservation Employees' Insurance Plan, internal service funds; the Missouri Development Finance Board and Northwest Missouri State University, discretely presented component units; and the pension (and other employee benefit) trust funds, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

We were not allowed access to tax returns and related source documents for income taxes. Access was denied based on the Director of Revenue's interpretation of the decision rendered by the Missouri Supreme Court in the case of Director of Revenue v. State Auditor 511 S.W.2d 779 (Mo. 1974). Approximately 28 percent of governmental activity revenues are from this source. We were unable to satisfy ourselves by appropriate audit tests or other means 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, 2008, 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. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*; Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*; and Statement No. 50, *Pension Disclosures*.

In accordance with *Government Auditing Standards*, our report on our consideration of the state of Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters is issued under separate cover in the Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance

with *Government Auditing Standards* and should be considered in assessing the results of our audit.

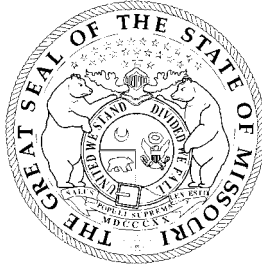
The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the state's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, and except for the effects, if any, of the matters discussed in paragraph four, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information in the introductory section and statistical section, as listed in the table of contents, has not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

January 9, 2009



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 (the State's) financial activities for the fiscal year ended June 30, 2008. 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 2008 by \$29.5 billion. Of the \$29.5 billion, "unrestricted net assets" is reported as a negative \$2.0 billion, offset by \$6.0 billion in "restricted net assets". A positive balance in unrestricted net assets would represent the amount available to be used to meet a government's ongoing obligations to citizens and creditors.
- *Changes in Net Assets.* The State's total net assets increased by \$617.6 million in fiscal year 2008. Net assets for governmental activities increased by \$436.9 million. This increase can be attributed to more grants and contributions. Net assets for the business-type activities showed an increase of \$180.7 million. This increase can be explained primarily by a significant increase in cash and cash equivalents in the Unemployment Compensation Fund due to the early repayment of a federal loan in 2007.
- *Excess of Revenues over (under) Expenses.* During fiscal year 2008, the State's total revenues of \$22.9 billion were \$617.6 million more than total expenses (excluding transfers) of \$22.2 billion. Of these expenses, \$12.3 billion were covered by program revenues. General revenues, generated primarily from various taxes, totaled \$10.6 billion.

Fund-Level:

- *Governmental Funds – Fund Balance.* As the close of fiscal year 2008, the State's governmental fund assets exceeded liabilities by \$5.3 billion, an increase of \$598.0 million or 12.9% from the prior year. The increase was primarily due to an increase of \$760.7 million in assets of which \$625.3 million was cash and cash equivalents and investments. This was partially due to the sale of a portion of the Missouri Higher Education Loan Authority assets which provided \$238.9 million to fund the Lewis and Clark Discovery Initiative, creating an increase in investments for fiscal year 2008.
- *General Fund – Fund Balance.* At the end of the current fiscal year, the State's general fund reported a balance of \$1.9 billion.

Additional information regarding individual funds begins on Page 9.

Debt Issued and Outstanding:

- The primary government's total long-term obligations related to bonds payable increased \$405.4 million or 12.1% over the prior year. The outstanding bonds payable represents 46.3% of financial assets (cash, receivables, and investments) and 10.1% of total assets. The net increase in bonds payable resulted from decreases of \$169,400,000 due to bond payments and \$1,955,000 due to defeasance as well as increases of \$576,800,000 due to issuances of State Road Bonds and General Obligation 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 or the Hancock Amendment. Excess revenue of 1% or more must be refunded to the taxpayers each year. During fiscal year 2008, 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 themselves.

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*. Over time, 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 government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as 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 and operating state park facilities, fairgrounds, historical properties and office buildings, hospital services, warehousing, merchandising, publishing maps and documents, insurance coverage, and the operation 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, and Missouri Transportation Finance Corporation.

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. All of the funds of the State can be divided into three categories: governmental, proprietary, and fiduciary funds.

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

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

In order for the user to 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 and operating state park facilities, fairgrounds, historical properties and office buildings, hospital services, warehousing, merchandising, publishing maps and documents, and the operation 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 accounting used for fiduciary funds is similar to that used for proprietary funds.

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 \$617.6 million or 2.1% during fiscal year 2008. This increase resulted primarily from an increase of \$878.0 million in current and other assets. 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 \$937.3 million or 3.1%.

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 86.5% or \$25.5 billion. 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 \$6.0 billion or 20.4% of total net assets, vs. 17.5% 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	
	2008	2007*	2008	2007*	2008	2007*
ASSETS:						
Current and Other Assets	\$ 7,637,879	\$ 6,944,262	\$ 615,983	\$ 431,595	\$ 8,253,862	\$ 7,375,857
Capital Assets, Net	28,960,762	28,419,098	41,755	40,922	29,002,517	28,460,020
<i>Total Assets</i>	36,598,641	35,363,360	657,738	472,517	37,256,379	35,835,877
LIABILITIES:						
Long-Term Liabilities	6,095,681	5,430,523	223,541	221,709	6,319,222	5,652,232
Other Liabilities	1,467,950	1,334,707	17,569	14,916	1,485,519	1,349,623
<i>Total Liabilities</i>	7,563,631	6,765,230	241,110	236,625	7,804,741	7,001,855
NET ASSETS:						
Invested in Capital Assets,						
Net of Related Debt	25,439,971	25,475,504	41,755	40,922	25,481,726	25,516,426
Restricted	5,968,804	5,032,619	45,362	9,517	6,014,166	5,042,136
Unrestricted	(2,373,765)	(1,909,993)	329,511	185,453	(2,044,254)	(1,724,540)
<i>Total Net Assets</i>	<u>\$ 29,035,010</u>	<u>\$ 28,598,130</u>	<u>\$ 416,628</u>	<u>\$ 235,892</u>	<u>\$ 29,451,638</u>	<u>\$ 28,834,022</u>
*Fiscal year 2007 amounts have been restated.						

Changes in Net Assets:

The schedule below reflects how the State's net assets changed during the year. The State earned program revenues of \$12.3 billion and general revenues of \$10.6 billion for total revenues of \$22.9 billion during fiscal year 2008. Expenses for the State during fiscal year 2008 were \$22.2 billion. As a result of the excess of revenues over expenses, the total net assets of the State increased \$617.6 million, net of contributions and transfers.

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

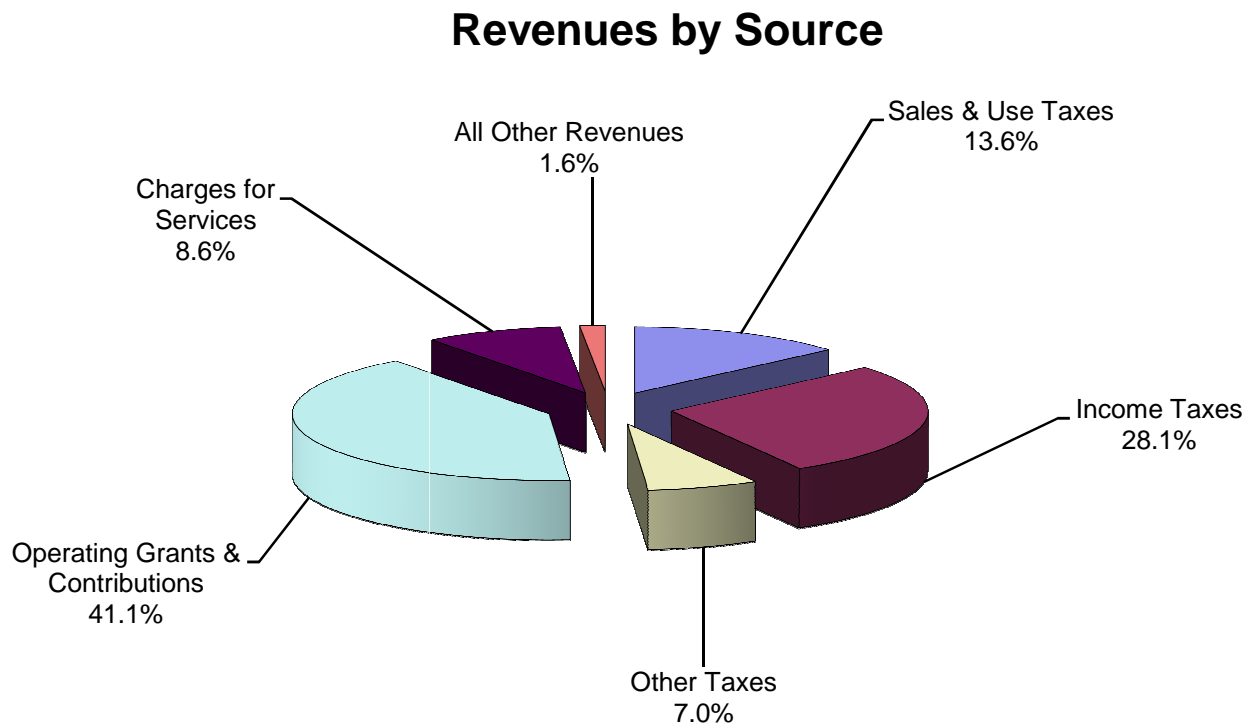
STATEMENT OF ACTIVITIES						
(In Thousands of Dollars)						
	Governmental Activities		Business-Type Activities		Total	
	2008	2007*	2008	2007*	2008	2007*
REVENUES:						
Program Revenues:						
Charges for Services	\$ 1,816,377	\$ 1,685,635	\$ 1,106,483	\$ 1,011,407	\$ 2,922,860	\$ 2,697,042
Operating Grants and Contributions	8,669,295	7,828,289	657,534	618,071	9,326,829	8,446,360
Capital Grants and Contributions	387	306	---	---	387	306
General Revenues:						
Sales and Use Taxes	2,871,465	2,929,398	---	---	2,871,465	2,929,398
Income Taxes	5,911,643	5,140,588	---	---	5,911,643	5,140,588
Unemployment and Other Taxes	1,472,829	1,942,185	---	---	1,472,829	1,942,185
Other Revenues	331,173	341,541	15,424	5,684	346,597	347,225
<i>Total Revenues</i>	<u>21,073,169</u>	<u>19,867,942</u>	<u>1,779,441</u>	<u>1,635,162</u>	<u>22,852,610</u>	<u>21,503,104</u>
EXPENSES:						
General Government	1,209,716	1,092,613	---	---	1,209,716	1,092,613
Education	6,379,185	6,042,581	---	---	6,379,185	6,042,581
Natural and Economic Resources	1,006,506	928,873	---	---	1,006,506	928,873
Transportation and Law Enforcement	2,255,196	2,303,272	---	---	2,255,196	2,303,272
Human Services	9,876,119	9,191,994	---	---	9,876,119	9,191,994
State Lottery	---	---	740,279	689,426	740,279	689,426
Unemployment Compensation	---	---	498,318	444,962	498,318	444,962
Petroleum Storage Tank	---	---	21,516	16,249	21,516	16,249
Veterans' Homes	---	---	57,066	53,234	57,066	53,234
All Other Expenses	174,450	149,987	16,643	16,498	191,093	166,485
<i>Total Expenses</i>	<u>20,901,172</u>	<u>19,709,320</u>	<u>1,333,822</u>	<u>1,220,369</u>	<u>22,234,994</u>	<u>20,929,689</u>
Increase (Decrease) in Net Assets before Contributions & Transfers	171,997	158,622	445,619	414,793	617,616	573,415
<i>Transfers</i>	<u>264,883</u>	<u>256,687</u>	<u>(264,883)</u>	<u>(256,687)</u>	<u>---</u>	<u>---</u>
Change in Net Assets	436,880	415,309	180,736	158,106	617,616	573,415
<i>Net Assets - July 1</i>	<u>28,598,130</u>	<u>28,182,821</u>	<u>235,892</u>	<u>77,786</u>	<u>28,834,022</u>	<u>28,260,607</u>
<i>Net Assets - June 30</i>	<u>\$ 29,035,010</u>	<u>\$ 28,598,130</u>	<u>\$ 416,628</u>	<u>\$ 235,892</u>	<u>\$ 29,451,638</u>	<u>\$ 28,834,022</u>
*Fiscal year 2007 amounts have been restated.						

Governmental Activities

The net assets of governmental activities increased \$436.9 million in fiscal year 2008. Revenues for the governmental activities totaled \$21.1 billion, while expenses totaled \$20.9 billion in 2008.

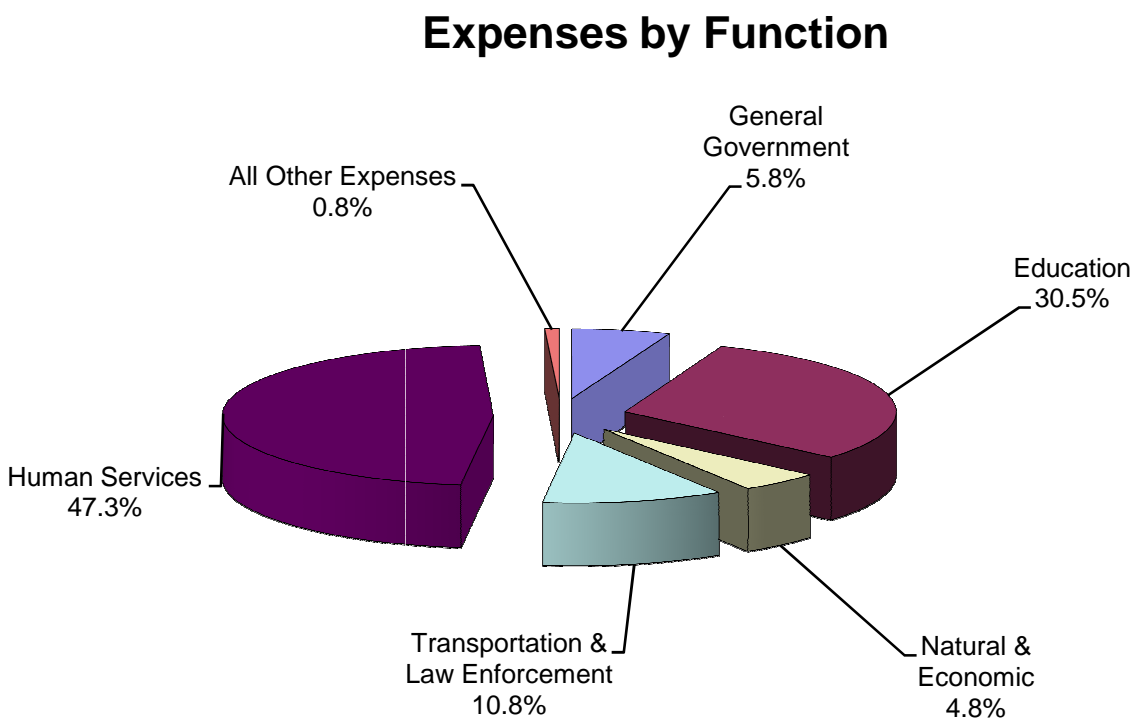
General and program revenues of governmental activities increased \$1.2 billion during the fiscal year. The increase in revenue was due primarily to an increase of \$841.0 million in operating grants and contributions.

As shown in the Revenues by Source chart below, approximately 48.7% of revenues from all sources earned came from taxes. Operating grants and contributions, which represents amounts received from other governments/entities, primarily the federal government, provided 41.1% of total revenue. Charges for services contributed 8.6% and various other revenues provided 1.6% of the remaining governmental activity revenue sources.



The State's governmental activities program expenses increased \$1.2 billion during fiscal year 2008. Transportation and Law Enforcement expenditures decreased \$48.1 million while General Government, Education, Natural and Economic Resources, Human Services, and Other Expenses increased \$1.2 billion.

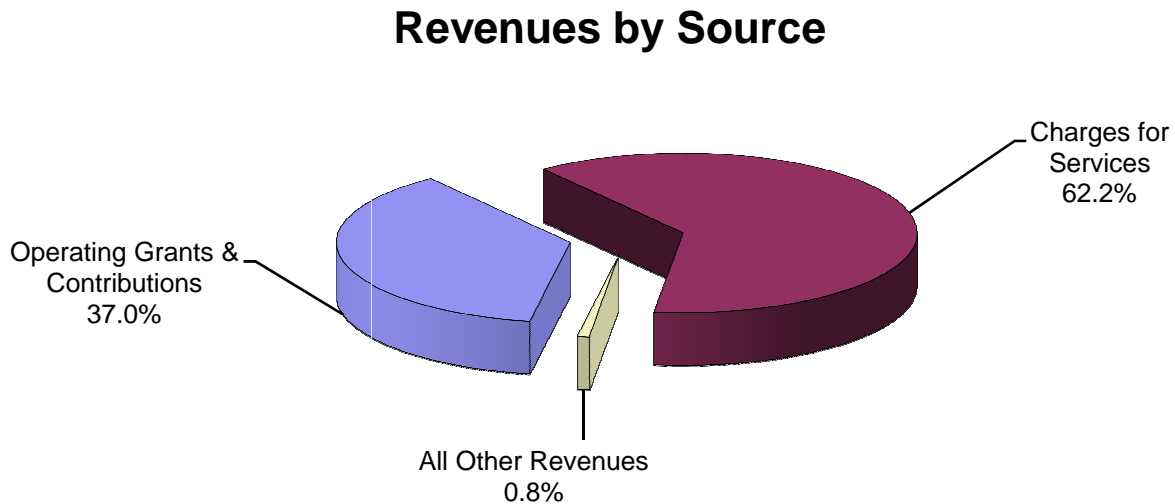
As shown in the Expenses by Function chart below, expense for Human Services makes up the largest portion – 47.3% – of total governmental expenses.



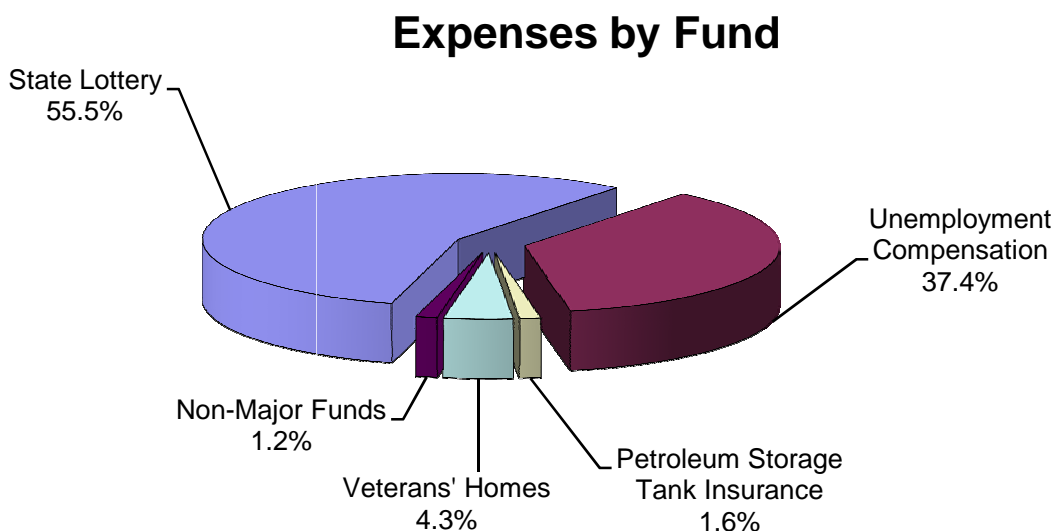
Business-Type Activities

Net assets of the State's business-type activities increased \$180.7 million in fiscal year 2008. Total business-type program revenues increased by \$134.5 million during the current fiscal year. Program expenses of business-type activities increased \$113.5 million from fiscal year 2007 to 2008.

Revenues of business-type activities totaled \$1.8 billion. As shown in the Revenues by Source chart below, 62.2% of the revenues came from charges for services. Operating grants and contributions provided 37.0% of total revenue and all other revenues provided 0.8%.



Expenses of business-type activities totaled \$1.3 billion. As shown in the Expenses by Fund chart below, the State Lottery makes up the largest portion with 55.5% of total business-type expenses. Unemployment compensation comes in second at 37.4%, followed by veterans' homes at 4.3%, petroleum storage tank at 1.6%, and non-major funds at 1.2%.



FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS

Governmental Funds:

At the end of fiscal year 2008, the State's governmental funds reported combined ending fund balances of \$5.3 billion. Approximately 67.7% is unreserved and available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: 1) for budget reserve, 2) to pay debt service, 3) for loans receivable, and 4) for a variety of other purposes.

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

	General Fund	Public Education	Conservation and Environmental Protection	Transportation and Law Enforcement	Missouri Road Fund	Non- Major	Total
Unreserved	\$ 1,335,999	\$ 390,639	\$ 413,104	\$ 198,789	\$ 858,865	\$ 356,281	\$ 3,553,677
Reserved	584,441	42	792,285	8,983	145,744	165,203	1,696,698
Total	\$ 1,920,440	\$ 390,681	\$ 1,205,389	\$ 207,772	\$ 1,004,609	\$ 521,484	\$ 5,250,375

The general fund is the chief operating fund of the State. At the end of fiscal year 2008, the State's general fund reported a total fund balance of \$1.9 billion. The net increase in fund balance during fiscal year 2008 was \$63.5 million. Expenditures of the general fund totaled \$13.0 billion in fiscal year 2008, an increase of \$873.7 million from fiscal year 2007. The major contributing factor to this was an increase in expenditures for human services of \$706.0 million from fiscal year 2007 to fiscal year 2008. The most significant increase was medical assistance payments which increased \$328.4 million.

The public education fund provides general and special education services to the children of the State and other related functions such as library services and student loans. Total fund balance increased by \$87.0 million. Revenues of the public education funds totaled \$1.5 billion in fiscal year 2008, an increase of \$249.5 million from fiscal year 2007. The major factor that contributed to this was an increase of \$245.3 million in the contributions and intergovernmental revenues.

The conservation and environmental protection fund provides for the preservation of the State's wildlife and environment. The fund balance increased by \$74.4 million. Major contributing factors to this were increases of \$23.4 million in licenses, fees, and permits, and \$11.5 million in penalties and unclaimed property.

The transportation and law enforcement fund provides transportation services, road construction and maintenance, and the enforcement of vehicle laws and traffic safety. The fund balance decreased by \$5.2 million. The major factor contributing to this was an increase in expenses, including a \$50.5 million increase in transfers to the Missouri road fund.

The Missouri road fund accounts for revenues from highway users' fees, federal reimbursements for highway projects, and bond proceeds to be used for costs of constructing and maintaining an adequate state highway system. The fund balance increased by \$346.8 million in fiscal year 2008. Revenues of the Missouri road fund increased during fiscal year 2008 by \$81.3 million primarily due to an increase of \$110.5 million in revenues from contributions and intergovernmental funds.

Proprietary Funds:

The State has three major proprietary funds: State Lottery, Unemployment Compensation, and the Petroleum Storage Tank Insurance Fund. The State Lottery 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 tanks in the country.

The State Lottery Fund's net assets increased by \$3.1 million. Revenues increased by \$60.5 million during the fiscal year which was partially offset by an increase in expenses for prizes paid. The increase in revenues was mainly due to a \$61.2 million increase in sales. The overall increase in sales was driven by a 8.2% increase in scratcher ticket sales due to an increase in prizes and the introduction of higher priced games.

The Unemployment Compensation Fund's net assets increased by \$130.3 million due primarily to steady growth after the repayment of a federal loan in 2007. This has allowed for an increase in investments, leading to an increase in interest revenue by \$6.7 million. Revenues and expenses remain consistent, with revenues outpacing expenses.

The Petroleum Storage Tank Insurance Fund's net assets increased by \$7.6 million. Expenses increased by \$5.3 million primarily due to increased program expenses. However, revenues continued to outpace expenses during the fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget is the first complete appropriated budget that is truly agreed to and finally passed, and signed by the Governor. The final budget includes emergency and supplemental appropriations, transfers, and increases to estimated appropriations.

Budgeted appropriations for fiscal year 2008 from the general fund were \$18.3 billion original budget and \$18.7 billion revised budget. Actual spending was \$17.6 billion. Reasons for the budget variances include:

- Federal grants received were lower than appropriation authority.
- Multiple year grants are appropriated in one year but the expenditures may occur over several years.
- Appropriation authority exceeded cash available for expenditures.

Budgeted revenues/transfers in for fiscal year 2008, for the general fund, was \$18.1 billion original budget and \$18.2 billion revised budget. Actual revenue/transfers in was \$17.8 billion. The main cause of the variance is due to federal programs receiving lower awards than anticipated.

Refer to the *Notes to RSI*, Budgetary Reporting, on page 101 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, 2008, was \$29.0 billion (net of accumulated depreciation). This investment in capital assets includes construction in progress, infrastructure in progress, land, land improvements, buildings and improvements, equipment, and infrastructure.

Capital Assets of the State include (in thousands):

	Governmental Activities	Business-Type Activities	Total
Construction in Progress	\$ 678,836	\$ 3,134	\$ 681,970
Infrastructure in Progress	2,672,052	---	2,672,052
Land	2,772,245	7,686	2,779,931
Land Improvements	152,845	7,446	160,291
Buildings and Improvements	2,519,312	27,915	2,547,227
Equipment	1,166,544	45,974	1,212,518
Infrastructure	41,257,724	---	41,257,724
<i>Subtotal</i>	51,219,558	92,155	51,311,713
Less Accumulated Depreciation	(22,258,796)	(50,400)	(22,309,196)
<i>Total Capital Assets, Net</i>	\$ 28,960,762	\$ 41,755	\$ 29,002,517

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

Debt Administration:

At the end of fiscal year 2008, the primary government had total general obligation and other bonded debt outstanding of \$3.8 billion. Of this amount, \$666.2 million comprises debt backed by the full faith and credit of the government.

Principal amounts retired in fiscal year 2008 were \$68,350,000 for general obligation bonds and \$103,005,000 for other bonds.

The State of Missouri is proud to be one of only seven 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):

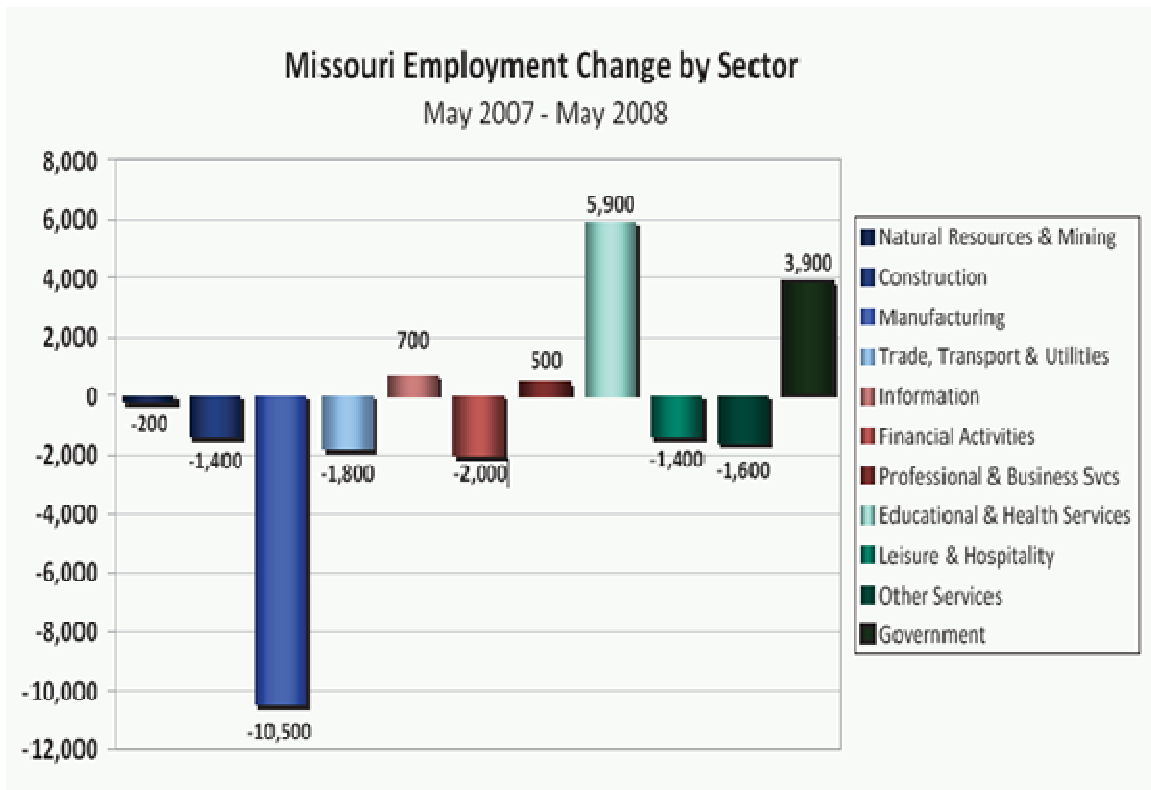
	Governmental Activities	Component Units	Total
General Obligation Bonds	\$ 666,165	\$ ---	\$ 666,165
Other Bonds	3,084,670	1,399,124	4,483,794
<i>Total</i>	\$ 3,750,835	\$ 1,399,124	\$ 5,149,959

Additional information on long-term debt can be found in *Notes 11, 12, and 13* of this report.

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

The State of Missouri completed fiscal year 2008 with a balanced budget. Net general revenue collections increased 3.7% from fiscal year 2007 ending with an amount of \$8.0 billion. The approved budget for fiscal year 2009 anticipates an increase of 2.8 % from fiscal year 2008 in general revenue collections. However, worsening economic conditions will make it difficult to achieve the increase in revenues.

As a major manufacturing, financial, and agricultural state, Missouri's economic health is tied closely to that of the nation. The national economy has slowed in 2008; it is not expected to return to growth near average until mid-to-late 2009. The rate of Missouri's employment growth began to slow in 2007. Missouri's unemployment rate increased 0.7% in fiscal year 2008. At June 2008 the unemployment rate was 5.7% compared to the June 2007 unemployment rate of 5.0%. The national unemployment rate was 5.5% in June 2008. The graph below shows the growth and decline in employment by employment sector.



Employment growth by industry identifies the types of jobs being created in the state. On the other side of the ledger, industries with decreasing trend employment indicate those which are becoming less important to the state's economy. Comparing May 2008 to May 2007, several sectors have had employment declines in Missouri. Manufacturing employment declined by 10,500 while financial activities, which has been affected by the housing market, declined by 2,000 over the period. The education and health service industry had the largest growth over the year with employment increasing by 5,900; the health care and social assistance subsector makes up more than 80% of the industry. The government sector has also increased in employment over the year.

Missouri's financial position has been strong, however the growth of general revenue for fiscal year 2009 and beyond remains guarded. This will result in several funding challenges in mandatory programs such as education, health care, and transportation.

Funding remains a challenge for Missouri schools. A revision to the school funding formula was made in 2005 in response to a lawsuit filed by 257 of the 524 Missouri schools against the State in January 2004 over both the equity in funding between schools and the overall adequacy of school funding. The revision in the school funding formula calls for \$800 million to be phased in by the 2012-13 school year. However, an amended lawsuit was filed in November 2005 and went to trial in 2007. The judge ruled in favor of the state but an appeal has been filed with the Missouri Supreme Court. In fiscal year 2009, funding for Missouri Public schools will increase by \$121.2 million from fiscal year 2008 due to a change in the school funding formula.

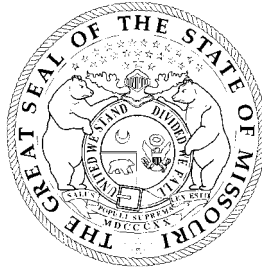
The quality of health care continues to be a priority for Missouri. Missouri Department of Social Services MO HealthNet Division has been awarded a \$1.7 million dollar grant to improve access to medical care for MO HealthNet participants. MO HealthNet was established as a new way to provide health care for low income Missourians and replaces the old Medicaid system.

Missouri will face a significant drop in funding for transportation in 2010 when proceeds from Amendment 3 end. Compounding the problem is rising construction and material costs. Missouri Department of Transportation (MoDOT) has been able to aggressively manage costs by: rebidding projects if they come in too high, closing roads during construction if it saves time and money, asking contractors to use alternate materials, propose innovative design and construction methods and work off-hours, and designing projects to fit specific needs, which has saved \$50 million that will be used to tackle additional highway projects. The 2009–2013 transportation programs currently planned include \$300 million in new construction projects, which is possible because lower than expected interest rates on bond payments has allowed the money received from Amendment 3 to go further. The \$140 million of Amendment 3 money that will be used to pay bond payments, combined with state savings from using Practical Design on projects and local matching funds, allows MoDOT to tackle these new highway projects over the next five years, which includes additional lanes, interchange improvements, and congestion relief.

Despite funding challenges, the State is working to stimulate the economy, increase efficiency, and decrease costs. In fiscal year 2008, Missouri passed Senate Bill 711 which makes changes to the Senior Property Tax Credit and Homestead Tax Credit by preventing burdensome property taxes on low-income seniors. The bill also requires mandatory levy rollbacks. This legislation closed a loophole in the law that allows local governments that are imposing a tax below the approved levy to increase the tax rates by more than inflation. The “Show Me Green Sales Tax Holiday” was created in Senate Bill 1181 making all sales of Energy Star certified new appliances exempt from state sales tax for a seven-day period in April beginning in 2009 and every year thereafter. The bill also requires energy efficiencies in new state building design and construction, and allows for low interest loans for eligible alternative energy operations producing and selling fuel or power from alternative energy sources including solar, hydroelectric, wind, and qualified biomass. Enhancements were authorized to the Quality Jobs program and the Enhanced Enterprise Zone program tax credits through House Bill 2058 and Senate Bill 718. To help protect consumers, House Bill 2188 defines mortgage fraud, foreclosure scams and fraud schemes, and makes mortgage fraud a class C felony.

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 government’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, 2008
(In Thousands of Dollars)

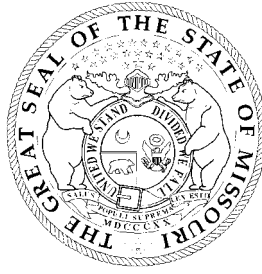
	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and Cash Equivalents (Note 3)	\$ 688,178	\$ 244,298	\$ 932,476	\$ 101,008
Investments (Note 3)	3,857,195	139,152	3,996,347	1,211,274
Receivables, Net (Note 14)	2,799,532	188,218	2,987,750	505,426
Internal Balances	19,377	(19,377)	---	---
Inventories	91,546	1,730	93,276	46,799
Deposits and Prepaid Expenses	99	114	213	26,956
Invested Securities Lending Collateral (Note 3)	---	---	---	106,360
Restricted Assets:				
Cash and Cash Equivalents (Note 3)	46,482	---	46,482	325,295
Investments (Note 3)	68,152	61,733	129,885	1,106,509
Receivables, Net	---	---	---	9,196
Deferred Costs and Other Assets	67,318	---	67,318	17,227
Assets Held for Resale	---	115	115	---
Capital Assets (Note 5):				
Non-depreciable	6,123,133	10,820	6,133,953	466,760
Depreciable, Net	22,837,629	30,935	22,868,564	3,201,803
Total Assets	<u>36,598,641</u>	<u>657,738</u>	<u>37,256,379</u>	<u>7,124,613</u>
Liabilities				
Payables (Note 14)	1,245,530	16,944	1,262,474	522,749
Securities Lending Collateral (Note 3)	---	---	---	106,360
Unearned Revenue (Note 1)	125,382	625	126,007	93,323
Escheat/Unclaimed Property	97,038	---	97,038	---
Long-Term Liabilities (Note 11):				
Due within one year	634,204	66,330	700,534	94,332
Due in more than one year	5,461,477	157,211	5,618,688	1,455,472
Total Liabilities	<u>7,563,631</u>	<u>241,110</u>	<u>7,804,741</u>	<u>2,272,236</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	25,439,971	41,755	25,481,726	2,401,447
Restricted for:				
Budget Reserve	559,206	---	559,206	---
Debt Service	2,578,018	---	2,578,018	---
Grants	210,059	---	210,059	---
Enabling Legislation (Note 1)	1,355,342	36,321	1,391,663	---
Loans Receivable	791,974	---	791,974	---
Permanent Trusts:				
Expendable	116	---	116	---
Non-Expendable	62,919	---	62,919	---
College and Universities:				
Expendable	---	---	---	426,003
Non-Expendable	---	---	---	747,020
Other Purposes	411,170	9,041	420,211	86,342
Unrestricted	(2,373,765)	329,511	(2,044,254)	1,191,565
Total Net Assets	<u>\$ 29,035,010</u>	<u>\$ 416,628</u>	<u>\$ 29,451,638</u>	<u>\$ 4,852,377</u>

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, 2008
(In Thousands of Dollars)**

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets			
	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	\$ 1,209,716	\$ 776,380	\$ 90,381	\$ 30	\$ (342,925)	\$ ---	\$ (342,925)	\$ ---
Education	6,379,185	35,532	1,272,045	---	(5,071,608)	---	(5,071,608)	---
Natural and Economic Resources	1,006,506	160,183	326,560	36	(519,727)	---	(519,727)	---
Transportation and Law Enforcement	2,255,196	400,306	1,299,931	74	(554,885)	---	(554,885)	---
Human Services	9,876,119	363,838	5,680,378	247	(3,831,656)	---	(3,831,656)	---
Interest on Debt (Excluding Direct Expense)	174,450	80,138	---	---	(94,312)	---	(94,312)	---
Total Governmental Activities	20,901,172	1,816,377	8,669,295	387	(10,415,113)	---	(10,415,113)	---
Business-Type Activities:								
State Lottery	740,279	1,005,421	---	---	---	265,142	265,142	---
Unemployment Compensation	498,318	---	621,856	---	---	123,538	123,538	---
Petroleum Storage Tank Insurance	21,516	24,694	438	---	---	3,616	3,616	---
Missouri Veterans' Homes	57,066	26,934	32,666	---	---	2,534	2,534	---
Non-Major Funds	16,643	49,434	2,574	---	---	35,365	35,365	---
Total Business-Type Activities	1,333,822	1,106,483	657,534	---	---	430,195	430,195	---
Total Primary Government	\$ 22,234,994	\$ 2,922,860	\$ 9,326,829	\$ 387	(10,415,113)	430,195	(9,984,918)	---
Component Units:								
College and Universities	\$ 3,287,553	\$ 1,935,169	\$ 1,397,726	\$ 86,474	---	---	---	131,816
Non-Major Component Units	18,375	8,084	---	---	---	---	---	(10,291)
Total Component Units	\$ 3,305,928	\$ 1,943,253	\$ 1,397,726	\$ 86,474	---	---	---	121,525
General Revenues:								
Taxes:								
Sales and Use					2,871,465	---	2,871,465	---
Individual Income					5,447,817	---	5,447,817	---
Corporate Income					463,826	---	463,826	---
County Foreign Insurance					186,566	---	186,566	---
Alcoholic Beverage					27,754	---	27,754	---
Corporate Franchise					82,360	---	82,360	---
Inheritance					3,073	---	3,073	---
Miscellaneous Taxes					1,173,076	---	1,173,076	---
Grants and Contributions not Restricted to Specific Programs					196,401	---	196,401	---
Unrestricted Investment Earnings					134,772	15,424	150,196	64,526
Extraordinary Items					---	---	---	293
Transfers					264,883	(264,883)	---	---
Total General Revenues and Transfers					10,851,993	(249,459)	10,602,534	64,819
Change in Net Assets					436,880	180,736	617,616	186,344
Net Assets - Beginning					28,598,130	235,892	28,834,022	4,666,033
Net Assets - Ending					\$ 29,035,010	\$ 416,628	\$ 29,451,638	\$ 4,852,377

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



*The **Governmental Funds** focus on current financial resources.*

Governmental Fund Financial Statements

Major Funds

General Fund – Accounts for all current financial resources not required by law or administrative action to be accounted for in another fund.

See the General Fund Combining Statements presented as part of Supplementary Information for listings of all funds included in the General Fund.

Major Special Revenue Funds:

Public Education – Provides general and special education needs of the State and other related areas such as library services and student loans.

Conservation and Environmental Protection – Provides for the preservation of the State's wildlife and environment.

Transportation and Law Enforcement – Provides transportation services, road construction and maintenance, and the enforcement of vehicle laws and traffic safety.

Major Capital Projects Fund:

Missouri Road Fund – Accounts for revenues from highway users' fees, federal reimbursements for highway projects, and bond proceeds to be used for costs of constructing and maintaining an adequate state highway system. This also includes the following blended component units: Fulton 54 Transportation Corporation; Missouri Highway 179 Transportation Corporation; Missouri Highway 63 Transportation Corporation; Springfield, Missouri State Highway Improvement Corporation; and the Wentzville Parkway Transportation Corporation.

Non-Major Funds

Non-Major Governmental Funds are presented in the Combining and Individual Fund Statements and Schedules for non-major funds as part of Supplementary Information.

**STATE OF MISSOURI
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008
(In Thousands of Dollars)**

	General Fund	Public Education	Conservation and Environmental Protection	Transportation and Law Enforcement	Missouri Road Fund	Non-Major Funds	Eliminations	Totals June 30, 2008
ASSETS								
Cash and Cash Equivalents (Note 3)	\$ 174,712	\$ 44,597	\$ 55,439	\$ 19,452	\$ 191,886	\$ 51,578	\$ ---	\$ 537,664
Investments (Note 3)	1,775,705	270,429	340,207	50,368	742,904	490,251	---	3,669,864
Accounts Receivable, Net	1,498,353	122,871	43,250	144,660	90,010	23,675	---	1,922,819
Interest Receivable	15,539	2,635	3,211	437	5,833	2,550	---	30,205
Due from Other Funds (Note 15)	17	17,640	119	72	768	933	(1,870)	17,679
Due from Component Units (Note 15)	---	---	983	---	---	---	---	983
Inventories	20,183	42	515	6,665	42,443	221	---	70,069
Advance to Component Units (Note 15)	---	---	3,851	---	---	---	---	3,851
Loans Receivable	---	---	789,281	2,318	---	375	---	791,974
Restricted Assets:								
Cash and Cash Equivalents (Note 3)	---	---	---	---	19,242	---	---	19,242
Investments (Note 3)	---	---	---	---	67,852	---	---	67,852
Total Assets	\$ 3,484,509	\$ 458,214	\$ 1,236,856	\$ 223,972	\$ 1,160,938	\$ 569,583	\$ (1,870)	\$ 7,132,202
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts Payable	\$ 883,190	\$ 39,750	\$ 6,781	\$ 4,835	\$ 106,209	\$ 36,771	\$ ---	\$ 1,077,536
Accrued Payroll	60,326	246	5,059	5,869	17,787	3,459	---	92,746
Due to Other Funds (Note 15)	16,141	93	561	290	964	864	(1,870)	17,043
Deferred Revenue (Note 1)	507,325	27,444	19,066	5,206	25,202	7,005	---	591,248
Arbitrage Liability	49	---	---	---	---	---	---	49
Escheat/Unclaimed Property	97,038	---	---	---	---	---	---	97,038
Advance from Component Units (Note 15)	---	---	---	---	6,167	---	---	6,167
Total Liabilities	1,564,069	67,533	31,467	16,200	156,329	48,099	(1,870)	1,881,827
Fund Balances:								
Reserved for:								
Budget Reserve	559,206	---	---	---	---	---	---	559,206
Inventories	20,183	42	515	6,665	42,443	221	---	70,069
Forfeited Assets	797	---	2,489	---	---	---	---	3,286
Taxes	4,255	---	---	---	---	---	---	4,255
Debt Service	---	---	---	---	103,301	101,688	---	204,989
Loans Receivable	---	---	789,281	2,318	---	375	---	791,974
Trust Principal	---	---	---	---	---	62,919	---	62,919
Unreserved, Reported In:								
General Fund	1,335,999	---	---	---	---	---	---	1,335,999
Special Revenue Funds	---	390,639	413,104	198,789	---	287,336	---	1,289,868
Capital Projects Funds	---	---	---	---	858,865	68,829	---	927,694
Permanent Funds	---	---	---	---	---	116	---	116
Total Fund Balances	1,920,440	390,681	1,205,389	207,772	1,004,609	521,484	---	5,250,375
Total Liabilities and Fund Balances	\$ 3,484,509	\$ 458,214	\$ 1,236,856	\$ 223,972	\$ 1,160,938	\$ 569,583	\$ (1,870)	\$ 7,132,202

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, 2008
(In Thousands of Dollars)

Total Fund Balances – Governmental Funds \$ 5,250,375

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	449,239	
Infrastructure in Progress	2,672,052	
Land	2,763,770	
Land Improvements	149,693	
Buildings and Improvements	2,213,619	
Equipment	1,075,847	
Infrastructure	41,257,724	
Accumulated Depreciation	(22,020,403)	
		28,561,541

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds (Note 1). 489,894

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. 67,318

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of (Notes 11 and 12):

Due to Other Entities	(36,195)	
General Obligation and Other Bonds Payable	(3,750,835)	
Unamortized Bond Premium	(164,737)	
Accrued Interest on Bonds	(37,099)	
Obligation under Lease Purchases	(228,348)	
Compensated Absences	(171,328)	
Claims Liability	(86,033)	
Contingent Liabilities	(1,288,100)	
Net Other Postemployment Benefit Obligation	(112,644)	
Net Pension Obligation	(109,041)	
		(5,984,360)

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. 650,242

Net Assets of Governmental Activities \$ 29,035,010

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, 2008
(In Thousands of Dollars)

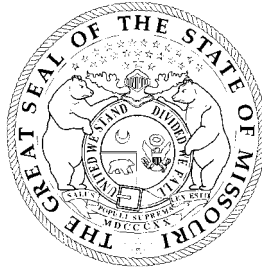
	General Fund	Public Education	Conservation and Environmental Protection	Transportation and Law Enforcement	Missouri Road Fund	Non-Major Funds	Eliminations	Totals June 30, 2008
Revenues:								
Taxes	\$ 7,783,239	\$ 1,140,050	\$ 183,880	\$ 772,206	\$ 207,662	\$ 133,586	\$ ---	\$ 10,220,623
Licenses, Fees, and Permits	76,700	7,610	80,695	198,868	100,090	174,087	---	638,050
Sales	2,269	2	7,864	170	---	1,759	---	12,064
Leases and Rentals	18	---	177	19	---	224	---	438
Services	231,309	---	---	---	---	200	---	231,509
Contributions and Intergovernmental	7,553,832	309,717	69,880	488	909,880	22,314	---	8,866,111
Investment Earnings:								
Net Increase (Decrease) in the Fair Value of Investments	5,659	1,093	1,479	159	1,271	(3,489)	---	6,172
Interest	103,942	14,743	18,816	4,517	41,764	20,000	---	203,782
Penalties and Unclaimed Properties	35,529	1,763	12,637	440	---	13,646	---	64,015
Cost Reimbursement/Miscellaneous	181,569	57,505	3,934	723	78,950	185,008	---	507,689
Total Revenues	15,974,066	1,532,483	379,362	977,590	1,339,617	547,335	---	20,750,453
Expenditures:								
Current:								
General Government	755,197	2,366	3,138	214,232	---	46,656	---	1,021,589
Education	1,882,108	4,484,428	38	13	---	7,084	---	6,373,671
Natural and Economic Resources	301,559	29,627	291,195	4	---	231,487	---	853,872
Transportation and Law Enforcement	389,478	156	824	199,234	791,171	48,239	---	1,429,102
Human Services	9,602,916	21,540	1,827	60	---	208,766	---	9,835,109
Capital Outlay:								
Transportation and Law Enforcement	---	---	---	---	1,143,494	677	---	1,144,171
Human Services	---	---	---	---	---	3,133	---	3,133
Debt Service:								
Principal	47,847	---	967	149	78,638	69,068	---	196,669
Interest	45,828	---	191	62	107,722	32,629	---	186,432
Bond Issuance Costs	---	---	---	---	2,631	63	---	2,694
Underwriter's Discount	---	---	---	---	170	220	---	390
Total Expenditures	13,024,933	4,538,117	298,180	413,754	2,123,826	648,022	---	21,046,832
Excess Revenues (Expenditures)	2,949,133	(3,005,634)	81,182	563,836	(784,209)	(100,687)	---	(296,379)
Other Financing Sources (Uses):								
Proceeds from Capital Leases	28,349	---	---	---	23,748	148	---	52,245
Capital Lease Termination Payment	---	---	---	---	(22,559)	---	---	(22,559)
Debt Issuance	---	---	---	---	526,800	50,000	---	576,800
Swap Termination Payment	---	---	---	---	(11,118)	---	---	(11,118)
Bond Premium	---	---	---	---	27,808	553	---	28,361
Proceeds from Capital Asset Sale	299	---	---	4,162	8,681	---	---	13,142
Transfers In (Note 16)	55,574	3,095,190	683	2,838	577,646	177,671	(3,643,339)	266,263
Transfers Out (Note 16)	(2,965,995)	(2,500)	(7,165)	(577,870)	---	(96,285)	3,643,339	(6,476)
Total Other Financing Sources (Uses)	(2,881,773)	3,092,690	(6,482)	(570,870)	1,131,006	132,087	---	896,658
Net Change in Fund Balances	67,360	87,056	74,700	(7,034)	346,797	31,400	---	600,279
Fund Balances – Beginning (Note 17)	1,856,913	303,667	1,130,998	212,964	657,812	490,071	---	4,652,425
Increase (Decrease) in Reserve for Inventory	(3,833)	(42)	(309)	1,842	---	13	---	(2,329)
Fund Balances – Ending	\$ 1,920,440	\$ 390,681	\$ 1,205,389	\$ 207,772	\$ 1,004,609	\$ 521,484	\$ ---	\$ 5,250,375

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, 2008
(In Thousands of Dollars)

Net Change in Fund Balances – Total Governmental Funds		\$ 600,279
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		(2,329)
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 expense. This is the amount that capital outlays of \$1,313,159 exceeds depreciation of \$860,713 in the current period.		452,446
The net effect of the donation of capital assets increased net assets		1,392
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		30,979
Proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. In governmental funds, repayment of principal is an expenditure, but the repayment reduces long-term liabilities in the Combined Statement of Net Assets (Notes 11 and 12).		
Bonds Issued	(576,800)	
Bond Premiums, Issuance, and Refunding Cost:	(14,548)	
Bond Principal Payment:	171,355	
Capital Leases Issued	(52,245)	
Capital Lease Termination Payment:	22,559	
Capital Lease Payment:	22,487	
	<u>(427,192)</u>	(427,192)
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds (Notes 11 and 12)		
Amortization of Bond Premiums, Issuance, and Refunding Cost:	11,536	
Increase in Accrued Interest:	(2,505)	
Increase in Due to Other Entities:	(5,562)	
Increase in Compensated Absence:	(3,890)	
Increase in Contingent Liabilities:	(93,155)	
Increase in Claims Liability:	(490)	
Increase in Net Other Postemployment Benefit Obligation:	(112,644)	
Increase in Net Pension Obligation:	(2,656)	
	<u>(209,366)</u>	(209,366)
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.		(9,329)
Change in Net Assets of Governmental Activities		<u>\$ 436,880</u>

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



*The **Proprietary Funds** focus on economic resources and are operated in a manner similar to private business enterprises.*

Proprietary Fund Financial Statements

Major Funds

State Lottery – Accounts for proceeds from the sale of lottery tickets and all other moneys credited or transferred to this fund. A minimum of 45% of the moneys are used for prizes.

Unemployment Compensation – Accounts for contributions and payments collected under the provisions of the “Unemployment Compensation Law” to pay benefits.

Petroleum Storage Tank Insurance – Accounts for moneys collected from transport load fees and participating owners of petroleum storage tanks for cleanup of contamination caused by releases from petroleum storage tanks.

Non-Major Funds

Non-major enterprise funds and all internal service funds are presented in our combining non-major fund financial statements as part of Supplementary Information.

STATE OF MISSOURI
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008
(In Thousands of Dollars)

	Business-Type Activities – Enterprise Funds					
	Major Funds				Totals	Governmental
	State Lottery	Unemployment Compensation	Petroleum Storage Tank Insurance	Non-Major Funds	June 30, 2008	Activities – Internal Service Funds
ASSETS						
Current Assets:						
Cash and Cash Equivalents (Note 3)	\$ 20,059	\$ 213,294	\$ 7,006	\$ 3,939	\$ 244,298	\$ 150,514
Investments (Note 3)	11,603	---	79,700	47,849	139,152	187,331
Accounts Receivable, Net	39,759	142,801	3,806	450	186,816	49,081
Interest Receivable	164	---	602	102	868	620
Due from Other Funds (Note 15)	---	---	---	120	120	17,501
Inventories	---	---	---	1,730	1,730	21,477
Prepaid Items	92	---	---	22	114	99
Loans Receivable	---	---	---	534	534	---
Non-Current Assets:						
Restricted:						
Cash and Cash Equivalents (Note 3)	---	---	---	---	---	27,240
Investments (Note 3)	61,733	---	---	---	61,733	300
Assets Held for Resale	---	---	---	115	115	---
Capital Assets (Note 5):						
Construction in Progress	---	---	---	3,134	3,134	229,597
Land	353	---	---	7,333	7,686	8,475
Land Improvements	---	---	---	7,446	7,446	3,152
Buildings	4,747	---	---	23,168	27,915	305,693
Equipment	10,458	---	197	35,319	45,974	90,697
Less Accumulated Depreciation	(12,191)	---	(171)	(38,038)	(50,400)	(238,393)
Total Capital Assets (Net of Accumulated Depreciation)	3,367	---	26	38,362	41,755	399,221
Total Assets	136,777	356,095	91,140	93,223	677,235	853,384
LIABILITIES						
Current Liabilities:						
Accounts Payable	2,799	11,074	44	1,007	14,924	30,069
Accrued Payroll	284	---	61	1,675	2,020	1,865
Due to Other Funds (Note 15)	17,674	---	2	58	17,734	523
Unearned Revenue (Note 1)	---	---	522	103	625	24,028
Claims Liability (Note 11)	---	---	15,000	---	15,000	66,165
Grand Prize Winner Liability (Note 11)	48,753	---	---	---	48,753	---
Obligations under Lease Purchase (Note 11)	---	---	---	---	---	3,675
Compensated Absences (Note 11)	582	---	45	1,950	2,577	3,638
Notes Payable (Note 11)	---	---	---	---	---	177
Non-Current Liabilities:						
Claims Liability (Note 11)	---	---	101,733	---	101,733	50,764
Grand Prize Winner Liability (Note 11)	55,366	---	---	---	55,366	---
Obligations under Lease Purchase (Note 11)	---	---	---	---	---	19,418
Compensated Absences (Note 11)	51	---	50	11	112	1,013
Notes Payable (Note 11)	---	---	---	---	---	3,570
Total Liabilities	125,509	11,074	117,457	4,804	258,844	204,905
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	3,367	---	26	38,362	41,755	376,128
Restricted for:						
Revenue Bonds	---	---	---	---	---	26,585
Other Purposes	6,267	---	---	39,095	45,362	955
Unrestricted	1,634	345,021	(26,343)	10,962	331,274	244,811
Total Net Assets	\$ 11,268	\$ 345,021	\$ (26,317)	\$ 88,419	\$ 418,391	\$ 648,479
Total Net Assets Reported Above					\$ 418,391	
Consolidation Adjustment of Internal Service Activities Related to Enterprise Funds					(1,763)	
Net Assets of Business-Type Activities					\$ 416,628	

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, 2008
(In Thousands of Dollars)

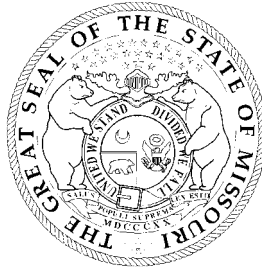
Business-Type Activities – Enterprise Funds						
	Major Funds				Totals	Governmental Activities – Internal Service Funds
	State Lottery	Unemployment Compensation	Petroleum Storage Tank Insurance	Non-Major Funds	June 30, 2008	
Operating Revenues:						
Employer Contributions	\$ ---	\$ 605,048	\$ ---	\$ ---	\$ 605,048	\$ 382,165
Employee Contributions	---	---	---	---	---	177,292
Medicare Part D Subsidy	---	---	---	---	---	3,552
Licenses, Fees, and Permits	---	---	24,693	7,360	32,053	26,164
Sales	995,493	---	---	6,748	1,002,241	36,595
Leases and Rentals	---	---	---	2,866	2,866	39,873
Charges for Services	---	---	---	26,407	26,407	157,847
Cost Reimbursement/Miscellaneous	649	---	1	974	1,624	43,907
Total Operating Revenues	996,142	605,048	24,694	44,355	1,670,239	867,395
Operating Expenses:						
Cost of Goods Sold	17,290	---	---	2,195	19,485	26,441
Personal Service	9,800	---	1,107	56,548	67,455	65,994
Operations	62,809	---	4,064	9,681	76,554	192,430
Prizes Expense	641,124	---	---	---	641,124	---
Inventories	---	---	---	1,428	1,428	1,416
Specific Programs	---	---	16,324	342	16,666	3,847
Insurance Benefits	---	---	---	---	---	589,572
Unemployment Benefits	---	498,318	---	---	498,318	---
Depreciation	764	---	6	2,902	3,672	12,189
Other Charges	8,498	---	11	526	9,035	3,566
Total Operating Expenses	740,285	498,318	21,512	73,622	1,333,737	895,455
Operating Income (Loss)	255,857	106,730	3,182	(29,267)	336,502	(28,060)
Non-Operating Revenues (Expenses):						
Contributions and Intergovernmental	---	16,808	438	35,240	52,486	23
Interest Expense	---	---	---	---	---	(1,248)
Investment Earnings:						
Net Increase (Decrease) in the Fair Value of Investments	2,678	---	254	122	3,054	1,051
Interest	1,347	6,765	3,709	549	12,370	13,984
Penalties and Unclaimed Properties	---	---	---	31,892	31,892	2
Disposal of Capital Assets	38	---	---	(36)	2	(30)
Miscellaneous Revenues	9,279	---	---	---	9,279	---
Total Non-Operating Revenues (Expenses)	13,342	23,573	4,401	67,767	109,083	13,782
Income (Loss) Before Transfers	269,199	130,303	7,583	38,500	445,585	(14,278)
Capital Contributions	---	---	---	---	---	268
Transfers In (Note 16)	52	---	---	1,261	1,313	5,224
Transfers Out (Note 16)	(266,166)	---	---	(30)	(266,196)	(509)
Change in Net Assets	3,085	130,303	7,583	39,731	180,702	(9,295)
Total Net Assets – Beginning (Note 17)	8,183	214,718	(33,900)	48,688	237,689	657,774
Total Net Assets – Ending	\$ 11,268	\$ 345,021	\$ (26,317)	\$ 88,419	\$ 418,391	\$ 648,479
Total Net Change in Net Assets Reported Above					\$ 180,702	
Consolidation Adjustment of Internal Services Activities Related to Enterprise Funds					34	
Change in Net Assets of Business-Type Activities					\$ 180,736	

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, 2008
(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, 2008	
Cash Flows from Operating Activities:						
Receipts from Internal Customers and Users	\$ ---	\$ 4,208	\$ ---	\$ 573	\$ 4,781	\$ 579,509
Receipts from External Customers and Users	990,566	590,310	24,863	42,904	1,648,643	238,687
Payments to Suppliers	(79,985)	---	(4,035)	(13,817)	(97,837)	(216,471)
Payments to Employees	(9,783)	---	(1,025)	(56,597)	(67,405)	(65,589)
Payments Made for Program Expense	(639,976)	(495,809)	(15,647)	(342)	(1,151,774)	(583,121)
Other Receipts (Payments)	(7,849)	---	(10)	448	(7,411)	40,341
Net Cash Provided (Used) by Operating Activities	<u>252,973</u>	<u>98,709</u>	<u>4,146</u>	<u>(26,831)</u>	<u>328,997</u>	<u>(6,644)</u>
Cash Flows from Non-Capital Financing Activities:						
Loans Made to Outside Entities	---	---	---	(61)	(61)	---
Due to/from Other Funds	1,107	---	(9)	(99)	999	(11,138)
Contributions and Intergovernmental	---	16,808	438	35,207	52,453	23
Transfers to/from Other Funds	(266,114)	---	---	1,231	(264,883)	4,715
Other Receipts (Expenses)	9,279	---	---	---	9,279	---
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(255,728)</u>	<u>16,808</u>	<u>429</u>	<u>36,278</u>	<u>(202,213)</u>	<u>(6,400)</u>
Cash Flows from Capital and Related Financing Activities:						
Interest Expense	---	---	---	---	---	(1,248)
Purchases and Construction of Capital Assets	(720)	---	(17)	(3,771)	(4,508)	(80,136)
Bonds and Notes Payable	---	---	---	---	---	(158)
Capital Lease Downpayment/Obligations	---	---	---	---	---	(1,907)
Disposal of Capital Assets	38	---	---	---	38	---
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(682)</u>	<u>---</u>	<u>(17)</u>	<u>(3,771)</u>	<u>(4,470)</u>	<u>(83,449)</u>
Cash Flows from Investing Activities:						
Proceeds from Investment Maturities	1,752	---	---	---	1,752	931,535
Purchase of Investments	---	---	(16,336)	(36,819)	(53,155)	(898,570)
Interest and Dividends Received	1,430	6,765	3,985	580	12,760	14,333
Other Receipts	---	---	---	31,892	31,892	2
Net Cash Provided (Used) by Investing Activities	<u>3,182</u>	<u>6,765</u>	<u>(12,351)</u>	<u>(4,347)</u>	<u>(6,751)</u>	<u>47,300</u>
Net Increase (Decrease) in Cash	(255)	122,282	(7,793)	1,329	115,563	(49,193)
Cash and Cash Equivalents, Beginning of Year	20,314	91,012	14,799	2,610	128,735	226,947
Cash and Cash Equivalents, End of Year	<u>\$ 20,059</u>	<u>\$ 213,294</u>	<u>\$ 7,006</u>	<u>\$ 3,939</u>	<u>\$ 244,298</u>	<u>\$ 177,754</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 255,857	\$ 106,730	\$ 3,182	\$ (29,267)	\$ 336,502	\$ (28,060)
Depreciation Expense	764	---	6	2,902	3,672	12,189
Changes in Assets and Liabilities:						
Accounts Receivable	(4,927)	(10,530)	175	76	(15,206)	(3,301)
Inventories	---	---	---	(415)	(415)	(7,250)
Prepaid Items	(41)	---	---	---	(41)	37
Accounts Payable	155	2,509	29	(98)	2,595	11,029
Accrued Payroll	(7)	---	46	4	43	93
Unearned Revenue	---	---	(5)	20	15	(1,991)
Grand Prize Winner Liability	1,148	---	---	---	1,148	---
Claims Liability	---	---	677	---	677	10,298
Compensated Absences	24	---	36	(53)	7	312
Net Cash Provided (Used) by Operating Activities	<u>\$ 252,973</u>	<u>\$ 98,709</u>	<u>\$ 4,146</u>	<u>\$ (26,831)</u>	<u>\$ 328,997</u>	<u>\$ (6,644)</u>
Non-Cash Financing and Investing Activities:						
Capital Lease Issuance	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 19,638
Capital Asset Donations	52	---	---	49	101	276
Increase (Decrease) in Fair Value of Investments	3,032	---	184	110	3,326	1,046
Net Non-Cash Financing and Investing Activities	<u>\$ 3,084</u>	<u>\$ ---</u>	<u>\$ 184</u>	<u>\$ 159</u>	<u>\$ 3,427</u>	<u>\$ 20,960</u>

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, 2008
(In Thousands of Dollars)

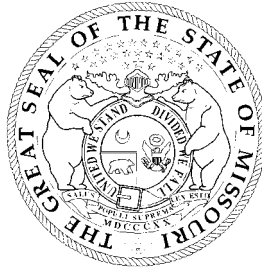
	Pension (and Other Employee Benefit) Trust Funds	Private- Purpose Trust Funds	Agency Funds
ASSETS			
Cash and Cash Equivalents (Note 3)	\$ 737,887	\$ 1,037	\$ 47,961
Investments at Fair Value: (Note 3)			
U.S. Government Securities	1,113,395	10,514	1,425
Repurchase Agreements	---	1,282	379,314
Stocks	1,415,389	---	88
Bonds	340,460	---	---
International Equities	1,110,134	---	---
Mutual and Index Funds	1,408,892	---	---
Venture Capital Limited Partnership	3,933,036	---	---
Other Investments	1,129,561	902	1,308
Receivables:			
Accounts Receivable	148,694	---	200,148
Interest Receivable	4,209	30	685
Inventories	---	1	---
Invested Securities Lending Collateral (Note 3)	1,051,827	---	---
Prepaid Expenses	92	---	---
Capital Assets:			
Land	351	---	---
Buildings	4,055	---	---
Equipment	2,923	51	---
Accumulated Depreciation	(2,424)	(26)	---
Total Capital Assets, Net	4,905	25	---
Total Assets	12,398,481	13,791	\$ 630,929
LIABILITIES			
Accounts Payable	161,342	897	\$ 31
Accrued Payroll	---	21	---
Securities Lending Collateral (Note 3)	1,067,994	---	---
Due to Other Entities	---	---	597,609
Due to Individuals	---	---	33,289
Unearned Revenue	2,996	---	---
Claims Liability	10,451	---	---
Obligations under Lease Purchase	1	---	---
Compensated Absences	386	---	---
Total Liabilities	1,243,170	918	\$ 630,929
Net Assets Held in Trust for Benefits and Other Purposes	\$ 11,155,311	\$ 12,873	

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, 2008
(In Thousands of Dollars)

	Pension (and Other Employee Benefit) Trust Funds	Private- Purpose Trust Funds
Additions:		
Contributions:		
Employer	\$ 492,889	\$ ---
Plan Member	135,714	---
Other	48,761	---
Investment Earnings:		
Increase (Decrease) in Appreciation of Assets	(153,066)	45
Interest and Dividends	375,034	189
Securities Lending Income	54,094	---
Total Investment Earnings	<u>276,062</u>	<u>234</u>
Less Investment Expenses:		
Investment Activity Expense	(104,771)	---
Securities Lending Expense	(45,239)	---
Total Investment Expense	<u>(150,010)</u>	<u>---</u>
Net Investment Earnings	<u>126,052</u>	<u>234</u>
Unclaimed Property	---	29,261
Cost Reimbursement/Miscellaneous	<u>610</u>	<u>11,179</u>
Total Additions	<u>804,026</u>	<u>40,674</u>
Deductions:		
Benefits	813,791	---
Administrative Expenses	17,859	2,696
Program Distributions	116,143	42,491
Service Transfer Payments	251	---
Depreciation	<u>294</u>	<u>9</u>
Total Deductions	<u>948,338</u>	<u>45,196</u>
Change in Net Assets	(144,312)	(4,522)
Net Assets held in Trust – Beginning of Year (Note 17)	<u>11,299,623</u>	<u>17,395</u>
Net Assets held in Trust – End of Year	<u><u>\$ 11,155,311</u></u>	<u><u>\$ 12,873</u></u>

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, 2008
(In Thousands of Dollars)

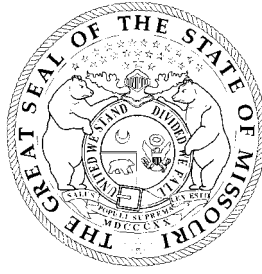
	College and Universities	Non-Major	Totals June 30, 2008
ASSETS			
Current Assets:			
Cash and Cash Equivalents (Note 3)	\$ 80,014	\$ 20,994	\$ 101,008
Investments (Note 3)	312,290	26,416	338,706
Receivables, Net	380,674	10,489	391,163
Invested Securities Lending Collateral (Note 3)	106,360	---	106,360
Inventories	46,799	---	46,799
Restricted Assets:			
Cash and Cash Equivalents (Note 3)	287,644	---	287,644
Investments (Note 3)	102,437	---	102,437
Receivables, Net	7,017	---	7,017
Deposits and Prepaid Expenses	21,813	150	21,963
Deferred Costs and Other Assets	428	---	428
Non-Current Assets:			
Investments (Note 3)	872,568	---	872,568
Receivables, Net	95,126	12,970	108,096
Advance to Primary Government (Note 15)	---	6,167	6,167
Restricted Assets:			
Cash and Cash Equivalents (Note 3)	20,693	16,958	37,651
Investments (Note 3)	930,756	73,316	1,004,072
Receivables, Net	2,179	---	2,179
Deposits and Prepaid Expenses	4,993	---	4,993
Deferred Costs and Other Assets	16,799	---	16,799
Capital Assets, Net of Accumulated Depreciation (Note 5)	3,616,391	52,172	3,668,563
Total Assets	<u>6,904,981</u>	<u>219,632</u>	<u>7,124,613</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	402,772	594	403,366
Due to Primary Government (Note 15)	---	983	983
Securities Lending Collateral (Note 3)	106,360	---	106,360
Unearned Revenue (Note 1)	91,447	---	91,447
Deposits	71,916	---	71,916
Claims Liability (Note 21)	33,554	---	33,554
Compensated Absences	17,539	---	17,539
Capital Lease Obligations (Note 6)	1,579	---	1,579
Bonds and Notes Payable (Note 12)	41,420	240	41,660
Non-Current Liabilities:			
Accounts Payable and Accrued Liabilities	21,165	---	21,165
Advance from Primary Government (Note 15)	---	3,851	3,851
Unearned Revenue (Note 1)	1,876	---	1,876
Deposits and Reserves	264	21,204	21,468
Claims Liability (Note 21)	34,735	---	34,735
Compensated Absences	8,547	---	8,547
Other Postemployment Obligations, Net	1,807	---	1,807
Capital Lease Obligations (Note 6)	18,883	---	18,883
Bonds and Notes Payable (Note 12)	1,359,890	31,610	1,391,500
Total Liabilities	<u>2,213,754</u>	<u>58,482</u>	<u>2,272,236</u>
NET ASSETS			
Invested in Capital Assets, Net	2,381,125	20,322	2,401,447
Restricted for:			
Expendable	426,003	---	426,003
Non-Expendable	747,020	---	747,020
Other Purposes	---	86,342	86,342
Unrestricted	1,137,079	54,486	1,191,565
Total Net Assets	<u>\$ 4,691,227</u>	<u>\$ 161,150</u>	<u>\$ 4,852,377</u>

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, 2008
(In Thousands of Dollars)

	College and Universities	Non-Major	Totals June 30, 2008	Adjustments	Statement of Activities
Revenues:					
Operating Revenues:					
Licenses, Fees, and Permits	\$ ---	\$ 3,237	\$ 3,237	\$ ---	\$ 3,237
Student Tuition and Fees (Net of Scholarship Allow.)	699,883	---	699,883	---	699,883
Sales and Services of Educational Departments	39,597	---	39,597	---	39,597
Auxiliary Enterprises	1,115,769	---	1,115,769	---	1,115,769
Leases and Rentals	---	3,724	3,724	---	3,724
Cost Reimbursement/Miscellaneous	79,865	1,123	80,988	55	81,043
Total Charges for Services					1,943,253
Federal Appropriations, Grants, and Contracts	302,403	---	302,403	29,248	331,651
State Grants and Contracts	77,959	---	77,959	804,168	882,127
Private Gifts, Grants, and Contracts	78,567	---	78,567	69,067	147,634
Additions to Endowments	---	---	---	36,314	36,314
Total Operating Grants and Contributions					1,397,726
Interest Revenue	1,584	1,381	2,965	(2,965)	---
Total Operating Revenues	2,395,627	9,465	2,405,092	935,887	
Expenses:					
Operating Expenses:					
Personal Service	2,028,371	972	2,029,343	---	2,029,343
Operations	---	2,001	2,001	---	2,001
Specific Programs	---	1,688	1,688	---	1,688
Scholarships and Fellowships	91,714	---	91,714	---	91,714
Utilities	28,644	---	28,644	---	28,644
Supplies and Other Services	837,047	---	837,047	---	837,047
Contracted Services	21,904	---	21,904	---	21,904
Interest Expense	---	---	---	57,544	57,544
Depreciation and Amortization	192,913	1,492	194,405	---	194,405
Bad Debt Expense	---	106	106	---	106
Miscellaneous	29,051	26	29,077	12,455	41,532
Total Operating Expenses	3,229,644	6,285	3,235,929	69,999	3,305,928
Operating Income (Loss)	(834,017)	3,180	(830,837)	865,888	
Non-Operating Revenues (Expenses):					
Federal Appropriations, Grants, and Contracts	29,248	---	29,248	(29,248)	---
State Appropriations, Grants, and Contracts	804,168	---	804,168	(804,168)	---
Private Gifts, Grants, and Contracts	69,067	---	69,067	(69,067)	---
Contributions and Intergovernmental	---	(10,712)	(10,712)	10,712	---
Investment Earnings:					
Increase in the Fair Value of Investments	---	1,126	1,126	---	1,126
Interest/Investment and Endowment Income	56,093	4,342	60,435	2,965	63,400
Interest and Bond Related Expenses	(56,223)	(1,321)	(57,544)	57,544	---
Gain (Loss) on Sale of Capital Assets	(340)	---	(340)	340	---
Miscellaneous Revenues	55	---	55	(55)	---
Miscellaneous Expenses	(1,346)	(57)	(1,403)	1,403	---
Total General Revenues					64,526
Total Non-Operating Revenues (Expenses)	900,722	(6,622)	894,100	(829,574)	
Income Before Other Revenues (Expenses)					
Or Gains (Losses)	66,705	(3,442)	63,263	36,314	
State Capital Appropriations	86,474	---	86,474	---	86,474
Total Capital Grants and Contributions					86,474
Additions to Endowments	36,314	---	36,314	(36,314)	---
Extraordinary Items	293	---	293	---	293
Change in Net Assets	189,786	(3,442)	186,344	---	186,344
Net Assets - Beginning of Year (Note 17)	4,501,441	164,592	4,666,033	---	4,666,033
Net Assets - End of Year	\$ 4,691,227	\$ 161,150	\$ 4,852,377	\$ ---	\$ 4,852,377

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



The Notes to the Financial Statements provide a summary of significant accounting policies and other disclosures required for a fair presentation of the basic financial statements.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Index of Notes

Note 1 – Significant Accounting Policies	28
Note 2 – Reporting Changes and Classifications.....	44
Note 3 – Deposits, Investments, and Securities Lending Program.....	44
Note 4 – Federal Surplus Commodities Inventory.....	53
Note 5 – Capital Assets	54
Note 6 – Leases	56
Note 7 – Retirement Systems	59
Note 8 – Other Postemployment Benefits	66
Note 9 – Deferred Compensation	71
Note 10 – Changes in Short-Term Liabilities	72
Note 11 – Changes in Long-Term Liabilities	72
Note 12 – Bonds Payable	73
Note 13 – Defeased Debt	83
Note 14 – Payables and Receivables	84
Note 15 – Interfund Assets and Liabilities.....	85
Note 16 – Interfund Transfers.....	87
Note 17 – Restatements	88
Note 18 – Fund Deficit	89
Note 19 – Related Party Transactions	89
Note 20 – Commitments	89
Note 21 – Risk Management and Insurance.....	91
Note 22 – Landfill Closure and Postclosure	94
Note 23 – Contingencies	94
Note 24 – Joint Ventures	96
Note 25 – Endowments	97
Note 26 – Conduit Debt	97
Note 27 – Subsequent Events	98

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Significant Accounting Policies

A. Financial Statements and Reporting Entity

The accompanying financial statements of the State of Missouri (primary government) and its component units have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The State has elected not to follow the Financial Accounting Standards Board's pronouncements issued after November 30, 1989 for proprietary activities.

The financial statements include the departments, agencies, boards, commissions, and other organizational units over which the State has financial accountability. GASB set forth the following criteria in Statement No. 14 – *The Financial Reporting Entity* for determining financial accountability: appointment of a voting majority of an organization's governing body and either: 1) the ability to impose the State's will on the organization; or 2) the organization's ability to provide specific benefits to, or impose specific burdens on, the primary government. Where the State does not appoint a voting majority of the governing body, the entity would still be included if it is fiscally dependent on the State. Statement No. 39 – *Determining Whether Certain Entities are Component Units* added a requirement to include all entities whose relationship with the State would make it misleading to exclude it.

In addition to the legislative, executive and judicial branches, the following organizations are included in these financial statements:

Component Units (Blended):

Blended component units are legally separate entities from the State, but are so intertwined with the State that they are, for all practical purposes, the same as the State. They are reported as part of the primary government and blended into the appropriate funds. The following component units are blended because they provide services entirely or almost entirely to the primary government:

Board of Fund Commissioners – The Board was created by state law and is comprised of the Governor, Lieutenant Governor, Attorney General, State Auditor, State Treasurer, and the Commissioner of Administration. The Board's purpose is to issue, redeem, and cancel state general obligation bonds and perform other administrative activities related to state general obligation debt as assigned by law. Separate financial statements are not required or issued for the Board.

Board of Private Investigator Examiners – The Board was created by state law and is charged with the licensure and regulation of the practice of private investigators in Missouri. The five member board shall consist of three private investigators and two public members, appointed by the Governor. Separate financial statements are not required for the Board.

Board of Unemployment Fund Financing – The Board was created by state law to provide a method of providing funds for the payment of unemployment benefits and maintaining an adequate fund balance in the Unemployment Compensation Fund. The Board is comprised of the Governor, Lieutenant Governor, Attorney General, the Director of the Department of Labor and Industrial Relations, and the Commissioner of Administration. Separate financial statements are not required for the Board.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

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 and is composed of representatives from the Governor's office; the following departments: Health and Senior Services, Mental Health, Social Services, and Elementary and Secondary Education; the judiciary; the Family and Community Trust Board; the Head Start Program; and nine members appointed by the Governor. The 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. Separate financial statements are not required for the Board.

Missouri Dental Board – The Board was created by state law to protect and serve the public's interests in dentistry and to preserve the integrity of the dental profession. The Board adopts, publishes, and enforces rules and regulations which regulate and define the acts and areas of practice which may be performed by dentists and dental hygienists. The seven member board consists of five dentists, one dental hygienist, and one public member, all of whom are appointed by the Governor. Separate financial statements are not required for the Board.

Missouri Investment Trust-Board of Trustees – The Board is responsible for establishing investment policies, strategies, and goals for the Missouri Investment Trust, and has the fiduciary duty to manage the policy and investment decisions necessary for the success of the Missouri Investment Trust. The seven member board of trustees consists of the State Treasurer, the Commissioner of Administration, one member appointed by the speaker of the House of Representatives, one member appointed by the president pro-tem of the Senate, and three members selected by the Governor. Separate financial statements are not required for the Board.

Missouri Propane Gas Commission – The Commission is responsible for developing comprehensive plans and programs for the prevention, control, and abatement of propane-related accidents in Missouri. The Commission is authorized to regulate the inspection of and provide specifications for propane. The nine member commission is appointed by the Governor with members from various propane-related industries, the Departments of Agriculture and Natural Resources, and one public member.

Missouri State Penitentiary Redevelopment Commission – The Commission was established to coordinate the planning and redevelopment of the old Jefferson City Correctional Center. The ten member commission consists of three members appointed by the Jefferson City mayor, three members appointed by the Cole County Commission, and four members appointed by the Governor. Separate financial statements are not required for the Commission.

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

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Significant Accounting Policies (cont.)

Capital Projects Funds:

Fulton 54 Transportation Corporation; Missouri Highway 179 Transportation Corporation; Missouri Highway 63 Transportation Corporation; Springfield, Missouri State Highway Improvement Corporation; and Wentzville Parkway Transportation Corporation – these are reported as a part of the Missouri Road Fund. These transportation corporations are not-for-profit corporations organized under the Missouri Transportation Corporation Act. The corporations were formed to facilitate the construction of highway projects. When the purpose for which each corporation was formed has been complied with and all obligations of the corporation have been paid, the Board of the corporation shall, with the approval of the Missouri Highways and Transportation Commission, dissolve the corporation. Additional information may be requested from:

Missouri Department of Transportation
Resource Management
P.O. Box 270
Jefferson City, Missouri 65102

Internal Service Funds:

Board of Public Buildings – This is reported with the State Facility Maintenance and Operation Fund. The Board was created by state law and its governing body is made up of the Governor, the Lieutenant Governor, and the Attorney General. Its purpose is to provide state buildings by issuing revenue bonds and to supervise the operations of these facilities. All construction contracts must be approved by the Division of Facilities Management, Design and Construction and its projects must be approved by the General Assembly. The Board can require state agencies to occupy its projects. The General Assembly appropriates to the Board, on behalf of the state agencies, amounts sufficient to pay the principal and interest on the bonds, maintain certain required reserves, and pay the costs of operations. Copies of the Board of Public Buildings' financial statements may be requested from:

Office of Administration
Division of Accounting
P.O. Box 809
Jefferson City, Missouri 65102

Conservation Employees' Insurance Plan – The Plan provides health and life insurance coverage to eligible employees and retirees of the Missouri Department of Conservation. The Plan is administered by a five member board of trustees made up of two members of the Plan appointed by the Commissioners of the Department, 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

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Significant Accounting Policies (cont.)

Transportation Self-Insurance Plan – The Plan provides fleet vehicle liability, workers' compensation, and general liability insurance. The Plan is administered by the Risk Management Division of the Missouri Department of Transportation. Additional information may be requested from:

Missouri Department of Transportation
Controller's Division
P.O. Box 270
Jefferson City, Missouri 65102

Missouri Consolidated Health Care Plan (MCHCP) – The Plan was created by state law to provide medical benefits to its members and is administered by a board of trustees. The Board consists of two members of the Senate, two members of the House, six members appointed by the Governor; the Director of the Department of Health and Senior Services; the Director of the Department of Insurance, Financial Institutions and Professional Registration; and the Commissioner of Administration. The management of MCHCP is the responsibility of the Executive Director who is appointed by the Board. Copies of the Plan's financial statements may be requested from:

Missouri Consolidated Health Care Plan
P.O. Box 104355
832 Weathered Rock Court
Jefferson City, Missouri 65110-4355

MoDOT and MSHP Medical and Life Insurance Plan – The Plan provides health and life insurance coverage to eligible employees, retirees, and their dependents of the Missouri Department of Transportation (MoDOT) and the Missouri State Highway Patrol (MSHP). The Plan is administered by a board of trustees consisting of four active MoDOT employees and one retired MoDOT employee appointed by the Director of MoDOT, two active MSHP employees, and one retired MSHP employee appointed by the Superintendent of MSHP. Additional information may be requested from:

Missouri Department of Transportation
Controller's Division
P.O. Box 270
Jefferson City, Missouri 65102

Pension (and other employee benefit) trust funds:

Missouri State Employees' Retirement System (MOSERS) – The System was created by state law and provides retirement, survivor, disability, and life insurance to its members and is administered by a board of trustees. The Board consists of two members of the Senate, two members of the House, two members appointed by the Governor, three members elected by the System's members, the State Treasurer, and the Commissioner of Administration. The management of MOSERS is the responsibility of the Executive Director who is appointed by the Board. Copies of the System's financial statements may be requested from:

Missouri State Employees' Retirement System
P.O. Box 209
907 Wildwood
Jefferson City, Missouri 65102-0209

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Significant Accounting Policies (cont.)

Missouri Department of Transportation and Highway Patrol Employees' Retirement System – The System provides retirement, death, and disability benefits to qualified employees of the Missouri Highways and Transportation Commission (includes employees of the Department of Transportation), and both uniformed and non-uniformed members of the State Highway Patrol. The System is administered by a board of trustees consisting of three members of the Missouri Highways and Transportation Commission, the Director of the Missouri Department of Transportation, the Superintendent of the State Highway Patrol, one member of the Senate, one member of the House, one member elected by MoDOT employees, one member elected by Highway Patrol employees, one retired member elected by retired MoDOT employees, and one retired member elected by retired State Highway Patrol employees. Copies of the System's financial statements may be requested from:

Missouri Department of Transportation and
Highway Patrol Employees' Retirement System
P.O. Box 1930
Jefferson City, Missouri 65102-1930

Missouri Consolidated Health Care Plan (MCHCP) State Retiree Welfare Benefit Trust – The Trust was established on June 27, 2008, to provide health and welfare benefits for the exclusive benefit of current and future retired employees of the State and their dependents who meet eligibility requirements except those covered by other State sponsored post-employment benefit plans. The Trust is administered by the MCHCP board of trustees, which also administers the benefits for the active participants of the Plan. The net assets and activity related to active participants are reported in an internal service fund. Copies of the Plan's financial statements may be requested from:

Missouri Consolidated Health Care Plan
P.O. Box 104355
832 Weathered Rock Road
Jefferson City, Missouri 65110-4355

Missouri State Public Employees' Deferred Compensation Plan – The Missouri State Public Employees' Deferred Compensation Plan was administered by CitiStreet through June 30, 2008. Starting July 1, 2008, the Plan is administered by ING which purchased CitiStreet as of that date. 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 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. Copies of financial statements for both Plans may be requested from:

ING
One Heritage Drive
Quincy, Massachusetts 02171

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Significant Accounting Policies (cont.)

Component Units (Discretely Presented):

Discretely presented component units are legally separate entities for which the State is financially accountable. The financial data for these entities is reported separately from the financial data of the primary government.

Major

College and Universities – The Coordinating Board for Higher Education has certain responsibilities for these institutions and they receive State support. Following are the public college and universities included in the financial statements:

Harris-Stowe State University
3026 Laclede Avenue
St. Louis, Missouri 63103

Lincoln University
207 Young Hall
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 3000
Cape Girardeau, Missouri 63701

Truman State University
100 East Normal
McClain Hall, Room 105
Kirksville, Missouri 63501

University of Central Missouri
316 Administration Building
Warrensburg, Missouri 64093

University of Missouri System
118 University Hall
Columbia, Missouri 65211

Non-Major

Missouri Development Finance Board – The Board was created by state law as an independent, self-supporting, body corporate and politic to promote economic development of the State and was created within the Department of Economic Development. The Board is empowered to issue taxable and tax-exempt 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

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Significant Accounting Policies (cont.)

Missouri Agricultural and Small Business Development Authority – The Authority was created by state law and is authorized to issue bonds to finance agricultural and small business development loans for property acquisitions/renovations and pollution control facilities throughout the State. If for any reason, the Authority ceases to exist, all rights and properties of the Authority will pass to the State. Its governing body consists of seven members appointed by the Governor with the advice and consent of the Senate. Copies of the Authority's financial statements may be requested from:

Missouri Agricultural and Small
Business Development Authority
P.O. Box 630
1616 Missouri Boulevard
Jefferson City, Missouri 65102

Missouri Transportation Finance Corporation – The Corporation is a not-for-profit corporation organized under the Missouri Nonprofit Corporation Law. The Corporation is financed by federal highway and transit dollars, plus state and local matching funds. It is authorized to issue revenue bonds. The Corporation provides loans to assist public and private entities fund highway and transportation projects throughout the State. The Missouri Highways and Transportation Commission determines which applicants are extended loans from the Missouri Transportation Finance Corporation. Copies of the Corporation's financial statements may be requested from:

Missouri Department of Transportation
Highway Building, 2nd Floor
105 West Capitol Avenue
Jefferson City, Missouri 65101

Related Organizations

Related organizations are excluded from the financial reporting entity because the State's accountability does not extend beyond appointing a voting majority of the organization's board members. Related organizations of the State of Missouri include:

Missouri Health and Educational Facilities Authority – finances health and educational facilities.

Missouri Higher Education Loan Authority – provides a secondary market for loans made under the Federal Family Education Loan Program.

Missouri Housing Development Commission – 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.

Public School Retirement System – provides retirement benefits to employees of public school districts except those in St. Louis and Kansas City.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Significant Accounting Policies (cont.)

State Environmental Improvement and Energy Resources Authority – finances, acquires, constructs, and equips projects to reduce, prevent, and control pollution and develop the energy resources of the State.

Jackson County Sports Complex Authority – responsible for construction, operation, and financing of the Jackson County Sports Complex.

Kansas City Regional Sports Complex Authority – responsible for the study and review of all current major sports leagues, clubs, or franchises in Kansas City.

St. Charles County Convention and Sports Facility Authority – responsible for planning, constructing, and managing convention and sports facilities in the St. Charles area.

Missouri Cotton Growers Organization – organized for boll weevil eradication.

KCT Intermodal Transportation Corporation – organized to pay for a railroad bridge in the Blue Valley Industrial District in Kansas City.

Lake of the Ozarks Community Bridge Corporation – organized to pay for the acquisition and construction of a toll bridge across the Lake of the Ozarks.

Westside Intermodal Transportation Corporation – organized to pay for rail additions and improvements of the Kansas City Terminal Railway.

Universal Service Board – organized to ensure just, reasonable, and affordable rates for comparable essential local telecommunication services throughout the State.

Interstate Commission for Adult Offender Supervision – responsible for promoting public safety and protecting the rights of victims through the control and regulation of the interstate movement of adults placed under community supervision.

Missouri Access to Higher Education Trust Board – responsible for administering the funds of the Higher Education Trust.

Missouri Health Insurance Pool – organized to provide health care coverage for residents who are unable to obtain individual health coverage.

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.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Significant Accounting Policies (cont.)

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 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.

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.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Significant Accounting Policies (cont.)

The proprietary, pension (and other employee benefit) trust, and private-purpose trust fund financial statements are presented using the economic resources measurement focus and accrual basis of accounting. With the economic resources measurement focus, assets and liabilities associated with the operation of these funds are included on the Statement of Net Assets. Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred. Proprietary fund-type operating statements present revenues and expenses in total net assets. Operating revenues and expenses in proprietary funds are classified as those activities that make up the primary ongoing operations associated with those funds. Non-operating revenues and expenses in proprietary funds are classified as those activities that are deemed incidental or unusual for those funds.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. The agency fund financial statements are presented on the accrual basis of accounting.

The discretely presented component unit financial statements are presented using the economic resources measurement focus and accrual basis of accounting with the following exception in regard to college and universities. Revenues and related expenditures in connection with the summer sessions in progress at June 30 are deferred at that date.

The State reports the following major funds categories:

General Fund – accounts for all current financial resources not required by law or administrative action to be accounted for in another fund.

Public Education – provides general and special education needs of the State and other related areas such as library services and student loans.

Conservation and Environmental Protection – provides for the preservation of the State's wildlife and environment.

Transportation and Law Enforcement – provides transportation services, road construction and maintenance, and the enforcement of vehicle laws and traffic safety.

Missouri Road Fund – accounts for revenues from highway users' fees, federal reimbursements for highway projects, and bond proceeds to be used for costs of constructing and maintaining an adequate state highway system.

State Lottery – accounts for proceeds from the sale of lottery tickets and all other moneys credited to this fund. A minimum of 45% of the moneys are used for prizes.

Unemployment Compensation – accounts for contributions, payments, and federal loans collected under the provisions of the "Unemployment Compensation Law" to pay benefits.

Petroleum Storage Tank Insurance – accounts for moneys collected from transport load fees and participating owners of petroleum storage tanks for cleanup of contamination caused by releases from petroleum storage tanks.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Significant Accounting Policies (cont.)

C. Basis of Presentation

The State's financial practices are based upon fund accounting concepts. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and fund balances, and changes therein, that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The accompanying financial statements are structured into three categories of funds and discretely presented component units:

Primary Government:

Governmental Funds include the General Fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. These funds account for the revenues and expenditures, capital outlay, and certain debt service of the State.

Proprietary Funds include enterprise funds and internal service funds. These funds account for the cost of certain services provided by the State.

Fiduciary Funds include pension (and other employee benefit) trust funds, private-purpose trust funds, and agency funds. These funds account for assets held by the State in a trustee capacity or as an agent for individuals, other governments, and other entities.

Discretely Presented Component Units:

Major

College and Universities account for moneys from federal and state grants, debt proceeds, gifts and contributions, state appropriations, investments, and endowments. Assets and liabilities are accounted for on the Statement of Net Assets. Revenues, expenses, gains, and losses are reported on the Statement of Revenues, Expenses, and Changes in Net Assets.

Non-Major

Non-Major Component Units account for moneys from bond proceeds, loans, contributions, gifts, and grants. Assets and liabilities are accounted for on the Statement of Net Assets. Revenues, expenses, gains, and losses are reported on the Statement of Revenues, Expenses, and Changes in Net Assets.

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 Fund 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*).

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Significant Accounting Policies (cont.)

E. Investments

These are long-term investments 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 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 Statements of Net Assets. Payables are classified as “due to other funds” or “due to primary government” on the Balance Sheet and Statements of Net Assets (see *Note 15*). These receivables/payables are due within one year. Any receivables/payables that are due to and due from a governmental fund are eliminated on the face of the Governmental Funds Balance Sheet. If any receivables/payables that remain after this elimination are both in the same activity (Business-Type or Governmental), they are eliminated at the Government-Wide Statement of Net Assets. Any remaining interfund receivables/payables is 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 Statements of Net Assets. Long-term interfund payables are classified as “advances from primary government/component units” on the Balance Sheet and Statements of Net Assets (see *Note 15*). These receivables/payables are eliminated if both the receivable/payable are in the same activity (Business-Type or Governmental). Any remaining long-term interfund receivables/payables are reported as internal balances on the Government-Wide Statement of Net Assets.

H. Inventories

Inventories in the governmental funds consist of expendable supplies held for consumption, the cost of which is recorded as an expenditure at the time of purchase, except for the Missouri Road Fund, which updates inventory perpetually under the consumption method. Reserves of fund balance have been established for the inventory balances in governmental funds. Inventories in the proprietary funds consist of both expendable supplies held for consumption and the cost of goods held for resale, the cost of which is recorded as an expense as they are used. Inventories are valued at cost using various methods such as moving average, weighted average, and first-in, first-out.

I. Restricted Assets

These moneys are restricted by donors and applicable bond indentures:

Reserved for Budget Reserve – An account used to meet the cash flow requirements and program funding requirements of the State.

Reserved for Inventories – An account used to segregate a portion of fund balance to indicate that inventories do not represent available, spendable resources.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Significant Accounting Policies (cont.)

Reserved for Forfeited Assets – An account used to segregate a portion of fund balance to pay postclosure costs for landfill owners that have defaulted on their obligation to pay postclosure care costs (see *Note 22*) and mining reclamation costs.

Reserved for Taxes – An account used to segregate a portion of fund balance for taxes received for which payment was made under protest and for bonds filed by license holders for security against default of payment of tax liabilities.

Reserved for Debt Service – An account used to segregate a portion of fund balance for debt service resources legally restricted to the payment of general long-term debt principal and interest amounts maturing in future years.

Reserved for Loans Receivable – An account used to segregate a portion of fund balance to indicate that loans receivable do not represent available, spendable resources.

Reserved for Trust Principal – An account used to segregate a portion of fund balance to indicate the principal amount of permanent funds that is legally restricted for a specific future purpose.

J. Capital Assets

Capital assets, which include construction in progress, infrastructure in progress, land, land improvements, buildings, equipment, 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, and equipment – \$1,000. No dollar threshold is set for land or infrastructure.

Capital assets are depreciated using the straight-line method of depreciation over the following useful lives: buildings – 40 years, land improvements and building improvements – 20 years, equipment – 5 years, and infrastructure 12 to 50 years. Construction in progress, infrastructure in progress, and land are not depreciated.

Most works of art and historical treasures are not capitalized or depreciated. 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 using the straight-line method of depreciation over the following useful lives: buildings – 40 years, land improvements and building improvements – 20 years, and equipment – 5 years.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Significant Accounting Policies (cont.)

K. Deferred/Unearned Revenues

Governmental Funds

Deferred revenues are those for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met for governmental funds, which use the modified accrual basis of accounting. Therefore, such amounts are reported within the governmental fund financial statements as receivables and offset by a deferred revenue account. These amounts include \$418,315,000 within the General Fund, \$50,691,000 within the major special revenue funds, \$15,437,000 within the Missouri Road Fund, and \$5,451,000 within non-major governmental funds which totals \$489,894,000 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 of \$89,010,000 within the General Fund, \$1,025,000 within major special revenue funds, \$9,765,000 within the Missouri Road Fund, and \$1,554,000 within non-major governmental funds which totals \$101,354,000 for governmental funds.

Proprietary Funds

Unearned revenue amounts collected in advance of the year in which earned are reported in the amount of \$24,028,000 within the internal service funds included in governmental activities. Total unearned revenue for enterprise funds is \$625,000 which includes \$522,000 within the Petroleum Storage Tank Insurance Fund, and \$103,000 within the non-major enterprise funds.

Component Units

Unearned revenue amounts collected in advance of the year in which earned are reported in the amount of \$93,323,000 within the college and universities which is the total unearned revenue amount for component units.

L. Long-Term Debt

Long-term liabilities that will be financed from governmental funds are not reported on the fund financial statements. However, the long-term liabilities are reported on the government-wide financial statements. The reconciliation between fund financial statements and government-wide financial statements includes a line item for the long-term liabilities of governmental funds. These long-term liabilities include the following:

1. Due to Other Entities includes outstanding principal on advances from other governments, contractual obligations to other governments, and loans from other entities. The expenditures are recorded in the appropriate governmental funds when the liability is paid (see *Note 11*).
2. Outstanding principal for general obligation debt. The expenditure for payment of principal and interest for general obligation debt is recorded in the debt service funds when paid (see *Note 12*).
3. Outstanding principal for bonds issued by the Board of Public Buildings, State Road Bonds issued by the Missouri Highways and Transportation Commission, and bonds issued by the Health and Educational Facilities Authority and the Regional Convention and Sports Complex Authority. The expenditure for payment of principal and interest for these bonds is recorded in the appropriate governmental funds when paid (see *Note 12*).

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Significant Accounting Policies (cont.)

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, and the Missouri Road Fund (see *Notes 6 and 11*).
6. Compensated absences include accumulated unpaid vacation and compensatory time accruals and related employer payroll taxes. These amounts are not accrued in the governmental funds but are recorded as expenditures when paid (see *Note 11*).

Vacation leave is accumulated at a rate of 10 to 14 hours per month depending on the number of years of employment. Accumulated vacation leave cannot exceed twice the number of vacation hours earned annually. Compensatory time is accumulated as earned by an individual employee.

Sick leave is accumulated at a rate of 10 hours per month with no limit to the amount which can be accumulated. Accumulated sick leave is not paid upon employee termination and does not represent a liability of the State.

7. Claims and contingent liabilities include estimates of the risk of loss related to tort liability, general liability, motor vehicle liability, contractor liability, and injuries to employees. These liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Expenditures are recorded in the fund from which the liability is paid (see *Notes 11, 21, and 23*).

Long-term liabilities of all proprietary, pension (and other employee benefit) trust, and private-purpose trust funds are accounted for in the respective funds.

M. Net Assets

Net Assets are reported in three categories:

Invested in Capital Assets, Net of Related Debt – An account used to segregate the portion of net assets attributable to capital assets and related debt. It consists of capital assets, net of accumulated depreciation 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, 2008, net assets restricted by enabling legislation equaled \$1,355,342,000 for governmental activities and \$36,321,000 for business-type activities.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Significant Accounting Policies (cont.)

Unrestricted Net Assets – An account used to segregate the portion of net assets that does not meet the definition of the two preceding categories.

When both restricted and unrestricted resources are available for use, generally the State uses restricted resources first, then unrestricted resources as they are needed. However, there may be instances in which restricted funds may only be spent in proportion to unrestricted funds spent.

N. Revenues

The revenues of the General Fund include federal grants and contributions of \$7,534,365,000. Revenues for all funds are reported net of refunds of \$1,720,396,000.

O. Interfund Transactions

During the fiscal year the State incurs various transactions between funds, including expenditures and transfers of resources to distribute interest earnings, finance operations, provide services, construct assets, and service debt. Interfund transactions basically consist of these three types:

1. Transactions that would be treated as revenues or expenditures/expenses if they involved organizations external to the State are similarly treated when involving other funds of the State. Major transactions that fall into this category include payments to internal service funds from other funds for services rendered and to agency funds for contributions for employee benefits.
2. Transactions that reimburse another fund for an expense reduce expenses of the fund that is being reimbursed and increase 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 (Business-Type and Governmental) are eliminated at the Government-Wide Statement of Activities.

P. Expenditures and Expenses

Expenditures and expenses are reported net of revenue over collections of \$1,406,674,000 and \$169,000, respectively. Expenditures and expenses are reported net of overpayments to vendors, individuals, school districts, and for cost reimbursements of \$312,512,000 and \$1,041,000, respectively.

Q. Property Taxes

Presently there is a state property tax of three cents on each hundred dollars assessed valuation on all real estate and personal property. The tax collected is deposited into the Blind Pension Fund, which is a component unit of social assistance.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Significant Accounting Policies (cont.)

The property taxes in Missouri are levied by October 31 of each year on assessed valuation as of January 1 of that year. Property taxes are due and payable by December 31 and penalties on unpaid taxes are imposed after that date. Assessed values are established by each county assessor's office and are calculated as a percent of market value except for agricultural land which is calculated on productive capability. The percentage for real property varies according to use: residential at 19%, commercial at 32%, and agricultural at 12%. Personal property is assessed according to type with the majority at 33 1/3% of market value.

Note 2 – Reporting Changes and Classifications

The State of Missouri implemented the following new accounting standards issued by the Governmental Accounting Standards Board (GASB) for the fiscal year June 30, 2008:

- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which establishes standards for the measurement, recognition, and display of other postemployment benefits (OPEB) expense/expenditures, related assets and liabilities, and note disclosures.

Statement No. 45 follows the same basic guidelines as Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* but some of the requirements of this Statement differ from the requirements of Statement No. 27 to show the differences between OPEB and pension benefits. This statement was implemented prospectively with no beginning net OPEB obligation. The OPEB portion representing a trust or equivalent arrangement is displayed as a pension (and other employee benefit) trust fund.

- GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, which establishes criteria that will be used to determine how to treat transactions in which immediate cash payments are received in exchange for future expected cash flows.
- GASB Statement No. 50, *Pension Disclosures*, which more closely aligns current pension disclosure requirements for governments with those for OPEB.

The intention of Statement No. 50 is to amend note disclosure and required supplementary information (RSI) standards of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with requirements by Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

Note 3 – Deposits, Investments, and Securities Lending Program

The State Treasurer maintains a cash and short-term investment pool that is used by substantially all state funds. These funds do not include accrued interest. Certain organizational units are authorized to administer assets designated to their organization in a manner similar to the deposit and investment activities of the State as a whole. Summarized on the following page is the portfolio that represents the "Cash and Cash Equivalents," "Investments," "Restricted Assets – Cash and Cash Equivalents," and "Restricted Assets – Investments" as reported at June 30, 2008.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 3 – Deposits, Investments, and Securities Lending Program (cont.)

A. Deposits

The State minimizes custodial credit risk by restrictions set forth in state law. Custodial credit risk is risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, the State would not be able to recover its deposits or collateralized securities that are in the possession of the outside parties. Statutes restrict the State Treasurer to deposit funds in financial institutions that are physically located in Missouri which are selected based on financial stability and community involvement. The financial institution's loan to deposit ratio must exceed 50% at the time of deposit and deposits must be collateralized at least 100% with approved securities. Deposits must have a maturity of five years or less and earn interest at a rate equal to that paid on U.S. Treasury securities with equivalent maturities.

Primary Government

At June 30, 2008, the bank balance of the primary government's deposits was \$1,159,334,000. Of the bank amount, \$5,155,000 was exposed to custodial credit risk by being uninsured and collateralized with securities held by the pledging financial institution, and \$30,000 was exposed to custodial credit risk by being uninsured and uncollateralized.

Fiduciary

At June 30, 2008, the bank balance of the deposits of the fiduciary funds was \$90,023,000. None of these deposits were exposed to custodial credit risk.

Component Units

At June 30, 2008, the bank balance of the deposits of the component units was \$563,568,000. Of the bank amount, \$182,690,000 was exposed to custodial credit risk, \$2,011,000 was insured and uncollateralized, and \$180,679,000 was uninsured and collateralized with securities held by the pledging financial institution.

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 2008.

The State Treasurer minimizes credit risk, the risk of loss due to the failure of the security issuer or backer, by establishing a pre-approved list of financial institutions and companies that will be used to purchase commercial paper. The State Treasurer also conducts regular credit monitoring, pre-qualifies the financial institutions and brokers/dealers with which the Treasurer's Office will do business for broker services and repurchase agreements, and diversifies the portfolio to reduce potential losses on individual securities.

Custodial credit risk is the risk that, in the event of failure of the counterparty to a transaction, the State will not be able to recover the value of their investment or collateral securities that are in the possession of an outside party. The State Treasurer minimizes custodial credit risk by requiring that all securities be held in the State's name at the State's custodial bank, Bank of New York.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 3 – Deposits, Investments, and Securities Lending Program (cont.)

Primary Government

At June 30, 2008, the reported amount of the primary government's investments was \$4,093,410,000. Of this amount, \$168,640,000 was exposed to custodial credit risk because it was uninsured and unregistered with securities held by the State's counterparty. Also, \$2,632,000 of repurchase agreements were not collateralized.

Fiduciary

At June 30, 2008, the reported amount of the fiduciary funds investments was \$11,536,423,000. Of this amount, \$15,646,000 was exposed to custodial credit risk because it was uninsured and unregistered with securities held by the State's counterparty. Also, \$52,000 was exposed to custodial credit risk due to it being uninsured and unregistered with securities held by the counterparty's trust department or agent but not in the State's name.

Component Units

At June 30, 2008, the reported amount of the component units investments was \$2,297,482,000. Of this amount, \$177,333,000 was exposed to custodial credit risk, \$170,374,000 was uninsured and unregistered with securities held by the counterparty while \$6,959,000 was insured and unregistered with securities held by the counterparty's trust department or agent, but not in the name of the investor.

The following table (in thousands of dollars) provides information about the interest rate risks associated with the State's investments. The investments include certain short-term cash equivalents, various long-term items, and restricted assets by maturity in years. The State Treasurer minimizes the risk of the market value of securities falling due to changes in interest rates by maintaining an effective duration of less than 1.5 years, and holding at least 40% of the portfolio's total market value in securities with a maturity of 12 months or less.

	Maturities in Years					Total Fair Value
	Less than 1	1-5	6-10	More than 10	No Maturity	
All Fund Types except Fiduciary Funds and Component Units:						
U.S. Government						
Securities	\$ 1,440,020	\$ 1,767,071	\$ 12,629	\$ 10,219	\$ ---	\$ 3,229,939
Repurchase						
Agreements	594,426	---	---	---	---	594,426
Stocks	---	---	---	---	3,541	3,541
Mutual Funds	---	---	---	---	2,492	2,492
Commercial Paper	259,413	---	---	---	---	259,413
Other	717	1,827	1,055	---	---	3,599
Subtotal	2,294,576	1,768,898	13,684	10,219	6,033	4,093,410

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 3 – Deposits, Investments, and Securities Lending Program (cont.)

	Maturities in Years					Total Fair Value
	Less than 1	1-5	6-10	More than 10	No Maturity	
Fiduciary Funds:						
U.S. Government Securities	5,201	702,512	9,073	408,549	---	1,125,335
Repurchase Agreements	399,808	---	---	---	---	399,808
Stocks	---	---	---	---	1,415,477	1,415,477
Bonds	315,185	6,528	5,181	13,566	---	340,460
Commercial Paper	1,024	---	---	---	---	1,024
International Equities	1,110,134	---	---	---	---	1,110,134
Mortgages/Real Estate	---	34,218	501	117,827	182,566	335,112
Short-Term Securities	793,625	---	---	---	---	793,625
Foreign Securities	---	---	---	---	92,659	92,659
Mutual Funds	---	---	---	---	1,408,892	1,408,892
Venture Capital Limited Partnership	---	---	---	---	3,933,036	3,933,036
Absolute Return	---	---	---	---	317,131	317,131
Tactical Fixed Income	---	---	---	---	81,212	81,212
Other	182,518	---	---	---	---	182,518
Subtotal	2,807,495	743,258	14,755	539,942	7,430,973	11,536,423
Component Units:						
U.S. Government Securities	262,142	434,858	150,132	141,518	---	988,650
Repurchase Agreements	10,002	---	---	---	---	10,002
Stocks	---	---	---	---	659,454	659,454
Bonds	60,603	149,137	93,040	34,044	---	336,824
Money Market	1,505	---	---	---	---	1,505
Mutual Funds	1,923	---	---	---	9,000	10,923
Commercial Paper	104,433	---	---	---	---	104,433
Other	4,883	25,298	38,824	22,206	94,480	185,691
Subtotal	445,491	609,293	281,996	197,768	762,934	2,297,482
Total Investments	\$ 5,547,562	\$ 3,121,449	\$ 310,435	\$ 747,929	\$ 8,199,940	\$ 17,927,315

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. During fiscal year 2008, the State did not have more than 5% of total investments in a single issuer.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 3 – Deposits, Investments, and Securities Lending Program (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:			
Bonds	Aaa		\$ 1,516
	Aaa	AAA	2,979,739
		AAA	67,505
		AA+	121
		AA	181,734
		AA-	1,237
		A+	2,312
		A	196,092
		A-	857
		BBB+	3,519
		BBB	109,672
		BBB-	2,574
		BB+	616
		BB	32,025
		B	63,080
		CCC	39,067
		CC	74
		D	139
		Not Rated	1,040
	Aa2		526
Money Market Mutual Funds	Not Rated		76
Commercial Paper	P1	A1+	79,587
	P1	A1	180,850
		Tier 1	123,608
Asset-Backed Securities		AAA	264,402
		AA	50,394
		A	305
Pooled Investments		Not Rated	451,293
Repurchase Agreements	P1	A1+	363,431
U.S. Government	Aaa	AAA	9,709
U.S. Treasury	Aaa	AAA	3,494
U.S. Agencies	Aaa	AAA	12,676
	Aaa		1,358
		Agency	410,027
U.S. Security	Aaa	AAA	2,383
	Aaa		118,541
		AAA	8,024
		AA	2,884
		A+	223
		Agency	9,255
		Treasury	6,202
	Unrated		3,086

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 3 – Deposits, Investments, and Securities Lending Program (cont.)

	<u>Moody's</u>	<u>S & P</u>	<u>Fair Value</u>
Other	Aaa	AAA	3,599
		AAA	92,069
		AA+	6,013
		AA	50,566
		AA-	2,209
		A+	4,630
		A	24,110
		A-	2,764
		BBB+	169
		BBB	2,067
		BBB-	133
		BB	77,705
		B	90,072
		CCC	12,828
		CC	176
		Agency	71,929
		Tier 1	123,003
		Not Rated	46,016
Subtotal			<u>6,395,311</u>
Component Units:			
Bonds and Notes	Aaa		64,535
		AAA	2,000
		AA	3,500
	Aa		114,410
		A+	2,000
	A		142,267
		A	1,000
	Baa		8,311
	Unrated		7,203
Money Market	Aaa	AAA	1,496
	Unrated	Unrated	9
Mutual Fund		Unrated	30
Commercial Paper	Unrated		104,433
U.S. Treasury Obligations	Aaa	AAA	1,000
	Aaa		193,889
U.S. Agency Obligations		AAA	6,020
	Aaa	A1+	8,525
	Aaa		470,034
	Aa		3,111
	A		392
	Unrated		158,855
U.S. Securities	Aaa	AAA	17,719
		AAA	12,803
U.S. Bonds and Notes	Aaa	AAA	34,403
Stock	Unrated		646,801
Other	Aaa		55,497
	Aa		668
	A		31,309
		A	1,386
	Baa		944
	Unrated		95,887
Subtotal			<u>2,190,437</u>
Total Rated Investments			<u>\$ 8,585,748</u>

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 3 – Deposits, Investments, and Securities Lending Program (cont.)

The State Treasurer does not have a policy regarding foreign currency risk, which is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. 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. The State Treasurer's Office does not have any deposits or investments in foreign currency, however, 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. In addition to the amounts provided in the table, the college and universities had \$89,825,000 in government obligations, \$23,347,000 in bonds and notes, \$120,076,000 in corporate stocks, and \$13,111,000 in cash and cash equivalents held in foreign currencies as of June 30, 2008.

Currency	Investment Type					Total
	Cash	Equities	Fixed Income	Alternatives	Real Estate	
Argentina Peso	\$ 3	\$ ---	\$ ---	\$ ---	\$ ---	\$ 3
Australian Dollar	3	18,797	---	---	---	18,800
Brazilian Real	12	31,533	---	---	---	31,545
British Pound Sterling	26	3,939	---	---	---	3,965
Canadian Dollar	29	8,400	---	---	---	8,429
Czech Koruna	20	1,289	---	---	---	1,309
Danish Krone	2	4,178	---	---	---	4,180
Egyptian Pound	(1)	1,563	---	---	---	1,562
Euro	2,742	234,919	14,744	126,947	155	379,507
Hong Kong Dollar	124	52,301	---	---	---	52,425
Hungarian Forint	47	4,240	---	---	---	4,287
Indian Rupee	677	2,545	---	---	---	3,222
Indonesian Rupiah	2	1,682	---	---	---	1,684
Israeli New Shekel	---	2,342	---	---	---	2,342
Japanese Yen	104,716	408,516	---	---	---	513,232
Malaysian Ringgit	19	5,817	---	---	---	5,836
Mexican Peso	(4)	13,586	---	---	---	13,582
Moroccan Dirham	(3)	311	---	---	---	308
New Zealand Dollar	1	30	---	---	---	31
Norwegian Krone	107	10,869	---	---	---	10,976
Pakistani Rupee	2	1,747	---	---	---	1,749
Peruvian Nuevo Sol	---	23	---	---	---	23
Philippine Peso	---	1,382	---	---	---	1,382
Polish Zloty	---	487	---	---	---	487
Russian Ruble	---	3,975	---	---	---	3,975
Singapore Dollar	8	61,180	---	---	---	61,188
South African Rand	(25)	8,411	---	---	---	8,386
South Korean Won	4	38,765	2,737	---	---	41,506
Sri Lanka Rupee	---	2	---	---	---	2
Swedish Krona	41	22,530	---	---	---	22,571
Swiss Franc	92	90,468	---	---	---	90,560
Taiwan Dollar	93	31,743	---	---	---	31,836
Thai Baht	---	17,911	---	---	---	17,911
Turkish Lira	(9)	9,083	---	---	---	9,074
United Kingdom						
Pound Sterling	214	104,541	4,391	---	---	109,146
Venezuelan Bolivar	107	---	---	---	---	107
Total	\$ 109,049	\$ 1,199,105	\$ 21,872	\$ 126,947	\$ 155	\$ 1,457,128

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 3 – Deposits, Investments, and Securities Lending Program (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 October 2004, Bank of New York 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, 2008, the State Treasurer's Office had an aggregate fair value of securities lent of \$228,281,000 and an aggregate fair value of collateral received of \$233,310,000.

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, 2008, MOSERS had no credit risk exposure to borrowers because the collateral amounts received exceeded amounts out on loan.

Credit Suisse, New York Branch (CSNY) served as the agent for the fixed income domestic equity, and international equity securities lending programs. MOSERS reduces credit risk by allowing CSNY to lend these securities to a diverse group of dealers on behalf of MOSERS. CSNY 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 CSNY. On June 30, 2008, the cash collateral fund had a market value of \$990,447,000 and a weighted average maturity of 27 days. At June 30, 2008 and 2007, MOSERS earned \$8,442,000 and \$2,859,000, respectively, on the securities lending program.

Missouri Department of Transportation and Highway Patrol Employees' Retirement System:

In accordance with the investment policies set by the board of trustees, the Missouri Department of Transportation and Highway Patrol Employees' Retirement System (the System), lends its securities to broker-dealers and banks pursuant to a form of loan agreement. The System's custodial bank is authorized to lend available securities to approved broker-dealers and banks subject to the receipt of acceptable collateral.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 3 – Deposits, Investments, and Securities Lending Program (cont.)

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. The collateral held at June 30, 2008, was \$62,737,000 and the market value of securities on loan for the System was \$61,380,000.

At June 30, 2008 and 2007, the System earned \$413,000 and \$468,000, respectively, on the securities lending program.

University of Missouri System:

The University participates in a securities lending program to augment income. The program is administered by the University's custodial agent bank, which lends certain securities for a predetermined period of time, to an independent broker/dealer (borrower) in exchange for collateral. Collateral may be cash, U.S. government securities, defined letters of credit, or other collateral approved by the University. Loans of domestic securities are initially collateralized at 102% of the fair value of securities lent. Loans of international securities are initially collateralized at 105% of the fair value of securities lent. The University has minimized its exposure to credit risk from borrower default by having the custodial agent bank determine daily that required collateral meets a minimum of 100% of the market value of securities on loan for domestic securities lent and 105% for international securities lent.

The University continues to receive interest and dividends during the loan period as well as a fee from the borrower. The maturities of the investments made with the cash collateral generally match the maturities of the securities lent. At June 30, 2008, the University has no credit risk exposure since the collateral held exceeds the value of the securities lent. The University is fully indemnified by its custodial bank against any losses incurred as a result of borrower default. The University can pledge or sell cash and securities received as collateral absent a borrower default.

At June 30, 2008, letters of credit and security collateral, not meeting the criteria for inclusion on the Combined Statement of Net Assets, totaled \$15,238,000. At June 30, 2008, the aggregate fair value of the securities lent was \$106,360,000 and the aggregate fair value of the collateral received was \$113,629,000.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 3 – Deposits, Investments, and Securities Lending Program (cont.)

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, 2008, MOSERS Foreign Currency Forward Contracts had a pending receivable of \$427,529,000 and a pending payable of \$430,707,000 resulting in a final liability of \$3,178,000.

The following table (in thousands of dollars) summarizes the various contracts in MOSERS portfolio as of June 30, 2008. The investments are reported at fair value and are included on the Statement of Net Assets of the pension (and other employee benefit) trust funds.

Futures Contracts:

<u>Notional Amount</u>	<u>Exposure</u>
\$169,556	\$(240)

Swaps:

<u>Notional Amount</u>	<u>Counterparty Exposure</u>
\$1,401,807	\$(52,068)

Note 4 – Federal Surplus Commodities Inventory

The federal surplus commodities inventory for the Department of Social Services was \$53,000 as of June 30, 2008. This inventory is not considered to be an asset of the State and is not included in the financial statements.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 5 – Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows (in thousands of dollars):

	*Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Governmental Activities:				
Capital Assets not being Depreciated:				
Construction in Progress.....	\$ 624,594	\$ 238,387	\$ (184,145)	\$ 678,836
Infrastructure in Progress	2,733,988	1,028,231	(1,090,167)	2,672,052
Land	2,649,153	126,335	(3,243)	2,772,245
Total Capital Assets not being Depreciated	6,007,735	1,392,953	(1,277,555)	6,123,133
Capital Assets being Depreciated:				
Land Improvements	149,706	3,139	---	152,845
Buildings and Improvements.....	2,409,997	111,183	(1,868)	2,519,312
Equipment.....	1,156,788	101,305	(91,549)	1,166,544
Infrastructure	40,251,481	1,090,168	(83,925)	41,257,724
Total Capital Assets being Depreciated.....	43,967,972	1,305,795	(177,342)	45,096,425
Less Accumulated Depreciation for:				
Land Improvements	(70,816)	(4,549)	---	(75,365)
Buildings and Improvements.....	(902,469)	(76,230)	1,108	(977,591)
Equipment.....	(805,407)	(92,333)	85,682	(812,058)
Infrastructure	(19,777,917)	(699,790)	83,925	(20,393,782)
Total Accumulated Depreciation	(21,556,609)	(872,902)	170,715	(22,258,796)
Total Capital Assets being Depreciated, Net	22,411,363	432,893	(6,627)	22,837,629
Governmental Activities Capital Assets, Net.....	<u>\$ 28,419,098</u>	<u>\$ 1,825,846</u>	<u>\$ (1,284,182)</u>	<u>\$ 28,960,762</u>
Business-Type Activities:				
Capital Assets not being Depreciated:				
Construction in Progress.....	\$ 3,899	\$ 259	\$ (1,024)	\$ 3,134
Land	6,950	736	---	7,686
Total Capital Assets not being Depreciated	10,849	995	(1,024)	10,820
Capital Assets being Depreciated:				
Land Improvements	7,074	420	(48)	7,446
Buildings and Improvements.....	27,567	348	---	27,915
Equipment.....	46,137	3,855	(4,018)	45,974
Total Capital Assets being Depreciated.....	80,778	4,623	(4,066)	81,335
Less Accumulated Depreciation for:				
Land Improvements	(3,333)	(256)	---	(3,589)
Buildings and Improvements.....	(13,219)	(734)	---	(13,953)
Equipment.....	(34,153)	(2,682)	3,977	(32,858)
Total Accumulated Depreciation	(50,705)	(3,672)	3,977	(50,400)
Total Capital Assets being Depreciated, Net	30,073	951	(89)	30,935
Business-Type Activities Capital Assets, Net.....	<u>\$ 40,922</u>	<u>\$ 1,946</u>	<u>\$ (1,113)</u>	<u>\$ 41,755</u>

*Beginning balances as of July 1, 2007 have been restated (see *Note 17*).

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 5 – Capital Assets (cont.)

Depreciation expense of governmental activities was charged to functions as follows (in thousands of dollars):

General Government.....	\$ 30,128
Education	3,132
Natural and Economic Resources	12,004
Transportation and Law Enforcement	766,848
Human Services	60,790
Total	<u>\$ 872,902</u>

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:			
Construction in Progress.....	\$ 305,480	\$ ---	\$ 305,480
Land.....	133,840	7,220	141,060
Other Non-Depreciable Assets.....	20,220	---	20,220
Total Capital Assets not being Depreciated	<u>459,540</u>	<u>7,220</u>	<u>466,760</u>
Capital Assets being Depreciated:			
Land Improvements	21,259	---	21,259
Buildings and Improvements	3,894,333	49,614	3,943,947
Equipment, Fixtures, and Books	1,135,147	140	1,135,287
Infrastructure	348,490	---	348,490
Total Capital Assets being Depreciated	<u>5,399,229</u>	<u>49,754</u>	<u>5,448,983</u>
Less Total Accumulated Depreciation.....	<u>(2,242,378)</u>	<u>(4,802)</u>	<u>(2,247,180)</u>
Total Capital Assets being Depreciated, Net ...	<u>3,156,851</u>	<u>44,952</u>	<u>3,201,803</u>
Discretely Presented Component Units – Capital Assets, Net	<u>\$ 3,616,391</u>	<u>\$ 52,172</u>	<u>\$ 3,668,563</u>

Capital Asset Impairments

The net gain after insurance recovery of \$158,000 would be reported as an extraordinary item in the statement of net activities, due to the restoration of Lincoln University's Caruthersville Extension facility from tornado damage.

The net gain after insurance recovery of \$135,000 would be reported as an extraordinary item in the statement of net activities, due to the restoration of Lincoln University's Dawson Hall from fire damage.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

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 and college and universities are reported as a long-term obligation in those funds along with the related assets. Capital leases and the related assets are not reported on the fund financial statements of governmental type funds. However, the capital leases and related assets of governmental funds are included on the government-wide financial statements and they are shown on the reconciliation between fund financial statements and government-wide statements.

Following is a summary of the future minimum lease payments for capital leases (in thousands of dollars):

<u>Fiscal Year Ending June 30</u>	<u>Governmental Funds</u>	<u>Internal Service Funds</u>	<u>College and Universities</u>
2009	\$ 17,433	\$ 4,310	\$ 2,961
2010	16,712	3,211	2,754
2011	15,917	2,304	2,700
2012	7,523	1,627	2,505
2013	6,869	1,558	2,483
2014–2018	27,863	7,083	12,301
2019–2023	13,543	5,419	4,874
Total Minimum Lease Payments	<u>105,860</u>	<u>25,512</u>	<u>30,578</u>
Less Amount Representing Interest	<u>(18,193)</u>	<u>(3,998)</u>	<u>(10,116)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 87,667</u>	<u>\$ 21,514</u>	<u>\$ 20,462</u>

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 one building in Florissant, one building in St. Louis, and one building in 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.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

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	Governmental Funds	Internal Service Funds
2009	\$ 2,511	\$ 112
2010	2,502	112
2011	2,488	111
2012	2,489	111
2013	2,491	111
2014–2018	12,381	553
2019–2023	12,322	551
2024–2028	12,292	549
2029–2031	7,368	329
Total Minimum Lease Payments	56,844	2,539
Less Amount Representing Interest	(21,488)	(960)
Present Value of Net Minimum Lease Payments	<u>\$ 35,356</u>	<u>\$ 1,579</u>

The State issued Refunding Certificates of Participation Series A 2005 dated March 1, 2005, in the amount of \$120,490,000. The Refunding Certificates of Participation refunded \$13,945,000 of Missouri Public Facilities Corporation Certificates of Participation (Acute Care Psychiatric Hospital Project) Series A 1994, \$13,400,000 of Missouri PRC Corporation Certificates of Participation (Psychiatric Rehabilitation Center Project) Series A 1995, \$9,915,000 of Northwest Missouri Public Facilities Corporation Certificates of Participation (Northwest Missouri Psychiatric Rehabilitation Center Project) Series B 1995, and \$83,480,000 of Missouri Public Facilities Corporation II Certificates of Participation (Bonne Terre Prison Project) Series A 1999. The State also issued Certificates of Participation Series 2002 dated December 15, 2002, in the amount of \$4,700,000 for the Conservation Commission of the State of Missouri Project.

The State's obligation under these leases does not constitute a general obligation or other indebtedness of the State. The certificates of participation represent proportionate ownership interests of the certificate holders in the lease agreement. The certificates do not constitute a pledge of the full faith and credit of the State. Payments under the lease agreement have been structured in amounts sufficient to pay principal and interest on the certificate, and are subject to annual appropriation by the State legislature.

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
2009	\$ 13,777
2010	13,771
2011	13,778
2012	13,833
2013	13,185
2014–2018	54,638
2019	8,460
Total Minimum Lease Payments	131,442
Less Amount Representing Interest	(26,117)
Present Value of Net Minimum Lease Payments	<u>\$ 105,325</u>

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 6 – Leases (cont.)

Assets acquired through these capital lease agreements are recorded as capital assets at the lower of the present value of the minimum lease payments or the fair value at the time of acquisition. The following is the value of the property under capital lease by asset category as of June 30, 2008 (in thousands of dollars):

	<u>Governmental Funds</u>	<u>Internal Service Funds</u>	<u>College and Universities</u>
Buildings	\$ 227,923	\$ 19,482	\$ 20,999
Equipment	<u>52,499</u>	<u>7,506</u>	<u>1,275</u>
	<u><u>\$ 280,422</u></u>	<u><u>\$ 26,988</u></u>	<u><u>\$ 22,274</u></u>

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, 2008, were as follows (in thousands of dollars):

<u>Fiscal Year Ending June 30</u>	<u>Primary Government</u>	<u>Component Units</u>
2009	\$ 49,572	\$ 5,165
2010	1,424	4,287
2011	1,199	3,118
2012	575	2,429
2013	574	2,225
2014–2018	1,051	9,051
2019–2023	609	2,061
2024–2028	620	---
2029–2033	<u>632</u>	<u>---</u>
Total Minimum Commitments	<u><u>\$ 56,256</u></u>	<u><u>\$ 28,336</u></u>

Expenditures for rent under operating leases for the years ended June 30, 2008 and June 30, 2007 were \$56,711,000 and \$39,888,000, respectively.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

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 \$5.4 million for primary government and \$59.9 million for component units. Future minimum receivables, payable from lessor arrangements as of June 30, 2008, were as follows (in thousands of dollars):

<u>Fiscal Year Ending June 30</u>	<u>Primary Government</u>	<u>Component Units</u>
2009	\$ 155	\$ 1,540
2010	155	1,518
2011	155	1,515
2012	155	1,462
2013	155	1,401
2014–2018	775	6,946
2019–2023	775	5,067
2024–2028	380	4,275
2029–2033	23	3,447
2034–2038	---	3,334
2039–2043	---	3,334
2044–2048	---	2,934
Total Minimum Receivables	<u>\$ 2,728</u>	<u>\$ 36,773</u>

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 as 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 the Revised Statutes of Missouri Sections 104.010 and 104.312–104.1215, and 476.445–476.690, respectively.

The MSEP has two benefit structures known as MSEP (closed plan) and MSEP 2000 (new plan). 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. Members in the closed plan have the option at retirement to choose between the benefit structure of the closed plan or new plan. Retirement benefits for members of the Judicial Plan are administered and paid by MOSERS.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 7 – Retirement Systems (cont.)

MOSERS provides retirement, survivor, and disability benefits to its members. MOSERS employees are fully vested after 5 years of creditable service (4 years for elected officials and 6 years for legislators). The retirement eligibility requirements are as follows:

MSEP

Age 65 and active with 4 years of service
Age 65 with 5 years of service
Age 60 with 15 years of service
Age 48 with age and service equaling 80
or more (Rule of 80)
Employees may retire early at age 55 with at
least 10 years of service with reduced benefits.

MSEP 2000

Age 62 with 5 years of service
Age 48 with age and service equaling 80
or more (Rule of 80)
Employees may retire early at age 57 with at
least 5 years of service with reduced benefits.

Judicial Plan

Age 62 with 12 years of service
Age 60 with 15 years of service
Age 55 with 20 years of service
Employees may retire early at age 62 with less
than 12 years of service or age 60 with less
than 15 years of service with a reduced benefit
that is based upon years of service relative to
12 or 15 years.

For members hired prior to August 28, 1997, cost of living adjustments (COLAs) are provided annually based on 80% of the change in the Consumer Price Index (CPI) with a floor of 4% and a ceiling of 5%, until the cumulative amount of COLAs equals 65% of the original benefit, thereafter the 4% floor is eliminated. For members hired on or after August 28, 1997, COLAs are provided annually based on 80% of the change in the CPI up to a maximum rate of 5%. Qualified, terminated-vested members of MSEP and the Judicial Plan may make a one-time election to receive the present value of their benefit in a lump sum payment. To qualify, a member must have terminated with at least 5, but less than 10 years of service, be less than age 60, and have a benefit present value of less than \$10,000.

The Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS) is a single-employer defined benefit public employees' retirement system administered in accordance with the Revised Statutes of Missouri Sections 104.010-104.1093.

MPERS membership is composed of qualified employees of the Missouri Department of Transportation, uniformed and non-uniformed members of the Missouri State Highway Patrol, and MPERS staff.

MPERS provides retirement, survivor, and disability benefits to its members. Employees are fully vested after 5 years of creditable service. The MPERS has two benefit structures known as the Closed Plan and the Year 2000 Plan. Generally, the Closed Plan covers employees hired before July 1, 2000. The Year 2000 Plan generally covers employees hired on or after July 1, 2000.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 7 – Retirement Systems (cont.)

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 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 years of service

All members may retire early with reduced benefits at age 57 with at least 5 years of service. COLAs are provided annually based on 80% of the change in the CPI up to a maximum rate of 5%.

Copies of financial reports issued by MOSERS and MPERS may be requested from:

Missouri State Employees' Retirement System
P.O. Box 209
907 Wildwood
Jefferson City, Missouri 65102-0209

Missouri Department of Transportation and
Highway Patrol Employees' Retirement System
P.O. Box 1930
Jefferson City, Missouri 65102-1930

Funding Policy

MOSERS administers plans which cover substantially all State of Missouri employees. The State of Missouri is obligated by state law to make all required contributions to the System. The actuarially determined contributions are expressed as a level percentage of covered payroll. Current year actuarially determined contribution rates for the MSEP and the Judicial Plan are 12.84% and 58.65%, respectively. Actual contribution rates are the same as the actuarially determined rates.

The State of Missouri makes all required contributions to MPERS. Current year calculated contribution rates are 42.61% for uniformed members of the Highway Patrol and 31.01% 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.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 7 – Retirement Systems (cont.)

Annual Pension Cost and Net Pension Obligation

The annual pension cost and net pension obligation for the current year were as follows (in thousands of dollars):

	<u>MSEP</u>	<u>Judicial Plan</u>	<u>MPERS</u>
Annual required contribution	\$ 249,770	\$ 26,215	\$ 123,335
Interest on net pension obligation	5,355	3,688	---
Actuarial adjustment to annual required contribution	(3,782)	(2,605)	---
Annual pension cost	251,343	27,298	123,335
Contributions made	(249,770)	(26,215)	(123,335)
Increase in net pension obligation	1,573	1,083	---
Net pension obligation, beginning of year	62,997	43,388	---
Net pension obligation, end of year	<u>\$ 64,570</u>	<u>\$ 44,471</u>	<u>\$ ---</u>

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):

	<u>MSEP</u>			<u>Judicial Plan</u>		
	<u>Fiscal Year Ending</u>			<u>Fiscal Year Ending</u>		
	<u>06/30/08</u>	<u>06/30/07</u>	<u>06/30/06</u>	<u>06/30/08</u>	<u>06/30/07</u>	<u>06/30/06</u>
Annual Pension Cost (APC)	\$ 251,343	\$ 241,022	\$ 228,730	\$ 27,298	\$ 24,803	\$ 23,433
Percentage of APC Contributed	99.37%	99.36%	99.35%	96.03%	95.73%	95.60%
Net Pension Obligation	\$ 64,570	\$ 62,997	\$ 61,463	\$ 44,471	\$ 43,388	\$ 42,331
	<u>MPERS</u>					
	<u>Fiscal Year Ending</u>					
	<u>06/30/08</u>	<u>06/30/07</u>	<u>06/30/06</u>			
Annual Pension Cost (APC)	\$ 123,335	\$ 121,264	\$ 111,272			
Percentage of APC Contributed	100%	100%	100%			
Net Pension Obligation	\$ ---	\$ ---	\$ ---			

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 7 – Retirement Systems (cont.)

Funded Status and Funding Progress

The funded status of the Plans as of June 30, 2008, are as follows (in thousands of dollars):

	<u>MSEP</u>	<u>Judicial Plan</u>	<u>MPERS</u>
Actuarial Value of Assets	\$ 7,838,496	\$ 73,194	\$ 1,783,902
Actuarial Accrued Liability (AAL)			
Entry Age	\$ 9,128,348	\$ 354,796	\$ 3,019,634
Unfunded Actuarial Accrued Liability (UAAL)	\$ 1,289,852	\$ 281,602	\$ 1,235,732
Funded Ratio	85.9%	20.6%	59.1%
Covered Payroll	\$ 1,916,527	\$ 44,543	\$ 375,600
UAAL as a Percentage of Covered Payroll	67.3%	632.2%	329.0%

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, 2006, 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% to 2.7% per year for MSEP and 0% to 1.6% for the Judicial Plan, depending on age, attributable to seniority and/or merit, and (d) the assumption that benefits will increase 4.0% per year after retirement.

The actuarial valuation of the System dated June 30, 2008, will set the required contribution rates for the fiscal year ending June 30, 2010. The actuarial value of assets is based on a method that fully recognizes expected investment return and averages unanticipated market return over a five-year period. The unfunded actuarial accrued liabilities are amortized on an open basis as a level percentage of payroll over 30 years.

The annual required contribution for MPERS for the current fiscal year was determined as part of an actuarial valuation as of June 30, 2006, 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, 2008, will be used to determine the contribution rate for the Plan year ending June 30, 2010. The actuarial value of assets is based on a three-year smoothed market value method. The unfunded actuarial accrued liabilities are amortized as closed, level percentage over 27 years.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 7 – Retirement Systems (cont.)

Public School Retirement System of Missouri:

The State of Missouri also made employer contributions to the Public School Retirement System of Missouri which is a cost-sharing multiple-employer defined benefit public employees' retirement system. The System includes all public school districts within the State except for the two districts covering the major metropolitan areas. It also includes certain public college and universities and some state employees.

The benefit provisions include retirement annuities, death benefits, and disability benefits. A member is vested after acquiring five years of membership credit for Missouri service.

The System was created and is governed by Chapter 169 of the Revised Statutes of Missouri. State employees who elect to remain with the Public School Retirement System under the Revised Statutes of Missouri, Section 104.342, are covered by the System.

Employees of the State are not required to contribute. The State, as employer, contributed \$2,662,000, \$2,984,000, and \$2,776,000 for the years ending June 30, 2008, 2007, and 2006, respectively, to the System, equal to the required contributions for each year.

Copies of the System's June 30, 2008, 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.

Full-time employees vest in the Retirement Plan after five years of credited service and become eligible for benefits based on age and years of service. A vested employee who retires at age 65 or older is eligible for a lifetime annuity calculated at 2.2% times the credited service years times the compensation base. Vested employees who are at least age 55 and have ten years or more of credited service, or age 60 with at least five years of credited service may choose early retirement with a reduced benefit. However, if the employee retires at age 62 and has at least 25 years of credited service, the benefit is not reduced. At retirement, up to 30% of the retirement annuity value can be taken in a lump sum payment; also the standard annuity can be exchanged for an actuarially-equivalent annuity.

Separate financial statements and supplemental schedules are not prepared for the Plan.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 7 – Retirement Systems (cont.)

Detailed information concerning the Plan is presented in the University's 2008 financial report, which is publicly available. Copies of this report may be requested from:

University of Missouri System
Office of the Controller
118 University Hall
Columbia, Missouri 65211

Funding Policy

The University's contributions to the Retirement Plan are equal to the actuarially determined Annual Required Contributions, which averaged 8.0% of payroll for the year ended June 30, 2008. The Plan is funded 100% by University contributions and does not require employee contributions. The contribution rate is updated annually on July 1 at the beginning of the University's fiscal year, to the actuarially determined amount from the most recent valuation on 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	\$ 72,284
Interest on net pension obligation	---
Actuarial adjustment to annual required contribution	---
Annual pension cost	72,284
Contributions made	(72,284)
Change in net pension obligation	---
Net pension obligation, beginning of year	---
Net pension obligation, end of year	\$ ---

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		
	06/30/08	06/30/07	06/30/06
Annual Pension Cost (APC)	\$ 72,284	\$ 74,736	\$ 64,399
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	\$ ---	\$ ---	\$ ---

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 7 – Retirement Systems (cont.)

Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2008, is as follows (in thousands of dollars):

	<u>Actuarial Valuation October 1, 2007</u>
Actuarial Value of Assets	\$ 2,651,535
Actuarial Accrued Liability (AAL) Entry Age	\$ 2,555,592
Unfunded Actuarial Accrued Liability (UAAL)	\$ (95,943)
Funded Ratio	103.8%
Covered Payroll	\$ 891,648
UAAL as a Percentage of Covered Payroll	(10.8%)

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, 2006, using the entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation include: (a) assumed rate of return on investments of 8.0% per year, (b) projected salary increases for academic and administrative employees averaging 5.2% per year, (c) projected salary increases for clerical and service employees averaging 4.5% per year, and (d) assumed no future retiree ad-hoc increases or cost of living adjustments.

Note 8 – Other Postemployment Benefits

In addition to the retirement benefits described in *Note 7*, the State provides postemployment health care and life insurance benefits, in accordance with State statutes, to the majority of employees who either retire from the State or receive long-term disability benefits. These benefits are administered by the Missouri Consolidated Health Care Plan (MCHCP), the Missouri State Employees' Retirement System (MOSERS), the MoDOT and MSHP Medical and Life Insurance Plan (MHPML), and the Conservation Employees' Insurance Plan (CEIP). The eligible number of retirees/long-term disability claimants for MCHCP, MHPML, and CEIP for health care benefits are approximately 17,613, 5,497, and 547, respectively. The eligible number of retirees/long-term disability claimants for MOSERS, MHPML, and CEIP for life insurance benefits are 17,138, 3,693, and 375, respectively. Health care benefits are funded through both employer and employee contributions. MOSERS life insurance benefits are funded through employer and employee contributions. MHPML and CEIP life insurance benefits are funded through employee contributions. Employer contribution rates are set in accordance with Section 103.100 of the Revised Statutes of Missouri. 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 2008, the State's contributions were 60.0% of the total (employer/employee) contributions made for other postemployment benefits.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 8 – Other Postemployment Benefits (cont.)

Currently, the number of retirees/long-term disability claimants participating in each plan is as follows:

	<u>Health Care</u>	<u>Life Insurance</u>
MCHCP	17,613	---
MOSERS	---	17,138
MHPML	5,497	3,693
CEIP	547	375
Total	<u>23,657</u>	<u>21,206</u>

During fiscal year 2008, the State contributed the following amounts (in thousands of dollars):

	<u>Health Care</u>	<u>Life Insurance</u>
MCHCP	\$ 68,827	\$ ---
MOSERS	---	1,908
MHPML	13,880	---
CEIP	1,417	---
Total	<u>\$ 84,124</u>	<u>\$ 1,908</u>

During fiscal year 2008, the expenditures recognized by the State for (employer/employee) other postemployment benefits were as follows (in thousands of dollars):

	<u>Health Care</u>	<u>Life Insurance</u>
MCHCP	\$ 94,399	\$ ---
MHPML	33,634	3,558
CEIP	2,846	217
Total	<u>\$ 130,879</u>	<u>\$ 3,775</u>

Funding Policy

The contribution requirements of MCHCP, MHPML, and CEIP are established and may be amended by the State legislature, Missouri Highways and Transportation Commission, and the Conservation Department Board of Trustees, respectively. The State has partially funded the annual required contribution (ARC) of MCHCP in addition to the pay-as-you-go amount. In fiscal year 2008, the State contributed \$15.6 million in addition to pay-as-you-go, and has appropriated \$30 million for fiscal year 2009. 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 2008, MCHCP, MHPML, and CEIP contributed \$68.8, \$25.2, and \$2.2 million, respectively.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 8 – Other Postemployment Benefits (cont.)

Annual OPEB Cost and Net OPEB Obligation

The MCHCP, MHPML, and CEIP annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of MCHCP, MHPML, and CEIP annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the net OPEB obligation (in thousands of dollars):

	<u>MCHCP</u>	<u>MHPML</u>	<u>CEIP</u>
Annual required contribution	\$ 104,471	\$ 96,308	\$ 8,126
Contributions made	(68,827)	(25,241)	(2,193)
Increase in net OPEB obligation	<u>35,644</u>	<u>71,067</u>	<u>5,933</u>
Net OPEB obligation, beginning of year	---	---	---
Net OPEB obligation, end of year	<u><u>\$ 35,644</u></u>	<u><u>\$ 71,067</u></u>	<u><u>\$ 5,933</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2008 are as follows (in thousands of dollars):

	<u>Fiscal Year Ending June 30, 2008</u>		
	<u>MCHCP</u>	<u>MHPML</u>	<u>CEIP</u>
Annual Required Contribution (ARC)	\$ 104,471	\$ 96,308	\$ 8,126
Percentage of ARC Contributed	65.9%	26.2%	27.0%
Net OPEB Obligation	\$ 35,644	\$ 71,067	\$ 5,933

Funded Status and Funding Progress

The funded status of the Plans as of June 30, 2008, are as follows (in thousands of dollars):

	<u>MCHCP</u>	<u>MHPML</u>	<u>CEIP</u>
Actuarial accrued liability	\$ 1,276,300	\$ 935,678	\$ 109,436
Actuarial value of plan assets	15,646	---	---
Unfunded actuarial accrued liability	<u><u>\$ 1,260,654</u></u>	<u><u>\$ 935,678</u></u>	<u><u>\$ 109,436</u></u>
Funded Ratio	1.2%	0.0%	0.0%
Covered Payroll	\$ 1,572,900	\$ 375,984	\$ 67,141
Unfunded actuarial accrued liability as a percentage of covered payroll	80.1%	248.9%	163.0%

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 8 – Other Postemployment Benefits (cont.)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation for fiscal year ending June 30, 2008, 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 7.8%, 5%, and 4.5% discount rate, respectively. The projected annual health care cost trend rate is 10% initially, then decreasing by 1% per year to an ultimate rate of 5%. 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, 5,642 retirees/long-term disability claimants meet the eligibility requirements. These postemployment benefits are funded through both employer and employee contributions. For fiscal year 2008, the University's contributions were 81.84% of the total (employer/employee) contributions made for other postemployment benefits.

Currently, the number of retirees/long-term disability claimants participating in medical care, dental care, and life insurance are 4,890, 4,694, and 2,667, respectively. During fiscal year 2008, the University contributed \$53,460,000 for other postemployment benefits. The expenditures recognized by the University for (employer/employee) other postemployment benefits were \$33,702,000.

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).

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 8 – Other Postemployment Benefits (cont.)

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 2008 (in thousands of dollars):

	University of Missouri System
Annual required contribution	\$ 53,310
Contributions made	(53,460)
Increase in net OPEB obligation (asset)	(150)
Net OPEB obligation, beginning of year	---
Net OPEB obligation (asset), end of year	<u>\$ (150)</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2008 was as follows (in thousands of dollars):

	University of Missouri System
Annual Required Contribution (ARC)	\$ 53,310
Percentage of ARC Contributed	100.3%
Net OPEB Obligation (asset)	\$ (150)

Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2008, was as follows (in thousands of dollars):

	University of Missouri System
Actuarial accrued liability	\$ 546,058
Actuarial value of plan assets	---
Unfunded actuarial accrued liability	<u>\$ 546,058</u>
Funded Ratio	0%
Covered Payroll	\$ 883,614
Unfunded actuarial accrued liability as a percentage of covered payroll	61.8%

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 8 – Other Postemployment Benefits (cont.)

Actuarial Methods and Assumptions

In the July 1, 2006, actuarial valuation, University of Missouri System used the projected unit credit cost method. The actuarial assumptions for University of Missouri System included a 6.75% rate of return, net of administrative expenses. The projected annual health care cost trend rate is 7.0% to 11.5% initially, reduced by 0.5% decrements to an ultimate rate of 4.5%. The UAAL is being amortized at a level dollar amount over an open basis, level percent of pay, over a 30-year period.

Note 9 – Deferred Compensation

Missouri State Public Employees' Deferred Compensation Plan:

In accordance with Internal Revenue Code Section 457, the State offers all employees the opportunity to participate in the Missouri State Public Employees' Deferred Compensation Plan. Under the Plan, employees are permitted to defer a portion of their current salary until future years.

All amounts of compensation deferred under the Plan must be held in a trust, custodial account or annuity contract for the exclusive benefit of Plan participants and their beneficiaries. Investments are managed by the Plan's trustee under one of several investment options, or a combination thereof. The choice between the investment option(s) available by the Plan is made by the participants.

Copies of the Plan's financial statements may be requested from:

ING
One Heritage Drive
North Quincy, Massachusetts 02171

Missouri State Employees' Deferred Compensation Incentive Plan:

The Plan was established by the Missouri State Public Employees' Deferred Compensation Commission in July 1995 pursuant to Section 401(a) of the Internal Revenue Code. As of July 1, 2008, it is administered by ING.

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 per month for each employee that meets these requirements. Participating employees are 100% vested.

The first employer contributions to the Plan were made in January 1996. During fiscal year 2008, employer contributions to CitiStreet were \$16,663,000.

Copies of the Plan's financial statements may be requested from:

ING
One Heritage Drive
North Quincy, Massachusetts 02171

The 401(a) deferred compensation plan and the 457 deferred compensation plan displayed in the Pension (and Other Employee Benefit) Trust Funds statement presents 18 months of activity ended June 30, 2008.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 10 – Changes in Short-Term Liabilities

Budget reserve loans are issued to the General Revenue Fund and other funds to maintain adequate cash balances for anticipated payments.

The following is a summary of the changes in short-term liabilities for the year ended June 30, 2008 (in thousands of dollars):

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Governmental Activities:				
Budget Reserve Loans	\$ ---	\$ 128,142	\$ (128,142)	\$ ---

Note 11 – Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2008 (in thousands of dollars):

	*Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008	Due Within One Year
Governmental Activities:					
Due to Other Entities	\$ 34,538	\$ 10,811	\$ (5,407)	\$ 39,942	\$ 3,701
General Obligation Bonds Payable	684,515	50,000	(68,350)	666,165	65,055
Other Bonds Payable	2,660,875	526,800	(103,005)	3,084,670	124,720
Unamortized Bond Premium	158,803	28,361	(22,427)	164,737	---
Obligations under Lease/ Purchases	226,511	71,883	(46,953)	251,441	28,354
Compensated Absences	171,777	179,398	(175,196)	175,979	175,196
Claims Liabilities	192,174	405,724	(394,936)	202,962	128,981
Contingent Liabilities	82,922	---	(42,835)	40,087	40,087
2 nd Injury Fund					
Contingent Liabilities	1,112,023	204,100	(68,110)	1,248,013	68,110
Net Other Postemployment Benefit Obligation	---	208,905	(96,261)	112,644	---
Net Pension Obligation	106,385	401,976	(399,320)	109,041	---
Total Governmental Activities	<u>\$ 5,430,523</u>	<u>\$ 2,087,958</u>	<u>\$ (1,422,800)</u>	<u>\$ 6,095,681</u>	<u>\$ 634,204</u>
Business-Type Activities:					
Claims Liabilities	\$ 116,056	\$ 16,324	\$ (15,647)	\$ 116,733	\$ 15,000
Grand Prize Winner Liability	102,971	46,421	(45,273)	104,119	48,753
Compensated Absences	2,682	2,584	(2,577)	2,689	2,577
Total Business-Type Activities	<u>\$ 221,709</u>	<u>\$ 65,329</u>	<u>\$ (63,497)</u>	<u>\$ 223,541</u>	<u>\$ 66,330</u>

*Beginning balances as of July 1, 2007 have been restated (see *Note 17*).

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

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):

	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Series Refunded</u>	<u>Amount Refunded</u>
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

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

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
Stormwater Control Bonds:				
Series A 2005 Refunding	6/29/05	17,175	A 1999	17,595

The additional principal amount of the refunding bonds does not decrease the amount of the authorization.

As of June 30, 2008, \$594,494,240 of the Water Pollution Control Bonds; \$600,000,000 of the Third State Building Bonds; \$250,000,000 of the Fourth State Building Bonds; and \$45,000,000 of the Stormwater Control Bonds have been issued. The remaining authorization for the Water Pollution Control Bonds is \$130,505,760 and for Stormwater Control Bonds is \$155,000,000. There is no remaining authorization for the Third State Building Bonds or the Fourth State Buildings Bonds.

General obligation bonds issued and outstanding as of June 30, 2008, were as follows (in thousands of dollars):

	Interest Rates	Payment Dates	Issue Date	Final Maturity Date	Issued	Outstanding
Water Pollution Control Bonds:						
Series A 2001	4.0 – 7.0%	12/1; 6/1	6/01	6/1/26	\$ 20,000	\$ 16,265
Series A 2002	3.0 – 5.25%	2/1; 8/1	8/02	8/1/27	30,000	26,185
Series B 2002 – Refunding	3.375 – 5.0%	4/1; 10/1	10/02	10/1/21	147,710	109,395
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	95,100
Series A 2007	4.0 – 5.0%	6/1; 12/1	11/07	12/1/32	50,000	50,000
Third State Building Bonds:						
Series A 2002 – Refunding	4.0 – 5.0%	4/1; 10/1	10/02	10/1/12	211,630	96,440
Series A 2003 – Refunding	3.25 – 6.0%	2/1; 8/1	10/03	8/1/12	75,650	24,890
Fourth State Building Bonds:						
Series A 2002 – Refunding	3.375 – 5.0%	4/1; 10/1	10/02	10/1/21	154,840	145,590
Series A 2005 – Refunding	5.0%	10/1; 4/1	6/05	10/1/16	45,330	45,330
Stormwater Control Bonds:						
Series A 2001	4.0 – 7.0%	12/1; 6/1	6/01	6/1/26	10,000	7,935
Series A 2002	3.0 – 5.25%	2/1; 8/1	8/02	8/1/27	15,000	11,455
Series A 2005 – Refunding	5.0%	10/1; 4/1	6/05	10/1/15	17,175	17,175
Total General Obligation Bonds					<u>\$ 947,090</u>	<u>\$ 666,165</u>
Less: Amount in Sinking Fund for payment of Principal						<u>(65,055)</u>
						<u>\$ 601,110</u>

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 12 – Bonds Payable (cont.)

As of June 30, 2008, general obligation debt service requirements for principal and interest in future years were as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2009	\$ 65,055	\$ 30,347	\$ 95,402
2010	71,165	26,949	98,114
2011	69,650	23,443	93,093
2012	58,040	20,295	78,335
2013	51,790	17,648	69,438
2014–2018	218,785	55,061	273,846
2019–2023	87,705	18,532	106,237
2024–2028	29,055	6,839	35,894
2029–2033	14,920	1,771	16,691
Totals	\$ 666,165	\$ 200,885	\$ 867,050

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):

	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Series Refunded</u>	<u>Amount Refunded</u>
Board of Public Buildings:				
Series A 1983 Refunding	10/1/83	\$ 43,445	A 1981	\$ 43,445
Series A 1985 Refunding	12/1/85	150,560	1966	2,160
			1967	825
			A 1978	11,745
			A 1979	2,260
			A 1980	3,795
			A 1983 Refunding	39,875
			A 1984	89,900
Series A 1991 Refunding	12/1/91	148,500	A 1985 Refunding	107,700
			A 1988	19,165
			B 1988	2,550
			C 1988	2,145
Series B 2001 Refunding	10/10/01	83,465	A 1991 Refunding	86,810

The additional principal amount of the refunding bonds does not decrease the amount of the authorization.

As of June 30, 2008, the Board of Public Buildings Bonds had issued \$871,205,000 of the bond authorization. The remaining authorization is \$73,795,000.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 12 – Bonds Payable (cont.)

The Board of Public Buildings Bonds issued and outstanding as of June 30, 2008, were as follows (in thousands of dollars):

	Interest Rates	Payment Dates	Issue Date	Final Maturity Date	Issued	Outstanding
Board of Public Buildings:						
Series A 2001	4.25 – 5.75%	5/1; 11/1	5/01	5/1/26	\$ 173,870	\$ 143,210
Series B 2001 – Refunding	3.5 – 5.5%	6/1; 12/1	10/01	12/1/12	83,465	27,640
Series A 2003	4.0 – 6.0%	4/15; 10/15	4/03	10/15/28	387,425	365,130
Series A 2006	4.0 – 5.0%	4/1; 10/1	10/06	10/1/31	120,000	117,350
Total Board of Public Buildings Bonds					<u>\$ 764,760</u>	<u>\$ 653,330</u>

As of June 30, 2008, 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
2009	\$ 30,000	\$ 31,720	\$ 61,720
2010	31,175	30,127	61,302
2011	22,950	28,702	51,652
2012	23,815	27,551	51,366
2013	24,675	26,267	50,942
2014–2018	128,135	112,170	240,305
2019–2023	159,980	77,162	237,142
2024–2028	177,145	34,479	211,624
2029–2032	55,455	3,414	58,869
Totals	<u>\$ 653,330</u>	<u>\$ 371,592</u>	<u>\$ 1,024,922</u>

The Health and Educational Facilities Authority issued \$35,000,000 of Educational Facilities Revenue Bonds (University of Missouri–Columbia Arena Project), Series 2001, dated November 1, 2001, to fund the design, acquisition, construction, furnishing, and equipping of a sports arena facility and related facilities on the University of Missouri–Columbia campus. These bonds are limited obligations of the Authority and do not constitute a pledge of the full faith and credit of the State. However, under a financing agreement dated November 1, 2001, the Office of Administration will request that the Governor’s annual budget request to the General Assembly include the State’s financing amount for principal and interest each year.

The Educational Facilities Revenue Bonds issued and outstanding as of June 30, 2008, were as follows (in thousands of dollars):

	Interest Rates	Payment Dates	Issue Date	Final Maturity Date	Issued	Outstanding
Educational Facilities Revenue Bonds:						
Series 2001	3.0 – 5.0%	5/1; 11/1	11/01	11/1/21	<u>\$ 35,000</u>	<u>\$ 29,370</u>

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 12 – Bonds Payable (cont.)

As of June 30, 2008, 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):

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2009	\$ 1,545	\$ 1,349	\$ 2,894
2010	1,610	1,281	2,891
2011	1,685	1,199	2,884
2012	1,760	1,112	2,872
2013	1,835	1,031	2,866
2014–2018	10,505	3,844	14,349
2019–2022	10,430	1,035	11,465
Totals	\$ 29,370	\$ 10,851	\$ 40,221

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, 2008, were as follows (in thousands of dollars):

	<u>Interest Rates</u>	<u>Payment Dates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
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	\$ 98,200

As of June 30, 2008, the debt service requirements for these bonds are as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2009	\$ 4,985	\$ 4,894	\$ 9,879
2010	5,225	4,654	9,879
2011	5,465	4,392	9,857
2012	5,745	4,104	9,849
2013	6,040	3,799	9,839
2014–2018	35,275	13,788	49,063
2019–2022	35,465	3,627	39,092
Totals	\$ 98,200	\$ 39,258	\$ 137,458

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 12 – Bonds Payable (cont.)

Under a financing agreement dated August 1, 1991, the Office of Administration will request that the Governor's annual budget request to the General Assembly include the State's financing amount of \$10,000,000 for principal and interest and \$2,000,000 for maintenance each year. Future payments to the Authority related to the bond repayment are as follows (in thousands of dollars):

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>State</u> <u>Debt Service</u> <u>Payments</u>
2009	\$ 10,000
2010	10,000
2011	10,000
2012	10,000
2013	10,000
2014–2018	50,000
2019–2022	<u>35,000</u>
Total	<u>\$ 135,000</u>

The Missouri Highways and Transportation Commission authorized by Article IV, Section 29–34 of the Missouri Constitution and Section 226.133 and 226.134 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.

On December 1, 2000, the Commission issued \$250,000,000 of State Road Bonds, Series A 2000. In October 2001, the Commission issued \$200,000,000 of State Road Bonds, Series A 2001. State Road Bonds, Series A 2002, were issued by the Commission in June 2002 with a principal amount of \$203,000,000. In November 2003, the Commission issued \$254,000,000 of State Road Bonds, Series A 2003. The Commission issued \$278,660,000 of Series A 2005 First Lien State Road Bonds in July 2005. Also in July 2005, the Commission issued \$72,000,000 of Third Lien State Road Bonds, Series B 2005. This is a variable rate bond with interest accruing daily and weekly. The interest rate is adjusted weekly. The Commission issued \$296,670,000 of Series A 2006 First Lien State Road Bonds on August 1, 2006. Series B 2006 First Lien State Road Bonds was issued in the amount of \$503,330,000 by the Commission on August 1, 2006. The Commission issued Series 2006 Senior Lien Refunding State Road Bonds dated December 1, 2006, in the amount of \$394,870,000. This refunded \$135,980,000 of Series A 2000, \$105,075,000 of Series A 2001, \$109,165,000 of Series A 2002, and \$57,390,000 of Series A 2003. The Commission issued \$526,800,000 of Series 2007 Second Lien State Road Bonds dated September 12, 2007. In conjunction with the bond sale, the scheduled settlement of an interest rate swap resulted in a termination payment of \$11,118,000 from bond proceeds. The competitively-bid swap transaction consisted of \$400,000,000 forward (delayed) start, floating-to-fixed interest rate swap, whereby the Commission paid the counterparties a fixed all-in rate of 4.2121% and received the SIFMA Index. This swap enabled the Commission to reduce risk variations in its debt service costs between the trade date of the swap and issuance date of the bonds by allowing for the lock-in of long-term rates 13 months forward to the bond issue date.

The Senior Bonds are comprised of the Series A 2000, Series A 2001, Series A 2002, and Series A 2003. No new bonds may be added to the Senior Bonds. State Road Bonds have the following levels of priority: Senior Bonds, First Lien Bonds, Second Lien Bonds, and Third Lien Bonds. As of June 30, 2008, the Missouri Highways and Transportation Commission had issued \$2,584,460,000.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 12 – Bonds Payable (cont.)

The State Road Bonds issued and outstanding as of June 30, 2008, were as follows (in thousands of dollars):

	<u>Interest Rates</u>	<u>Payment Dates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
Missouri Highways and Transportation Commission:						
State Road Bonds						
Series A 2000	4.30–5.625%	2/1; 8/1	12/00	2/1/20	\$ 250,000	\$ 49,700
Series A 2001	2.25–5.125%	2/1; 8/1	10/01	2/1/21	200,000	48,890
Series A 2002	3.00–5.25%	2/1; 8/1	6/02	2/1/22	203,000	54,670
Series A 2003	2.00–5.00%	2/1; 8/1	11/03	2/1/23	254,000	157,445
Series A 2005–First Lien	2.50–5.00%	11/1; 5/1	7/05	5/1/15	278,660	206,785
Series B 2005–Third Lien	Variable	Variable	7/05	5/1/15	72,000	58,920
Series A 2006–First Lien	3.75–5.00%	5/1; 11/1	8/06	5/1/21	296,670	296,670
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	4.00–5.25%	11/1; 5/1	9/07	5/1/27	526,800	526,800
Total Missouri Highways and Transportation Commission					<u>\$ 2,979,330</u>	<u>\$ 2,298,080</u>

As of June 30, 2008, debt service requirements for principal and interest in future years for the Missouri Highways and Transportation Commission were as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest⁽¹⁾</u>	<u>Totals</u>
2009	\$ 84,890	\$ 110,947	\$ 195,837
2010	88,285	107,071	195,356
2011	92,745	102,936	195,681
2012	113,780	98,420	212,200
2013	122,335	93,556	215,891
2014–2018	679,005	381,035	1,060,040
2019–2023	730,410	203,280	933,690
2024–2027	<u>386,630</u>	<u>40,761</u>	<u>427,391</u>
Totals	<u>\$ 2,298,080</u>	<u>\$ 1,138,006</u>	<u>\$ 3,436,086</u>

⁽¹⁾ The annual debt service schedule assumes an interest rate of 1.32%, representing the interest rate at June 30, 2008, for the Series B 2005 bonds. During the year, interest rates ranged from 0.96% to 3.96%.

In addition, several of the blended component units of the Missouri Road Fund had revenue bonds issued and outstanding as of June 30, 2008.

The Missouri Highway 179 Transportation Corporation, a blended component unit of the Missouri Road Fund, issued \$22,930,000 of Highway Revenue Bonds, Series 1997 dated December 1, 1997, to finance a portion of the cost of an extension of Missouri Highway 179. These bonds are not an obligation of the Commission and do not constitute a pledge of the full faith and credit of the State.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 12 – Bonds Payable (cont.)

The Wentzville Parkway Transportation Corporation, a blended component unit of the Missouri Road Fund, issued \$12,935,000 of Transportation Revenue Bonds, Series 2001 dated May 1, 2001, to finance the expansion and reconstruction of the interchange at Interstate Highway 70 and Wentzville Parkway in St. Charles County. These bonds are not an obligation of the Commission and do not constitute a pledge of the full faith and credit of the State.

The revenue bonds issued and outstanding as of June 30, 2008, were as follows (in thousands of dollars):

	<u>Interest Rates</u>	<u>Payment Dates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
Missouri Highway 179 Transportation Corporation: Highway Revenue Bonds Series 1997	3.95 – 5.25%	3/1; 9/1	12/97	9/1/08	<u>\$ 22,930</u>	<u>\$ 2,785</u>
Wentzville Parkway Transportation Corporation: Transportation Revenue Bonds Series 2001	3.4 – 4.9%	2/1; 8/1	5/01	8/1/10	<u>\$ 12,935</u>	<u>\$ 2,905</u>

As of June 30, 2008, debt service requirements for principal and interest in future years for the bonds of the blended component units of the Missouri Road Fund were as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2009	\$ 3,300	\$ 202	\$ 3,502
2010	535	104	639
2011	<u>1,855</u>	<u>45</u>	<u>1,900</u>
Totals	<u>\$ 5,690</u>	<u>\$ 351</u>	<u>\$ 6,041</u>

Under a funding agreement dated April 6, 2001, the City of Wentzville will make payments to the Wentzville Parkway Transportation Corporation in the amount of \$4,119,000 to pay a portion of the principal of the bonds. The future payments to the Corporation are as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>City's Total Payments</u>
2009	\$ 515	\$ 129	\$ 644
2010	535	104	639
2011	<u>1,855</u>	<u>45</u>	<u>1,900</u>
Totals	<u>\$ 2,905</u>	<u>\$ 278</u>	<u>\$ 3,183</u>

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 12 – Bonds Payable (cont.)

Component Units' Long-Term Debt – The following bonds are included in the balance sheet of the college and universities and the non-major component units.

Major

College and Universities:

The college and universities of the State issue revenue bonds for various projects on each respective campus. Bonds are payable, both principal and interest, only out of net income and revenues arising from operations of facilities funded by the bonds. As of June 30, 2008, debt service requirements for principal and interest for the college and universities were as follows (in thousands of dollars):

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2009	\$ 38,983	\$ 55,717	\$ 94,700
2010	43,434	54,296	97,730
2011	44,366	52,521	96,887
2012	43,071	50,719	93,790
2013	45,183	48,891	94,074
2014–2018	246,501	215,108	461,609
2019–2023	259,492	161,767	421,259
2024–2028	300,537	102,693	403,230
2029–2033	217,867	47,763	265,630
2034–2038	123,955	13,684	137,639
2039	<u>3,885</u>	<u>20</u>	<u>3,905</u>
Totals ⁽¹⁾	<u>\$ 1,367,274</u>	<u>\$ 803,179</u>	<u>\$ 2,170,453</u>

⁽¹⁾ The bond schedule does not include notes payable, therefore, it differs from the bonds and notes payable amount reported in the statements.

Non-Major

Missouri Development Finance Board:

In December 2000, the Board issued \$6,500,000 and \$14,600,000 in Facilities Revenue Bonds Series 2000B and 2000C, respectively for the purpose of paying the costs of acquiring land and constructing a parking garage. Bonds are payable, both principal and interest, only out of revenues derived from the operation of the parking garage.

In October 2004, the Board issued \$9,500,000 in Ninth Street Garage Series 2004A, taxable infrastructure facilities revenue bonds; and \$7,000,000 Ninth Street Garage Series 2004B, tax exempt infrastructure facilities revenue bonds.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 12 – Bonds Payable (cont.)

The Missouri Development Finance Board Revenue Bonds issued and outstanding as of June 30, 2008, were as follows (in thousands of dollars):

	<u>Interest Rates</u>	<u>Payment Dates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
Missouri Development Finance Board:						
Revenue Bonds						
Series 2000B	up to 10%	12/1	12/00	12/1/20	\$ 6,500	\$ 3,910
Series 2000C	up to 10%	12/1	12/00	12/1/20	14,600	11,440
Series 2004A	up to 10%	10/1	10/04	10/1/34	9,500	9,500
Series 2004B	up to 10%	10/1	10/04	10/1/34	<u>7,000</u>	<u>7,000</u>
Total Missouri Development Finance Board Revenue Bonds					<u>\$ 37,600</u>	<u>\$ 31,850</u>

As of June 30, 2008, 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):

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2009	\$ 240	\$ 655	\$ 895
2010	255	645	900
2011	270	639	909
2012	285	634	919
2013	305	627	932
2014–2018	1,855	3,029	4,884
2019–2023	17,915	2,160	20,075
2024–2028	3,520	884	4,404
2029–2033	4,850	449	5,299
2034–2035	<u>2,355</u>	<u>24</u>	<u>2,379</u>
Totals	<u>\$ 31,850</u>	<u>\$ 9,746</u>	<u>\$ 41,596</u>

The annual debt service schedule assumes an interest rate of 2.085%, representing the interest rate at June 30, 2008, for the Series 2000B and Series 2000C bonds. The annual debt service schedule also assumes an interest rate of 2.030%, representing the interest rate as of June 30, 2008, for the Ninth Street Garage Series 2004A and 2004B bonds.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 12 – Bonds Payable (cont.)

Bond Transactions of the State of Missouri – The following schedule is a summary of bond activity for the fiscal year ended June 30, 2008 (in thousands of dollars):

	<u>Governmental Funds</u>		<u>Component Units</u>	
	<u>General Obligation Bonds</u>	<u>Other Bonds</u>	<u>Revenue Bonds</u>	<u>Totals</u>
Bonds Payable at July 1, 2007	\$ 684,515	\$ 2,660,875	\$ ---	\$ 3,345,390
Bond Issuance	50,000	526,800	---	576,800
Bonds Retired	(68,350)	(103,005)	---	(171,355)
Subtotal	666,165	3,084,670	---	3,750,835
College and Universities ⁽¹⁾	---	---	1,367,274	1,367,274
Missouri Development Finance Board	---	---	31,850	31,850
Bonds Payable at June 30, 2008	<u>\$ 666,165</u>	<u>\$ 3,084,670</u>	<u>\$ 1,399,124</u>	<u>\$ 5,149,959</u>

⁽¹⁾ Detailed information for college and universities are not shown.

Note 13 – Defeased Debt

A. Current Year Debt Defeasance

On August 1, 2007, the State defeased \$235,000 of Stormwater Control Bonds, Series A 2001; \$1,640,000 of Stormwater Control Bonds, Series A 2002; and \$80,000 of Water Pollution Control Bonds, Series A 2001. The defeasance is an extinguishment of the debt as the State was legally released from its obligation. Accordingly, the amount defeased is excluded from the Statement of Net Assets.

On July 26, 2007, the University of Missouri issued \$102,250,000 of System Facilities Revenue Bonds, Series 2007B. Series 2007B refunded \$96,965,000 of Series 2003A bonds. The partial defeasance resulted in a \$1,610,000 loss which will be amortized over the remaining life of the bonds. The defeasance decreased aggregate debt service payments by \$14,672,000 resulting in an economic gain (difference between the present values of the old and new debt service payments) of \$9,505,000.

On April 22, 2008, Southeast Missouri State University issued \$56,650,000 of System Facilities Revenue Bonds, Series 2008. The Series 2008 bonds refunded \$8,655,000 of System Facilities Revenue Bonds, Series 1998A and \$10,605,000 of System Facilities Revenue Bonds, Series 1998B. These bonds were refunded to reduce the total debt service payments over the next 30 years. The economic gain (difference between the present values of the old and new debt service payments) on the refunding is \$604,000. The difference in cash flows between the old debt service requirements and the new debt requirements is \$913,000.

On April 24, 2008, Missouri Southern State University issued \$17,205,000 of Revenue Bonds, Series 2008. Series 2008 refunded \$2,625,000 of Series 1997 bonds. The economic gain (difference between the present values of the old and new debt service payments) of the refunding was \$271,391. The difference in cash flows between the old debt service requirements and the new debt service requirements is \$300,696.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 13 – Defeased Debt (cont.)

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, 2008, bonds outstanding of \$467,534,000 are defeased.

College and Universities – As of June 30, 2008, bonds outstanding of \$218,166,000 are defeased.

Note 14 – Payables and Receivables

A summary of accounts payable and accounts receivable at June 30, 2008, is shown below (in thousands of dollars):

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Balance June 30, 2008</u>
Accounts Payable:			
Taxpayers	\$ 96,019	\$ 44	\$ 96,063
Other Governments	113,955	25	113,980
Vendors	849,885	14,166	864,051
Employees	124,336	2,708	127,044
Other	61,335	1	61,336
Total Accounts Payable	<u>\$ 1,245,530</u>	<u>\$ 16,944</u>	<u>\$ 1,262,474</u>
Accounts Receivable:			
Taxpayers	\$ 1,099,556	\$ 3,815	\$ 1,103,371
Other Governments	584,200	298	584,498
Vendors	2,252,293	---	2,252,293
Customers	71,693	182,730	254,423
Other	976,646	1,406	978,052
Accounts Receivable	4,984,388	188,249	5,172,637
Amounts not expected to be collected	<u>(2,184,856)</u>	<u>(31)</u>	<u>(2,184,887)</u>
Accounts Receivable, net	<u>\$ 2,799,532</u>	<u>\$ 188,218</u>	<u>\$ 2,987,750</u>

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 15 – Interfund Assets and Liabilities

A summary of interfund assets and liabilities at June 30, 2008, is shown below (in thousands of dollars):

Due From Other Funds, Component Units, and Primary Government					
	General Fund	Public Education	Conservation and Environmental Protection	Transportation and Law Enforcement	Missouri Road Fund
Due to Other Funds and Primary Government					
General Fund	\$ ---	\$ ---	\$ 2	\$ 59	\$ 767
Public Education	---	---	---	---	---
Conservation and Environmental Protection	---	---	---	---	1
Transportation and Law Enforcement	---	---	---	---	---
Missouri Road Fund	---	---	117	12	---
Non-Major Governmental Funds	16	---	---	---	---
State Lottery	---	17,640	---	1	---
Petroleum Storage Tank Insurance	---	---	---	---	---
Non-Major Enterprise Funds	---	---	---	---	---
Internal Service Funds	1	---	---	---	---
Non-Major Component Units	---	---	983	---	---
Totals	<u>\$ 17</u>	<u>\$ 17,640</u>	<u>\$ 1,102</u>	<u>\$ 72</u>	<u>\$ 768</u>

Continues Below

	Non-Major Governmental Funds	Non-Major Enterprise Funds	Internal Service Funds	Totals
Due to Other Funds and Primary Government				
General Fund	\$ 880	\$ 20	\$ 14,413	\$ 16,141
Public Education	4	---	89	93
Conservation and Environmental Protection	6	93	461	561
Transportation and Law Enforcement	---	---	290	290
Missouri Road Fund	---	1	834	964
Non-Major Governmental Funds	6	1	841	864
State Lottery	10	---	23	17,674
Petroleum Storage Tank Insurance	---	---	2	2
Non-Major Enterprise Funds	25	---	33	58
Internal Service Funds	2	5	515	523
Non-Major Component Units	---	---	---	983
Totals	<u>\$ 933</u>	<u>\$ 120</u>	<u>\$ 17,501</u>	<u>\$ 38,153</u>

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 15 – Interfund Assets and Liabilities (cont.)

	<u>Advance From Component Units and Primary Government</u>		
	<u>Missouri Road Fund</u>	<u>Non-Major Component Units</u>	<u>Totals</u>
<u>Advance To Component Units and Primary Government</u>			
Conservation and Environmental Protection	\$ ---	\$ 3,851	\$ 3,851
Non-Major Component Units	<u>6,167</u>	<u>---</u>	<u>6,167</u>
Totals	<u>\$ 6,167</u>	<u>\$ 3,851</u>	<u>\$ 10,018</u>

The loans from the component units were for the construction of additional state highways.

During the consolidation process for the Government-Wide Combined Statement of Net Assets, interfund payables and receivables were eliminated as follows: \$1,870,000, on the face of the Governmental Funds balance sheet and governmental activities in the amount of \$17,446,000.

The amount reported as Due to Other Funds by the General Fund and Due From Other Funds by the internal service funds for fiscal year 2008 were significantly higher than what was reported in fiscal year 2007. This is due to the consolidation of the maintenance of state office buildings. Starting in fiscal year 2008, internal service funds charge state agencies for occupying state office buildings in order to support the maintenance of the buildings.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

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, 2008, were as follows (in thousands of dollars):

Transfers In:					
	General Fund	Public Education	Conservation and Environmental Protection	Transportation and Law Enforcement	Missouri Road Fund
Transfers Out:					
General Fund	\$ ---	\$ 2,795,413	\$ 683	\$ 2,832	\$ ---
Public Education	2,500	---	---	---	---
Conservation and Environmental Protection	620	---	---	---	---
Transportation and Law Enforcement	224	---	---	---	577,646
Non-Major Governmental Funds	52,133	33,611	---	6	---
State Lottery	---	266,166	---	---	---
Non-Major Enterprise Funds	30	---	---	---	---
Internal Service Funds	67	---	---	---	---
Totals	\$ 55,574	\$ 3,095,190	\$ 683	\$ 2,838	\$ 577,646

Continues Below

	Non-Major Governmental Funds	Lottery	Non-Major Enterprise Funds	Internal Service Funds	Totals
Transfers Out:					
General Fund	\$ 160,591	\$ ---	\$ 1,261	\$ 5,215	\$ 2,965,995
Public Education	---	---	---	---	2,500
Conservation and Environmental Protection	6,545	---	---	---	7,165
Transportation and Law Enforcement	---	---	---	---	577,870
Non-Major Governmental Funds	10,535	---	---	---	96,285
State Lottery	---	---	---	---	266,166
Non-Major Enterprise Funds	---	---	---	---	30
Internal Service Funds	---	52	---	9	128
Totals	\$ 177,671	\$ 52	\$ 1,261	\$ 5,224	\$ 3,916,139

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 2008, there were transfers of \$381,000 from internal service funds to the General Fund and non-major governmental funds. These were transfers of capital assets and are therefore not reported on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, or on the reconciliation above. This is because governmental funds use the modified accrual basis of accounting and therefore do not report capital assets on their financial statements. There were also transfers of capital assets for \$268,000 from the General Fund to internal service funds. These are reported as contributed capital in the internal service funds and excluded from the General Fund. Therefore, these transfers are also not included in this reconciliation.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 17 – Restatements

During fiscal year 2008, 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, 2007 Fund Balance/ Net Assets Previously Reported	Prior Period Adjustments	June 30, 2007 Fund Balance/ Net Assets Restated
GOVERNMENTAL FUNDS			
Major Governmental Funds			
General Fund	\$ 1,880,232	\$ (23,319)	\$ 1,856,913
Public Education	304,779	(1,112)	303,667
Conservation and Environmental Protection	1,131,213	(215)	1,130,998
Transportation and Law Enforcement	215,779	(2,815)	212,964
Non-Major Governmental Funds			
Special Revenue	301,173	(90)	301,083
Capital Projects	20,898	(25)	20,873
PROPRIETARY FUNDS			
Non-Major Proprietary Funds			
Enterprise	48,538	150	48,688
Internal Service	655,232	2,542	657,774
FIDUCIARY FUNDS			
Pension (and Other Employee Benefit) Trust	11,286,019	13,604	11,299,623
DISCRETELY PRESENTED COMPONENT UNITS			
College and Universities	4,486,209	15,232	4,501,441

Breakdown of restatements by type:

- General Fund, the restatement was a decrease in cash of \$5,595,000, a decrease in investments of \$17,694,000, and a decrease in accounts receivable of \$30,000.
- Public Education, the restatement was a decrease in investments of \$1,112,000.
- Conservation and Environmental Protection, the restatement was a decrease in investments of \$215,000.
- Transportation and Law Enforcement, the restatement was a decrease in investments of \$2,256,000, and a decrease in interest receivable of \$559,000.
- Non-major special revenue funds, the restatement was a decrease in investments of \$90,000.
- Non-major capital projects funds, the restatement was a decrease in interest receivable of \$63,000 and a decrease in deferred revenue of \$38,000.
- Non-major enterprise funds, the restatement was an increase to capital assets (net of accumulated depreciation) of \$150,000.
- Non-major internal service funds, the restatement was a decrease in cash of \$8,000, an increase in investments of \$5,000, an increase in accounts receivable of \$89,000, an increase in interest receivable of \$23,000, an increase in inventories of \$1,727,000, a decrease in capital assets (net of accumulated depreciation) of \$6,009,000, an increase in accrued payroll of \$44,000, a decrease in claims liability of \$1,013,000, and a decrease in obligations under lease purchase of \$5,746,000.
- Pension (and other employee benefit) trust funds, the restatement was an increase in net assets of \$13,604,000 as an effect of the adjustment from fair value to contract value for the Fully Benefit-Responsive Investment Contract.
- Discretely presented component units – college and universities, the restatement was an increase in non-current investments of \$640,000, a decrease in deferred costs and other assets of \$5,324,000, and an increase in net assets of \$19,916,000 as an effect of the change in accounting principal by the University of Missouri to write off previously established benefit reserves that were not in accordance with the adoption of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

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) decreased by \$8,559,000, the internal balance decreased by \$2,000, other assets decreased by \$177,000, unamortized bond premium decreased by \$1,183,000, and capital lease obligation increased by \$548,000.

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 an increase in the internal balance of \$2,000.

Note 18 – Fund Deficit

The following fund had a deficit balance:

Enterprise Fund – Petroleum Storage Tank Insurance – At June 30, 2008, this fund had a net asset deficit of \$26,317,000. The deficit at June 30, 2007 was \$33,900,000. 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.

Note 19 – Related Party Transactions

The Missouri State Public Employees' Deferred Compensation Plan was administered by CitiStreet during the fiscal year. As of July 1, 2008, CitiStreet was purchased by ING Institutional Plan Services, LLC. ING Life Insurance Annuity Company provides fixed earnings investments for plan participants while ING (formerly CitiStreet) provides variable earnings investments. At June 30, 2008, total investments of the Plan were \$1,094,631,000 and investments in ING Life Insurance Annuity Company were \$453,575,000.

Note 20 – Commitments

Contracts

The Department of Conservation had contracts outstanding of \$2,843,000 for land acquisition and \$1,676,000 for construction contracts at June 30, 2008. 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 \$1,336,155,000 outstanding at June 30, 2008. These contracts are paid from capital projects funds with approximately 69% federal reimbursement expected.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 20 – Commitments (cont.)

The Office of Administration, Division of Facilities Management, Design and Construction, had construction contracts outstanding at June 30, 2008, of \$45,326,000. Approximately 78% will be paid from the General Fund, 4% from special revenue funds, and 18% from internal service funds.

The Department of Elementary and Secondary Education had desegregation payments outstanding of \$19,000,000 at June 30, 2008. These payments are due to the St. Louis Public School District based upon Court Order L(266)99 approving the 1999 settlement agreement requiring annual payments. The payments are as follows:

July 1, 2008	\$ 10,000,000
July 1, 2009	9,000,000

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 2008 was \$364,000. Payment of principal and interest must be completed by March 2038.

The Department of Natural Resources – State Parks had contracts outstanding of \$118,000 for land acquisition at June 30, 2008. These contracts are funded through enterprise funds.

The Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS) purchased a new pension administration software system during fiscal year 2007. Total software and related consulting services are estimated to be approximately \$3,000,000, with \$1,829,000 outstanding at June 30, 2008.

As of June 30, 2008, the University of Missouri had outstanding commitments for the acquisition, usage, and ongoing support of certain software for its patient clinical systems totaling \$8,296,000. The payments are as follows:

2009	\$ 3,644,000
2010	3,708,000
2011	944,000

Harris-Stowe State University had outstanding commitments of approximately \$14,200,000 related to construction contracts at June 30, 2008.

Missouri State University had approximately \$15,800,000 in outstanding commitments for various construction contracts at June 30, 2008, still to be incurred.

Northwest Missouri State University had outstanding commitments of approximately \$15,000,000 related to various construction contracts at June 30, 2008.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 21 – Risk Management and Insurance

The State is exposed to various risks of loss related to tort liability, general liability, motor vehicle liability, 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 4%.

The Missouri Consolidated Health Care Plan (MCHCP) provides health care insurance to all State employees, except for MoDOT, the State Highway Patrol, and the Department of Conservation. The Plan is presented as an internal service fund. Estimated claims payable is based on known medical claims pending as well as an estimate of IBNR claims from data provided by an actuary.

The MoDOT and MSHP Medical and Life Insurance Plan (MHPML) accounts for the medical coverage provided on a self-insured basis and life insurance benefits, underwritten by a commercial insurance company, for employees of MoDOT and the State Highway Patrol. The Plan is presented as an internal service fund. Estimated claims payable is based on known insurance claims pending as well as an estimate of IBNR claims from data provided by an actuary.

The Conservation Employees' Insurance Plan (CEIP) provides health care and life insurance to employees of the Department of Conservation. The Plan is presented as an internal service fund. Estimated claims payable is based on known claims pending as well as an estimate of IBNR claims.

Southwestern Bell Telephone Company vs. Director of Revenue (Case No. SC83859 and follow up Case No. SC86441): the Supreme Court ruled that Southwestern Bell Telephone Company was entitled to a refund of use tax paid on machinery and equipment used to create its digital phone service product. Manufacturing was found to include producing taxable services as well as tangible personal property products. In FY 2007, the Department of Revenue (DOR) resolved (by negotiated settlement) some claims related to the suit, filed by multiple taxpayers, for \$88.5 million. During FY 2008, additional refund claims related to these suits were settled for \$24.0 million, and \$24.6 million in principal payments were made. The remaining liability as of June 30, 2008, for all the settlements related to these suits was \$65.9 million.

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.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 21 – Risk Management and Insurance (cont.)

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 4.8% 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:

<u>Governmental Activities</u>	<u>Type of Insurance Claims</u>	<u>Fiscal Year Claims Liability 6/30/2007*</u>	<u>Current Year Claims and Estimated Changes</u>	<u>Claim Payments</u>	<u>Fiscal Year Claims Liability 6/30/2008</u>
OA Workers Compensation	Workers Comp.	\$ 18,179	\$ 24,709	\$ (23,870)	\$ 19,018
OA Legal Expense Fund	Liability	864	708	(464)	1,108
MoDOT Self-Insurance Plan	Workers Comp. and Liability	51,315	31,448	(17,592)	65,171
MCHCP	Health Care	43,054	219,142	(224,102)	38,094
MHPML	Health Care and Life Insurance	11,000	94,445	(93,045)	12,400
CEIP	Health Care and Life Insurance	1,262	11,287	(11,285)	1,264
DOR	Southwestern Bell Lawsuit	66,500	23,985	(24,578)	65,907
Total Governmental Activities		<u>\$ 192,174</u>	<u>\$ 405,724</u>	<u>\$ (394,936)</u>	<u>\$ 202,962</u>
<u>Business-Type Activities</u>					
PSTIF	Contamination Cleanup	<u>\$ 116,056</u>	<u>\$ 16,324</u>	<u>\$ (15,647)</u>	<u>\$ 116,733</u>
<u>Component Units</u>					
University of Missouri System	Workers Comp. and Liability	\$ 79,799	\$ 136,343	\$ (148,904)	\$ 67,238
Missouri State University	Health Care, Workers Comp. and Liability	1,175	13,068	(13,192)	1,051
Total Component Units		<u>\$ 80,974</u>	<u>\$ 149,411</u>	<u>\$ (162,096)</u>	<u>\$ 68,289</u>

*Fiscal year 2007 amounts have been restated.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 21 – Risk Management and Insurance (cont.)

<u>Governmental Activities</u>	<u>Type of Insurance Claims</u>	<u>Fiscal Year Claims Liability 6/30/2006</u>	<u>Current Year Claims and Estimated Changes</u>	<u>Claim Payments</u>	<u>Fiscal Year Claims Liability 6/30/2007*</u>
OA Workers Compensation	Workers Comp.	\$ 21,053	\$ 17,655	\$ (20,529)	\$ 18,179
OA Legal Expense Fund	Liability	153	5,706	(4,995)	864
MoDOT Self-Insurance Plan	Workers Comp. and Liability	55,857	7,002	(11,544)	51,315
MCHCP	Health Care	32,494	300,493	(289,933)	43,054
MHPML	Health Care and Life Insurance	9,561	91,487	(90,048)	11,000
CEIP	Health Care and Life Insurance	3,682	9,090	(11,510)	1,262
DOR	Southwestern Bell Lawsuit	---	88,500	(22,000)	66,500
Total Governmental Activities		<u>\$ 122,800</u>	<u>\$ 519,933</u>	<u>\$ (450,559)</u>	<u>\$ 192,174</u>
<u>Business-Type Activities</u>					
PSTIF	Contamination Cleanup	<u>\$ 116,929</u>	<u>\$ 11,292</u>	<u>\$ (12,165)</u>	<u>\$ 116,056</u>
<u>Component Units</u>					
University of Missouri System	Workers Comp. and Liability	\$ 86,850	\$ 139,294	\$ (146,345)	\$ 79,799
Missouri State University	Health Care, Workers Comp. and Liability	962	11,779	(11,566)	1,175
Total Component Units		<u>\$ 87,812</u>	<u>\$ 151,073</u>	<u>\$ (157,911)</u>	<u>\$ 80,974</u>

*Fiscal year 2007 amounts have been 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.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 22 – Landfill Closure and Postclosure

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, 2008, the Missouri Department of Natural Resources, Solid Waste Program tracked the value of the secured financial assurance instruments held by the State to be \$288,875,000. 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, 2008, nine MSWLFs and two waste tire facilities have defaulted. The owners/operators failed to properly close or maintain post-closure care for these facilities, so the State took possession of the forfeited financial assurance instruments to initiate the closure or post-closure activities as required by Missouri Revised Statutes Chapter 260, Section 228. 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, 2008, it is expected that \$797,000 will be paid over the remaining monitoring periods. This is the amount of fund balance that has been reserved on the general fund balance sheet for forfeited assets.

Note 23 – Contingencies

Contingent claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported including the effects of specific, incremental claim adjustment expenditures/expenses, salvage, subrogation, and other allocated or unallocated claim adjustment expenditures/expenses. Liabilities of governmental funds are reported as a reconciling item to the Government-Wide Statement of Net Assets. Expenditures are recognized as payments are made.

At June 30, 2008, the amount of the contingent liabilities was \$40 million. Changes in the reported liability since June 30, 2007, 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
2007-2008	\$ 82,922	\$ (35,267)	\$ (7,568)	\$ 40,087
2006-2007	111,402	(18,643)	(9,837)	82,922
2005-2006	117,631	1,663	(7,892)	111,402

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 23 – Contingencies (cont.)

RSMo 287.220.6 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 2007 actuarial study. At June 30, 2008, the amount of liabilities for the Second Injury Fund was \$1.2 billion. Changes in the reported liability since June 30, 2007, 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
2007-2008	\$ 1,112,023	\$ 204,100	\$ (68,110)	\$ 1,248,013
2006-2007	982,328	195,773	(66,078)	1,112,023
2005-2006 *	863,774	180,930	(62,376)	982,328

*Restated.

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

Loan Guarantees:

In the past, the State appropriated money to the Missouri Development Finance Board for the purpose of making loan guarantees. Upon default of a guaranteed loan, the Board makes the payment for default from Board funds. At the end of fiscal year 2008, there were no guaranteed loans outstanding and no loans defaulted.

The State appropriates money to the Agricultural and Small Business Development Authority for the purpose of making loan guarantees. Upon default of a guaranteed loan, the Authority makes the payment for default from State appropriations. The Authority administers the Single-Purpose Animal Facilities Loan Program and the Value Added Loan Guarantee Program, which provides a 50% first-loss guarantee on loans up to \$250,000. The total of loans outstanding at June 30, 2008, for which the Authority has guaranteed payment is \$2,098,000 and \$10,528,000, respectively. During 2008, no loans defaulted.

Sales and Use Tax Lawsuits:

Southwestern Bell Telephone Company vs. Director of Revenue (Case No. SC83859 and follow up Case No. SC86441): the Supreme Court ruled that Southwestern Bell Telephone Company was entitled to a refund of use tax paid on machinery and equipment used to create its digital phone service product. Manufacturing was found to include producing taxable services as well as tangible personal property products. A settlement was reached regarding some claims, filed by multiple taxpayers, related to the Southwestern Bell cases. A \$65.9 million liability remains as of June 30, 2008, and is referenced in *Note 21 – Risk Management and Insurance*. Refund claims related to these cases that were filed by other companies as of June 30, 2008, totaled approximately \$26 million. These claims are pending verification and exclusive of interest (which could be substantial) could negatively affect the State by \$26 million, of which \$21.6 million is related to the General Revenue Fund.

The State is also involved in tax litigation not included in the fiscal year 2008 liability amount, where it is reasonably possible that an adverse court decision may incur an estimated loss of \$7.3 million.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 23 – Contingencies (cont.)

Education Lawsuits:

Four education lawsuits are pending: Committee for Educational Equality, et al vs. the State of Missouri, et al (Case No. 04CV323022), filed in the Circuit Court of Cole County; Jenkins, et al vs. School District of Kansas City, Missouri, et al (Case No. 77-0420-CV-DW), filed in the U.S. District Court, Western Division; Kansas City Missouri Public Schools vs. Missouri Board of Fund Commissioners (Case No. 05AC-CC00389), filed in the Circuit Court of Cole County; and the School District of Kansas City, Missouri vs. State of Missouri, Missouri Board of Education, DESE, and D. Kent King filed in the Circuit Court of Cole County. Arguments are being heard, and decisions in these cases may require additional state money or a revision to the current school aid formula.

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.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 24 – Joint Ventures (cont.)

Summary financial information for the Authority as of and for the fiscal year ended December 31, 2007, is presented below (in thousands of dollars):

Total Assets	\$ 301,214
Total Liabilities	\$ 197,161
Total Net Assets	104,053
Total Liabilities and Net Assets	\$ 301,214
Total Revenues	\$ 27,423
Total Expenses	23,061
Net Increase in Net Assets	\$ 4,362

Copies of the Authority's financial statements may be requested from:

St. Louis Regional Convention
and Sports Complex Authority
901 North Broadway
St. Louis, Missouri 63101

Note 25 – Endowments

Donor-restricted endowments for Missouri reside primarily within the higher education institutions, which are reported as a discretely presented component unit of the State. For the college and universities, except the University of Missouri, the net appreciation of the endowments available for expenditure is \$2,297,000, and of this amount, \$916,000 is reported as restricted non-expendable net assets, \$1,210,000 is reported as restricted expendable net assets, and \$171,000 is reported as unrestricted net assets. The University of Missouri reported a net depreciation of restricted non-expendable net assets in the amount of \$49,169,000, which primarily consisted of unrealized losses on investment. 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 RSMo 402.035. These policies are entity specific and vary with each institution.

Note 26 – Conduit Debt

As of June 30, 2008, the Missouri Development Finance Board issued \$972,012,000 in Single Issue Industrial Revenue Bonds, \$57,810,000 in Private Activity Composite Industrial Revenue Bonds, and \$1,477,570,000 in Public Purpose Capital Improvement and Refunding Leasehold Revenue Bonds. The outstanding balances on these bonds and notes as of June 30, 2008, were approximately \$684,901,000, \$0, and \$672,706,000, 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.

STATE OF MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

Note 27– Subsequent Events

General Obligation Bonds:

On September 25, 2008, the Board of Fund Commissioners of the State of Missouri defeased a portion of the Fourth State Building Refunding Bonds Series A 2005. The defeased amount was \$1,035,000.

Missouri Department of Transportation:

The Series B 2005 State Road bonds were issued as variable rate instruments with weekly rate changes. Since June 30, the rates varied from 0.3% to 8.7%.

Missouri Western State University:

On October 7, 2008, the University issued \$6,315,000 in revenue bonds. The proceeds from the bonds will be used for the construction and renovation of certain athletic facilities.

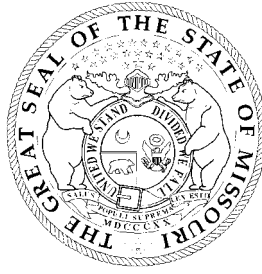
University of Missouri:

On July 2, 2008, the University sold \$100,000,000 of capital project notes at an effective interest rate of 3.0%. The notes will be repaid in full by June 30, 2009.

Deferred Compensation Plan:

Effective July 1, 2008, the State of Missouri began offering higher incentives to State employees to encourage them to save more for retirement. Previously, eligible employees could receive \$25 per month deferred compensation incentive if they contributed at least \$25 per month. The new incentive amounts employees can receive are \$25, \$30, or \$35 based on employee contribution, as follows:

Employee Contribution (per month)	State Incentive (per month)
\$25 to \$29.50	\$25
\$30 to \$34.50	\$30
\$35 or more	\$35



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, 2008
(In Thousands of Dollars)**

	General				Public Education				Conservation and Environmental Protection				Transportation and Law Enforcement			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Beginning Budgetary Fund Balance	\$ 1,802,910	\$ 1,802,910	\$ 1,802,910	\$ ---	\$ 230,431	\$ 230,431	\$ 230,431	\$ ---	\$ 354,700	\$ 354,700	\$ 354,700	\$ ---	\$ 61,870	\$ 61,870	\$ 61,870	\$ ---
Resources (Inflows):																
Taxes:																
Sales and Use	1,979,340	1,988,991	2,001,120	12,129	786,629	786,629	769,636	(16,993)	177,450	177,450	184,857	7,407	60,103	60,103	62,851	2,748
Individual Income	6,043,670	6,073,141	6,110,173	37,032	4,440	4,440	4,363	(77)	---	---	---	---	---	---	---	---
Corporate Income	515,307	517,820	520,978	3,158	---	---	---	---	---	---	---	---	---	---	---	---
County Foreign Insurance	207,274	208,285	209,555	1,270	---	---	---	---	---	---	---	---	---	---	---	---
Beer	8,378	8,419	8,470	51	---	---	---	---	---	---	---	---	---	---	---	---
Liquor	21,139	21,242	21,372	130	---	---	---	---	---	---	---	---	---	---	---	---
Cigarette	---	---	---	---	75,941	75,941	74,291	(1,650)	---	---	---	---	---	---	---	---
Fuel	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Corporation Franchise	91,502	91,948	92,508	560	---	---	---	---	---	---	---	---	725,562	725,562	759,178	33,616
Inheritance	3,414	3,430	3,451	21	---	---	---	---	---	---	---	---	---	---	---	---
Reimbursement/Miscellaneous	1,083,402	1,088,685	1,095,324	6,639	301,309	301,309	294,782	(6,527)	---	---	---	---	---	---	---	---
Total Taxes	9,953,426	10,001,961	10,062,951	60,990	1,168,319	1,168,319	1,143,072	(25,247)	177,450	177,450	184,857	7,407	785,665	785,665	822,029	36,364
Licenses, Fees, and Permits	79,079	79,462	79,915	453	7,422	7,422	7,293	(129)	77,545	77,545	80,799	3,254	187,049	187,049	195,680	8,631
Sales	889	893	897	4	---	---	---	---	7,616	7,616	7,936	320	4,032	4,032	4,197	165
Leases and Rentals	18	18	18	---	---	---	---	---	204	204	212	8	---	---	19	19
Services	252,231	252,647	242,232	(10,415)	---	---	---	---	---	---	---	---	---	---	---	---
Contributions and Intergovernmental	7,041,407	7,048,499	6,691,742	(356,757)	322,954	322,954	315,927	(7,027)	67,608	67,608	70,420	2,812	885	885	917	32
Interest	105,232	105,735	106,238	503	14,529	14,529	14,209	(320)	18,490	18,490	19,264	774	4,327	4,327	4,538	211
Penalties and Unclaimed Property	1,390	1,397	1,401	4	1,737	1,737	1,765	28	12,137	12,137	12,638	501	393	393	440	47
Cost Reimbursement/Miscellaneous	484,094	484,354	456,493	(27,861)	64,275	64,275	62,827	(1,448)	46,226	46,226	48,164	1,938	1,082	1,082	1,168	86
Transfers In	170,139	191,326	112,073	(79,253)	3,050,028	3,104,407	3,094,082	(10,325)	669	733	733	---	1,031	4,653	3,678	(975)
Total Resources (Inflows)	18,087,905	18,166,292	17,753,960	(412,332)	4,629,264	4,683,643	4,639,175	(44,468)	407,945	408,009	425,023	17,014	984,464	988,086	1,032,666	44,580
Amount Available for Appropriation	19,890,815	19,969,202	19,556,870	(412,332)	4,859,695	4,914,074	4,869,606	(44,468)	762,645	762,709	779,723	17,014	1,046,334	1,049,956	1,094,536	44,580
Charges to Appropriations (Outflows):																
Current:																
General Government	1,899,212	1,925,348	1,825,029	100,319	2,957	2,987	2,160	827	3,989	5,248	4,303	945	215,736	217,098	215,495	1,603
Education	1,984,625	1,971,389	1,847,731	123,658	4,476,155	4,586,768	4,494,040	92,728	---	---	---	---	---	---	---	---
Natural and Economic Resources	312,477	325,511	254,175	71,336	42,575	42,575	29,042	13,533	338,290	384,760	330,524	54,236	---	---	---	---
Transportation and Law Enforcement	277,592	475,427	375,438	99,989	155	166	154	12	988	988	760	228	232,200	243,920	226,818	17,102
Human Services	10,053,304	10,194,899	9,561,127	633,772	27,558	27,607	25,735	1,872	335	335	177	158	---	---	---	---
Debt Service	90,641	91,690	88,546	3,144	---	---	---	---	88	100	86	14	34	35	33	2
Transfers Out	3,710,087	3,741,786	3,662,202	79,584	6,375	6,477	5,800	677	54,270	55,010	49,793	5,217	513,562	607,814	590,400	17,414
Total Charges to Appropriations	18,327,938	18,726,050	17,614,248	1,111,802	4,555,775	4,666,580	4,556,931	109,649	397,960	446,441	385,643	60,798	961,532	1,068,867	1,032,746	36,121
Ending Budgetary Fund Balance	\$ 1,562,877	\$ 1,243,152	\$ 1,942,622	\$ 699,470	\$ 303,920	\$ 247,494	\$ 312,675	\$ 65,181	\$ 364,685	\$ 316,268	\$ 394,080	\$ 77,812	\$ 84,802	\$ (18,911)	\$ 61,790	\$ 80,701
Reconciling Items:																
Reclassifying Cash Equivalents as Investments			(1,767,910)				(268,078)				(338,641)				(42,338)	
Investments at Fair Value			1,775,705				270,429				340,207				50,368	
Receivables			1,513,892				125,506				835,742				147,415	
Due from Other Funds			17				17,640				119				72	
Due from Component Units			---				---				983				---	
Inventory			20,183				42				515				6,665	
Advance to Component Units			---				---				3,851				---	
Accounts Payable			(883,190)				(39,750)				(6,781)				(4,835)	
Accrued Payroll			(60,326)				(246)				(5,059)				(5,869)	
Due to Other Funds			(16,141)				(93)				(561)				(290)	
Arbitrage Liability			(49)				---				---				---	
Deferred Revenue			(507,325)				(27,444)				(19,066)				(5,206)	
Escheat/Unclaimed Property			(97,038)				---				---				---	
Fund Balance - GAAP Basis		\$ 1,920,440				\$ 390,681				\$ 1,205,389				\$ 207,772		

STATE OF MISSOURI
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY REPORTING
June 30, 2008

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, 2008, 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/AAR2008/index.htm>. The "original budget" expenditures and transfers are for what was originally appropriated for each fund. The "final budget" expenditures and transfers takes into account any increases and decreases to appropriations during the fiscal year less the Governor's amounts reverted (withheld) for each fund less any re-appropriations to the next fiscal year.

On the Budgetary Comparison Schedule, "original" and "revised" budget revenues are equal for all funds except the State's General Revenue Fund. 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 positive variance on this Schedule.

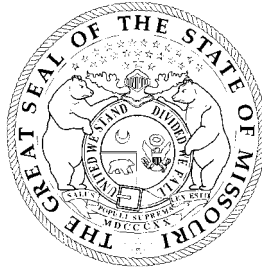
In accordance with state statute, all state funds must have an appropriation before amounts can be expended or transferred to another state fund, therefore variances between "budgeted" and "actual" expenditures and transfers on the budgetary schedule will always be positive.

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 has the authority to approve or veto each bill, subject to legislative override.

Budgeted expenditures cannot exceed estimated revenues and other sources of funding, including beginning fund balances. In the event that actual revenues are insufficient to cover budgeted expenditures, the Governor must order budget reductions or call a special session of the legislature to address the issue.

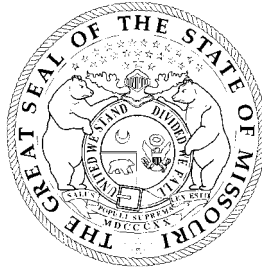
Unexpended appropriations lapse at the end of each appropriation year, unless re-appropriated to the following appropriation year.



Supplementary Information includes the Budgetary Comparison Schedule and Reconciliation for the Major Capital Projects Fund (Missouri Road Fund), as well as the Combining and Individual Fund Statements and Schedules for the General Fund and all Non-Major Funds.

**STATE OF MISSOURI
SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2008
(In Thousands of Dollars)**

	Missouri Road Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Beginning Budgetary Fund Balance	\$ 705,178	\$ 705,178	\$ 705,178	\$ ---
Resources (Inflows):				
Taxes:				
Vehicle Sales and Use	194,804	194,804	206,377	11,573
Fuel	113	113	115	2
Total Taxes	194,917	194,917	206,492	11,575
Licenses, Fees, and Permits	114,905	114,905	100,740	(14,165)
Contributions and Intergovernmental	851,915	851,915	899,161	47,246
Interest	30,647	30,647	41,246	10,599
Cost Reimbursement/Miscellaneous	110,953	110,953	82,212	(28,741)
Bond Sales Proceeds	400,000	400,000	540,871	140,871
Transfers In	502,782	593,912	577,753	(16,159)
Total Resources (Inflows)	2,206,119	2,297,249	2,448,475	151,226
Amount Available for Appropriation	2,911,297	3,002,427	3,153,653	151,226
Charges to Appropriations (Outflows):				
Current:				
Transportation and Law Enforcement	820,241	860,448	832,225	28,223
Capital Outlay				
Transportation and Law Enforcement	1,097,332	1,151,123	1,113,365	37,758
Debt Service	273,486	304,186	192,457	111,729
Total Charges to Appropriations	2,191,059	2,315,757	2,138,047	177,710
Ending Budgetary Fund Balance	\$ 720,238	\$ 686,670	\$ 1,015,606	\$ 328,936
Reconciling Items:				
Reclassifying Cash Equivalents as Investments			(804,478)	
Investments at Fair Value			810,756	
Receivables			95,843	
Due from Other Funds			768	
Inventories			42,443	
Accounts Payable			(106,209)	
Accrued Payroll			(17,787)	
Due to Other Funds			(964)	
Deferred Revenue			(25,202)	
Advance from Component Units			(6,167)	
Fund Balance – GAAP Basis			\$ 1,004,609	



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, 2008
(In Thousands of Dollars)**

	General Fund			Totals
	General	Federal	Eliminations	June 30, 2008
ASSETS				
Cash and Cash Equivalents	\$ 159,338	\$ 15,374	\$ ---	\$ 174,712
Investments	1,586,387	189,318	---	1,775,705
Accounts Receivable, Net	918,304	580,049	---	1,498,353
Interest Receivable	15,282	257	---	15,539
Due from Other Funds	3	16	(2)	17
Inventories	19,170	1,013	---	20,183
Total Assets	<u>\$ 2,698,484</u>	<u>\$ 786,027</u>	<u>\$ (2)</u>	<u>\$ 3,484,509</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 391,050	\$ 492,140	\$ ---	\$ 883,190
Accrued Payroll	46,911	13,415	---	60,326
Due to Other Funds	13,276	2,867	(2)	16,141
Deferred Revenue	441,487	65,838	---	507,325
Arbitrage Liability	49	---	---	49
Escheat/Unclaimed Property	97,038	---	---	97,038
Total Liabilities	<u>989,811</u>	<u>574,260</u>	<u>(2)</u>	<u>1,564,069</u>
Fund Balances:				
Reserved for:				
Budget Reserve	559,206	---	---	559,206
Inventories	19,170	1,013	---	20,183
Forfeited Assets	797	---	---	797
Taxes	4,255	---	---	4,255
Unreserved	1,125,245	210,754	---	1,335,999
Total Fund Balances	<u>1,708,673</u>	<u>211,767</u>	<u>---</u>	<u>1,920,440</u>
Total Liabilities and Fund Balances	<u>\$ 2,698,484</u>	<u>\$ 786,027</u>	<u>\$ (2)</u>	<u>\$ 3,484,509</u>

STATE OF MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND
For the Fiscal Year Ended June 30, 2008
(In Thousands of Dollars)

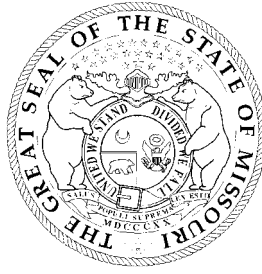
	General Fund			Totals
	General	Federal	Eliminations	June 30, 2008
Revenues:				
Taxes	\$ 7,783,239	\$ ---	\$ ---	\$ 7,783,239
Licenses, Fees, and Permits	76,285	415	---	76,700
Sales	1,768	501	---	2,269
Leases and Rentals	18	---	---	18
Services	79,511	151,798	---	231,309
Contributions and Intergovernmental	1,469,322	6,084,510	---	7,553,832
Investment Earnings:				
Net Increase (Decrease) in the Fair Value of Investments	5,044	615	---	5,659
Interest	102,133	1,809	---	103,942
Penalties and Unclaimed Properties	35,478	51	---	35,529
Cost Reimbursement/Miscellaneous	37,216	144,353	---	181,569
Total Revenues	9,590,014	6,384,052	---	15,974,066
Expenditures:				
Current:				
General Government	673,247	81,950	---	755,197
Education	1,012,433	869,675	---	1,882,108
Natural and Economic Resources	53,639	247,920	---	301,559
Transportation and Law Enforcement	109,107	280,371	---	389,478
Human Services	4,712,553	4,890,363	---	9,602,916
Debt Service:				
Principal	46,211	1,636	---	47,847
Interest	45,168	660	---	45,828
Total Expenditures	6,652,358	6,372,575	---	13,024,933
Excess Revenues (Expenditures)	2,937,656	11,477	---	2,949,133
Other Financing Sources (Uses):				
Proceeds from Capital Leases	27,069	1,280	---	28,349
Proceeds from Capital Asset Sale	278	21	---	299
Transfers In	89,763	4,297	(38,486)	55,574
Transfers Out	(2,968,937)	(35,544)	38,486	(2,965,995)
Total Other Financing Sources (Uses)	(2,851,827)	(29,946)	---	(2,881,773)
Net Change in Fund Balances	85,829	(18,469)	---	67,360
Fund Balances – Beginning	1,626,586	230,327	---	1,856,913
Increase (Decrease) in Reserve for Inventory	(3,742)	(91)	---	(3,833)
Fund Balances – Ending	\$ 1,708,673	\$ 211,767	\$ ---	\$ 1,920,440

STATE OF MISSOURI
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
June 30, 2008
(In Thousands of Dollars)

	Special Revenue	Debt Service	Capital Projects	Permanent	Totals June 30, 2008
ASSETS					
Cash and Cash Equivalents	\$ 22,537	\$ 18,165	\$ 10,685	\$ 191	\$ 51,578
Investments	286,330	83,123	57,956	62,842	490,251
Accounts Receivable, Net	23,675	---	---	---	23,675
Interest Receivable	1,270	786	490	4	2,550
Due from Other Funds	933	---	---	---	933
Inventories	221	---	---	---	221
Loans Receivable	375	---	---	---	375
Total Assets	<u>\$ 335,341</u>	<u>\$ 102,074</u>	<u>\$ 69,131</u>	<u>\$ 63,037</u>	<u>\$ 569,583</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 36,753	\$ ---	\$ 18	\$ ---	\$ 36,771
Accrued Payroll	3,416	---	43	---	3,459
Due to Other Funds	864	---	---	---	864
Deferred Revenue	6,376	386	241	2	7,005
Total Liabilities	<u>47,409</u>	<u>386</u>	<u>302</u>	<u>2</u>	<u>48,099</u>
Fund Balances:					
Reserved for Inventories	221	---	---	---	221
Reserved for Debt Service	---	101,688	---	---	101,688
Reserved for Loans Receivable	375	---	---	---	375
Reserved for Trust Principal	---	---	---	62,919	62,919
Unreserved	287,336	---	68,829	116	356,281
Total Fund Balances	<u>287,932</u>	<u>101,688</u>	<u>68,829</u>	<u>63,035</u>	<u>521,484</u>
Total Liabilities and Fund Balances	<u>\$ 335,341</u>	<u>\$ 102,074</u>	<u>\$ 69,131</u>	<u>\$ 63,037</u>	<u>\$ 569,583</u>

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, 2008
(In Thousands of Dollars)

	Totals				
	Special Revenue	Debt Service	Capital Projects	Permanent	June 30, 2008
Revenues:					
Taxes	\$ 133,586	\$ ---	\$ ---	\$ ---	\$ 133,586
Licenses, Fees, and Permits	174,087	---	---	---	174,087
Sales	1,759	---	---	---	1,759
Leases and Rentals	224	---	---	---	224
Services	200	---	---	---	200
Contributions and Intergovernmental	22,136	---	178	---	22,314
Investment Earnings:					
Net Increase (Decrease) in the Fair Value of Investments	269	444	243	(4,445)	(3,489)
Interest	12,952	5,042	1,978	28	20,000
Penalties and Unclaimed Properties	11,713	---	---	1,933	13,646
Cost Reimbursement/Miscellaneous	184,833	162	13	---	185,008
Total Revenues	541,759	5,648	2,412	(2,484)	547,335
Expenditures:					
Current:					
General Government	46,547	---	109	---	46,656
Education	7,084	---	---	---	7,084
Natural and Economic Resources	229,632	---	1,855	---	231,487
Transportation and Law Enforcement	45,374	---	2,865	---	48,239
Human Services	208,696	---	70	---	208,766
Capital Outlay:					
Transportation and Law Enforcement	---	---	677	---	677
Human Services	---	---	3,133	---	3,133
Debt Service:					
Principal	718	66,395	1,955	---	69,068
Interest	283	32,302	44	---	32,629
Bond Issuance Cost	---	---	63	---	63
Underwriter's Discount	---	---	220	---	220
Total Expenditures	538,334	98,697	10,991	---	648,022
Excess Revenues (Expenditures)	3,425	(93,049)	(8,579)	(2,484)	(100,687)
Other Financing Sources (Uses):					
Debt Issuance	---	---	50,000	---	50,000
Bond Premium	---	---	553	---	553
Proceeds from Capital Leases	148	---	---	---	148
Transfers In	79,530	92,141	6,000	---	177,671
Transfers Out	(96,267)	---	(18)	---	(96,285)
Total Other Financing Sources (Uses)	(16,589)	92,141	56,535	---	132,087
Net Change in Fund Balances	(13,164)	(908)	47,956	(2,484)	31,400
Fund Balances – Beginning	301,083	102,596	20,873	65,519	490,071
Increase (Decrease) in Reserve for Inventory	13	---	---	---	13
Fund Balances – Ending	\$ 287,932	\$ 101,688	\$ 68,829	\$ 63,035	\$ 521,484



*The **Special Revenue Funds** account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The State has numerous individual Special Revenue Funds. Therefore, the funds have been combined into specific functional areas.*

Non-Major Special Revenue Funds:

Professional Registration: Provides for the control and regulation of various professions. Each profession has its own fund to account for its operation.

Judicial Protection and Assistance: Provides for protection of public employees by the Attorney General's Office, conviction of criminal offenders by prosecuting attorneys and assistance to victims of criminal offenses.

Agriculture and State Fair: Provides for inspections of products, market development, and awards for competition at the State Fair.

Social Assistance: Provides financial, health, and other services to qualifying individuals.

Unemployment and Workers' Compensation: Provides for the administration of these laws and benefits to workers who qualify for workers' compensation.

Reimbursements and Other: Provides various reimbursements of costs to other governments and various regulatory commissions not included in other functional areas.

**STATE OF MISSOURI
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
June 30, 2008
(In Thousands of Dollars)**

	Professional Registration	Judicial Protection and Assistance	Agriculture and State Fair	Social Assistance	Unemployment and Workers' Compensation	Reimbursements and Other	Totals June 30, 2008
ASSETS							
Cash and Cash Equivalents	\$ 3,369	\$ 1,979	\$ 425	\$ 7,767	\$ 4,209	\$ 4,788	\$ 22,537
Investments	41,100	24,105	7,019	103,912	52,360	57,834	286,330
Accounts Receivable, Net	---	1,726	49	4,968	14,325	2,607	23,675
Interest Receivable	---	105	56	419	391	299	1,270
Due from Other Funds	---	38	---	---	225	670	933
Inventories	27	30	1	4	---	159	221
Loans Receivable	---	---	375	---	---	---	375
Total Assets	<u>\$ 44,496</u>	<u>\$ 27,983</u>	<u>\$ 7,925</u>	<u>\$ 117,070</u>	<u>\$ 71,510</u>	<u>\$ 66,357</u>	<u>\$ 335,341</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	\$ 279	\$ 1,113	\$ 2,867	\$ 3,892	\$ 24,691	\$ 3,911	\$ 36,753
Accrued Payroll	197	401	82	305	422	2,009	3,416
Due to Other Funds	31	167	10	34	431	191	864
Deferred Revenue	---	165	8	3,615	2,219	369	6,376
Total Liabilities	<u>507</u>	<u>1,846</u>	<u>2,967</u>	<u>7,846</u>	<u>27,763</u>	<u>6,480</u>	<u>47,409</u>
Fund Balances:							
Reserved for:							
Inventories	27	30	1	4	---	159	221
Loans Receivable	---	---	375	---	---	---	375
Unreserved	<u>43,962</u>	<u>26,107</u>	<u>4,582</u>	<u>109,220</u>	<u>43,747</u>	<u>59,718</u>	<u>287,336</u>
Total Fund Balances	<u>43,989</u>	<u>26,137</u>	<u>4,958</u>	<u>109,224</u>	<u>43,747</u>	<u>59,877</u>	<u>287,932</u>
Total Liabilities and Fund Balances	<u>\$ 44,496</u>	<u>\$ 27,983</u>	<u>\$ 7,925</u>	<u>\$ 117,070</u>	<u>\$ 71,510</u>	<u>\$ 66,357</u>	<u>\$ 335,341</u>

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, 2008
(In Thousands of Dollars)

	Professional Registration	Judicial Protection and Assistance	Agriculture and State Fair	Social Assistance	Unemployment and Workers' Compensation	Reimbursements and Other	Totals June 30, 2008
Revenues:							
Taxes	\$ 121	\$ ---	\$ 1,332	\$ 64,307	\$ 67,795	\$ 31	\$ 133,586
Licenses, Fees, and Permits	15,322	31,318	4,150	20,080	---	103,217	174,087
Sales	---	4	12	1,088	---	655	1,759
Leases and Rentals	---	---	---	224	---	---	224
Services	---	177	---	12	---	11	200
Contributions and Intergovernmental	---	271	68	20,674	225	898	22,136
Investment Earnings:							
Net Increase (Decrease) in the Fair Value of Investments	137	79	153	(465)	180	185	269
Interest	---	336	---	3,183	7,078	2,355	12,952
Penalties and Unclaimed Properties	201	6,788	---	43	3,236	1,445	11,713
Cost Reimbursement/Miscellaneous	228	1,884	234	156,330	215	25,942	184,833
Total Revenues	<u>16,009</u>	<u>40,857</u>	<u>5,949</u>	<u>265,476</u>	<u>78,729</u>	<u>134,739</u>	<u>541,759</u>
Expenditures:							
Current:							
General Government	224	26,322	125	2,733	6,783	10,360	46,547
Education	99	---	1	6,897	21	66	7,084
Natural and Economic Resources	15,933	5,087	33,913	13,774	86,336	74,589	229,632
Transportation and Law Enforcement	---	16,738	---	6,321	11	22,304	45,374
Human Services	3	4	4	199,972	100	8,613	208,696
Debt Service:							
Principal	---	86	---	1	64	567	718
Interest	---	54	---	3	47	179	283
Total Expenditures	<u>16,259</u>	<u>48,291</u>	<u>34,043</u>	<u>229,701</u>	<u>93,362</u>	<u>116,678</u>	<u>538,334</u>
Excess Revenues (Expenditures)	<u>(250)</u>	<u>(7,434)</u>	<u>(28,094)</u>	<u>35,775</u>	<u>(14,633)</u>	<u>18,061</u>	<u>3,425</u>
Other Financing Sources (Uses):							
Proceeds from Capital Leases	---	---	---	---	---	148	148
Transfers In	---	6,621	26,382	11,272	---	35,255	79,530
Transfers Out	<u>(2,165)</u>	<u>(6)</u>	<u>---</u>	<u>(46,172)</u>	<u>(50)</u>	<u>(47,874)</u>	<u>(96,267)</u>
Total Other Financing Sources (Uses)	<u>(2,165)</u>	<u>6,615</u>	<u>26,382</u>	<u>(34,900)</u>	<u>(50)</u>	<u>(12,471)</u>	<u>(16,589)</u>
Net Change in Fund Balances	(2,415)	(819)	(1,712)	875	(14,683)	5,590	(13,164)
Fund Balances – Beginning	46,403	26,950	6,669	108,345	58,430	54,286	301,083
Increase (Decrease) in Reserve for Inventory	<u>1</u>	<u>6</u>	<u>1</u>	<u>4</u>	<u>---</u>	<u>1</u>	<u>13</u>
Fund Balances – Ending	<u>\$ 43,989</u>	<u>\$ 26,137</u>	<u>\$ 4,958</u>	<u>\$ 109,224</u>	<u>\$ 43,747</u>	<u>\$ 59,877</u>	<u>\$ 287,932</u>

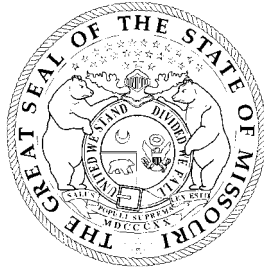
STATE OF MISSOURI
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2008
(In Thousands of Dollars)

	Professional Registration			Judicial Protection and Assistance			Agriculture and State Fair			Social Assistance		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:												
Taxes:												
Cigarette	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 33,525	\$ 35,074	\$ 1,549
Liquor	---	---	---	---	---	---	1,450	1,332	(118)	---	---	---
Reimbursement/Miscellaneous	120	121	1	---	---	---	---	---	---	27,686	28,970	1,284
Total Taxes	120	121	1	---	---	---	1,450	1,332	(118)	61,211	64,044	2,833
Licenses, Fees, and Permits	15,281	15,331	50	31,549	31,285	(264)	4,701	4,319	(382)	19,455	20,355	900
Leases and Rentals	---	---	---	---	---	---	---	---	---	214	224	10
Sales	---	---	---	---	---	---	12	12	---	1,016	1,063	47
Services	---	---	---	178	177	(1)	---	---	---	12	12	---
Contributions and Intergovernmental	2	1	(1)	1,605	1,593	(12)	84	77	(7)	21,398	22,389	991
Interest	---	---	---	361	357	(4)	110	101	(9)	3,053	3,194	141
Penalties and Unclaimed Property	201	201	---	6,858	6,802	(56)	---	---	---	34	39	5
Cost Reimbursement/Miscellaneous	228	229	1	1,911	1,893	(18)	552	507	(45)	150,346	157,305	6,959
Total Revenues	15,832	15,883	51	42,462	42,107	(355)	6,909	6,348	(561)	256,739	268,625	11,886
Expenditures:												
Current:												
General Government	18	7	11	29,334	24,763	4,571	272	117	155	6,111	3,988	2,123
Education	117	100	17	---	---	---	---	---	---	10,829	7,760	3,069
Natural and Economic Resources	9,822	8,077	1,745	7,684	4,978	2,706	49,287	31,375	17,912	24,236	13,610	10,626
Transportation and Law Enforcement	---	---	---	21,830	17,110	4,720	5	---	5	6,843	5,834	1,009
Human Services	---	---	---	---	---	---	---	---	---	225,602	192,782	32,820
Debt Service	---	---	---	---	---	---	---	---	---	3	3	---
Total Expenditures	9,957	8,184	1,773	58,848	46,851	11,997	49,564	31,492	18,072	273,624	223,977	49,647
Excess Revenues (Expenditures)	5,875	7,699	1,824	(16,386)	(4,744)	11,642	(42,655)	(25,144)	17,511	(16,885)	44,648	61,533
Other Financing Sources (Uses):												
Transfers In	---	---	---	6,725	6,625	(100)	41,776	26,383	(15,393)	30,106	13,235	(16,871)
Transfers Out	(12,800)	(10,159)	2,641	(2,617)	(2,362)	255	(1,250)	(748)	502	(129,600)	(53,553)	76,047
Total Other Financing Sources (Uses)	(12,800)	(10,159)	2,641	4,108	4,263	155	40,526	25,635	(14,891)	(99,494)	(40,318)	59,176
Net Change in Fund Balances	(6,925)	(2,460)	4,465	(12,278)	(481)	11,797	(2,129)	491	2,620	(116,379)	4,330	120,709
Fund Balances – Beginning	46,834	46,834	---	26,509	26,509	---	3,286	3,286	---	97,555	97,555	---
Fund Balances – Ending	\$ 39,909	\$ 44,374	\$ 4,465	\$ 14,231	\$ 26,028	\$ 11,797	\$ 1,157	\$ 3,777	\$ 2,620	\$ (18,824)	\$ 101,885	\$ 120,709
Reconciling Items:												
Reclassifying Cash Equivalents as Investments		(41,005)			(24,049)			(3,352)			(94,118)	
Investments at Fair Value		41,100			24,105			7,019			103,912	
Receivables		---			1,831			480			5,387	
Due from Other Funds		---			38			---			---	
Inventories		27			30			1			4	
Accounts Payable		(279)			(1,113)			(2,867)			(3,892)	
Accrued Payroll		(197)			(401)			(82)			(305)	
Due to Other Funds		(31)			(167)			(10)			(34)	
Deferred Revenue		---			(165)			(8)			(3,615)	
Fund Balance per GAAP	\$ 43,989			\$ 26,137			\$ 4,958			\$ 109,224		

This schedule is continued on pages 111-112.

	Unemployment and Workers' Compensation			Reimbursements and Other			Totals		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:									
Taxes:									
Cigarette	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 33,525	\$ 35,074	\$ 1,549
Liquor	---	---	---	---	---	---	1,450	1,332	(118)
Reimbursement/Miscellaneous	63,428	74,233	10,805	---	---	---	91,234	103,324	12,090
Total Taxes	63,428	74,233	10,805	---	---	---	126,209	139,730	13,521
Licenses, Fees and Permits	---	---	---	114,071	103,170	(10,901)	185,057	174,460	(10,597)
Leases and Rentals	---	---	---	---	---	---	214	224	10
Sales	---	---	---	695	629	(66)	1,723	1,704	(19)
Services	---	---	---	15	11	(4)	205	200	(5)
Contributions and Intergovernmental	890	1,040	150	1,148	1,038	(110)	25,127	26,138	1,011
Interest	6,150	7,200	1,050	2,644	2,393	(251)	12,318	13,245	927
Penalties and Unclaimed Property	2,766	3,236	470	1,602	1,445	(157)	11,461	11,723	262
Cost Reimbursement/Miscellaneous	331	391	60	30,913	27,964	(2,949)	184,281	188,289	4,008
Total Revenues	73,565	86,100	12,535	151,088	136,650	(14,438)	546,595	555,713	9,118
Expenditures:									
Current:									
General Government	7,871	5,319	2,552	23,010	8,281	14,729	66,616	42,475	24,141
Education	---	---	---	400	54	346	11,346	7,914	3,432
Natural and Economic Resources	93,921	83,443	10,478	86,548	64,506	22,042	271,498	205,989	65,509
Transportation and Law Enforcement	---	---	---	22,889	19,746	3,143	51,567	42,690	8,877
Human Services	---	---	---	21,088	9,987	11,101	246,690	202,769	43,921
Debt Service	---	---	---	47	34	13	50	37	13
Total Expenditures	101,792	88,762	13,030	153,982	102,608	51,374	647,767	501,874	145,893
Excess Revenues (Expenditures)	(28,227)	(2,662)	25,565	(2,894)	34,042	36,936	(101,172)	53,839	155,011
Other Financing Sources (Uses):									
Transfers In	---	---	---	42,975	35,284	(7,691)	121,582	81,527	(40,055)
Transfers Out	(7,849)	(7,206)	643	(71,087)	(64,866)	6,221	(225,203)	(138,894)	86,309
Total Other Financing Sources (Uses)	(7,849)	(7,206)	643	(28,112)	(29,582)	(1,470)	(103,621)	(57,367)	46,254
Net Change in Fund Balances	(36,076)	(9,868)	26,208	(31,006)	4,460	35,466	(204,793)	(3,528)	201,265
Fund Balances – Beginning	66,317	66,317	---	58,025	58,025	---	298,526	298,526	---
Fund Balances – Ending	\$ 30,241	\$ 56,449	\$ 26,208	\$ 27,019	\$ 62,485	\$ 35,466	\$ 93,733	\$ 294,998	\$ 201,265
Reconciling Items:									
Reclassifying Cash Equivalents as Investments		(52,240)			(57,697)			(272,461)	
Investments at Fair Value		52,360			57,834			286,330	
Receivables		14,716			2,906			25,320	
Due from Other Funds		225			670			933	
Inventories		---			159			221	
Accounts Payable		(24,691)			(3,911)			(36,753)	
Accrued Payroll		(422)			(2,009)			(3,416)	
Due to Other Funds		(431)			(191)			(864)	
Deferred Revenue		(2,219)			(369)			(6,376)	
Fund Balance per GAAP	\$ 43,747			\$ 59,877			\$ 287,932		

This schedule is continued from pages 109-110.



*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.

**STATE OF MISSOURI
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
June 30, 2008
(In Thousands of Dollars)**

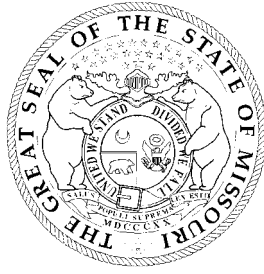
	Water Pollution Control Bond and Interest	Third State Building Bond Interest and Sinking	Fourth State Building Bond and Interest	Stormwater Control Bond and Interest	Totals June 30, 2008
ASSETS					
Cash and Cash Equivalents	\$ 5,512	\$ 8,913	\$ 3,237	\$ 503	\$ 18,165
Investments	25,222	40,785	14,814	2,302	83,123
Interest Receivable	237	387	140	22	786
	<u>30,971</u>	<u>50,085</u>	<u>18,191</u>	<u>2,827</u>	<u>102,074</u>
Total Assets	<u>\$ 30,971</u>	<u>\$ 50,085</u>	<u>\$ 18,191</u>	<u>\$ 2,827</u>	<u>\$ 102,074</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Deferred Revenue	\$ 117	\$ 190	\$ 69	\$ 10	\$ 386
	<u>117</u>	<u>190</u>	<u>69</u>	<u>10</u>	<u>386</u>
Total Liabilities	<u>117</u>	<u>190</u>	<u>69</u>	<u>10</u>	<u>386</u>
Fund Balances:					
Reserved for Debt Service	30,854	49,895	18,122	2,817	101,688
	<u>30,854</u>	<u>49,895</u>	<u>18,122</u>	<u>2,817</u>	<u>101,688</u>
Total Fund Balances	<u>30,854</u>	<u>49,895</u>	<u>18,122</u>	<u>2,817</u>	<u>101,688</u>
Total Liabilities and Fund Balances	<u>\$ 30,971</u>	<u>\$ 50,085</u>	<u>\$ 18,191</u>	<u>\$ 2,827</u>	<u>\$ 102,074</u>

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
For the Fiscal Year Ended June 30, 2008
(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	Totals June 30, 2008
Revenues:					
Investment Earnings:					
Net Increase (Decrease) in the Fair Value of Investments	\$ 133	\$ 220	\$ 79	\$ 12	\$ 444
Interest	1,460	2,501	876	205	5,042
Cost Reimbursement/ Miscellaneous	162	---	---	---	162
Total Revenues	1,755	2,721	955	217	5,648
Expenditures:					
Debt Service:					
Principal	13,895	44,015	7,780	705	66,395
Interest	14,193	6,981	9,307	1,821	32,302
Total Expenditures	28,088	50,996	17,087	2,526	98,697
Excess Revenues (Expenditures)	(26,333)	(48,275)	(16,132)	(2,309)	(93,049)
Other Financing Sources (Uses):					
Transfers In	28,828	44,501	16,402	2,410	92,141
Total Other Financing Sources (Uses)	28,828	44,501	16,402	2,410	92,141
Net Change in Fund Balances	2,495	(3,774)	270	101	(908)
Fund Balances – Beginning	28,359	53,669	17,852	2,716	102,596
Fund Balances – Ending	\$ 30,854	\$ 49,895	\$ 18,122	\$ 2,817	\$ 101,688

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, 2008
(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			Totals		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:															
Interest	\$ 1,255	\$ 1,502	\$ 247	\$ 2,633	\$ 2,613	\$ (20)	\$ 876	\$ 907	\$ 31	\$ 133	\$ 209	\$ 76	\$ 4,897	\$ 5,231	\$ 334
Reimbursement/Miscellaneous	136	163	27	---	---	---	---	---	---	---	---	---	136	163	27
Total Revenues	1,391	1,665	274	2,633	2,613	(20)	876	907	31	133	209	76	5,033	5,394	361
Expenditures:															
Debt Service	30,463	28,088	2,375	50,997	50,996	1	17,087	17,087	---	2,580	2,526	54	101,127	98,697	2,430
Total Expenditures	30,463	28,088	2,375	50,997	50,996	1	17,087	17,087	---	2,580	2,526	54	101,127	98,697	2,430
Excess Revenues (Expenditures)	(29,072)	(26,423)	2,649	(48,364)	(48,383)	(19)	(16,211)	(16,180)	31	(2,447)	(2,317)	130	(96,094)	(93,303)	2,791
Other Financing Sources (Uses):															
Transfers In	30,085	28,828	(1,257)	46,905	44,501	(2,404)	17,078	16,402	(676)	2,580	2,410	(170)	96,648	92,141	(4,507)
Total Other Financing Sources (Uses)	30,085	28,828	(1,257)	46,905	44,501	(2,404)	17,078	16,402	(676)	2,580	2,410	(170)	96,648	92,141	(4,507)
Net Change in Fund Balances	1,013	2,405	1,392	(1,459)	(3,882)	(2,423)	867	222	(645)	133	93	(40)	554	(1,162)	(1,716)
Fund Balances – Beginning	28,217	28,217	---	53,401	53,401	---	17,763	17,763	---	2,703	2,703	---	102,084	102,084	---
Fund Balances – Ending	<u>\$ 29,230</u>	<u>\$ 30,622</u>	<u>\$ 1,392</u>	<u>\$ 51,942</u>	<u>\$ 49,519</u>	<u>\$ (2,423)</u>	<u>\$ 18,630</u>	<u>\$ 17,985</u>	<u>\$ (645)</u>	<u>\$ 2,836</u>	<u>\$ 2,796</u>	<u>\$ (40)</u>	<u>\$ 102,638</u>	<u>\$ 100,922</u>	<u>\$ (1,716)</u>
Reconciling Items:															
Reclassifying Cash Equivalents as Investments		(25,110)			(40,606)			(14,748)			(2,293)			(82,757)	
Investments at Fair Value		25,222			40,785			14,814			2,302			83,123	
Interest Receivable		237			387			140			22			786	
Deferred Revenues		(117)			(190)			(69)			(10)			(386)	
Fund Balances – GAAP Basis	<u>\$ 30,854</u>			<u>\$ 49,895</u>			<u>\$ 18,122</u>			<u>\$ 2,817</u>			<u>\$ 101,688</u>		



*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.

Fourth State Building – Accounts for bond sale proceeds to be used for capital improvements of institutions of higher education, the Department of Corrections, and the Division of Youth Services.

Stormwater Control – Accounts for bond sale proceeds to be used for financing and construction of stormwater control.

Board of Public Building Revenue Bond – Accounts for bond sale proceeds to be used for renovating state buildings and structures.

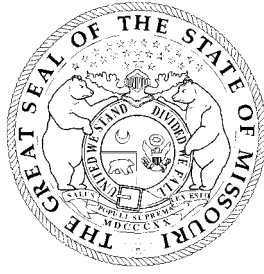
**STATE OF MISSOURI
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUNDS
June 30, 2008
(In Thousands of Dollars)**

	Veterans' Homes Capital Improvement	Water Pollution Control	Fourth State Building	Board of Public Building Revenue Bond	Totals June 30, 2008
ASSETS					
Cash and Cash Equivalents	\$ 1,188	\$ 8,878	\$ 199	\$ 420	\$ 10,685
Investments	14,494	40,627	914	1,921	57,956
Interest Receivable	97	362	11	20	490
Total Assets	<u>\$ 15,779</u>	<u>\$ 49,867</u>	<u>\$ 1,124</u>	<u>\$ 2,361</u>	<u>\$ 69,131</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 18	\$ ---	\$ ---	\$ ---	\$ 18
Accrued Payroll	43	---	---	---	43
Deferred Revenue	48	178	5	10	241
Total Liabilities	<u>109</u>	<u>178</u>	<u>5</u>	<u>10</u>	<u>302</u>
Fund Balances:					
Unreserved	<u>15,670</u>	<u>49,689</u>	<u>1,119</u>	<u>2,351</u>	<u>68,829</u>
Total Fund Balances	<u>15,670</u>	<u>49,689</u>	<u>1,119</u>	<u>2,351</u>	<u>68,829</u>
Total Liabilities and Fund Balances	<u>\$ 15,779</u>	<u>\$ 49,867</u>	<u>\$ 1,124</u>	<u>\$ 2,361</u>	<u>\$ 69,131</u>

NOTE: The Stormwater Control is not included in the Capital Projects Funds Combining Balance Sheet because there were no assets, liabilities, or fund equity at June 30, 2008.

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, 2008
(In Thousands of Dollars)

	Veterans' Homes Capital Improvement	Water Pollution Control	Fourth State Building	Stormwater Control	Board of Public Building Revenue Bond	Totals June 30, 2008
Revenues:						
Contributions and Intergovernmental	\$ 178	\$ ---	\$ ---	\$ ---	\$ ---	\$ 178
Investment Earnings:						
Net Increase (Decrease) in the Fair Value of Investments	45	180	6	1	11	243
Interest	628	1,080	109	---	161	1,978
Cost Reimbursement/ Miscellaneous	2	11	---	---	---	13
Total Revenues	853	1,271	115	1	172	2,412
Expenditures:						
Current:						
General Government	109	---	---	---	---	109
Natural and Economic Resources	---	1,855	---	---	---	1,855
Transportation and Law Enforcement	2,865	---	---	---	---	2,865
Human Services	---	---	24	---	46	70
Capital Outlay:						
Transportation and Law Enforcement	650	---	---	---	27	677
Human Services	---	---	1,813	---	1,320	3,133
Debt Service:						
Principle	---	80	---	1,875	---	1,955
Interest	---	1	---	43	---	44
Bond Issuance Costs	---	63	---	---	---	63
Underwriter's Discount	---	220	---	---	---	220
Total Expenditures	3,624	2,219	1,837	1,918	1,393	10,991
Excess Revenues (Expenditures)	(2,771)	(948)	(1,722)	(1,917)	(1,221)	(8,579)
Other Financing Sources (Uses):						
Debt Issuance	---	50,000	---	---	---	50,000
Bond Premium	---	553	---	---	---	553
Transfers In	6,000	---	---	---	---	6,000
Transfers Out	---	(17)	---	(1)	---	(18)
Total Other Financing Sources (Uses)	6,000	50,536	---	(1)	---	56,535
Net Change in Fund Balances	3,229	49,588	(1,722)	(1,918)	(1,221)	47,956
Fund Balances – Beginning	12,441	101	2,841	1,918	3,572	20,873
Fund Balances – Ending	\$ 15,670	\$ 49,689	\$ 1,119	\$ ---	\$ 2,351	\$ 68,829



*The **Permanent Funds** account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.*

Permanent Funds:

Arrow Rock State Historic Site Endowment – Accounts for moneys transferred from the State Parks Earnings Fund, as well as other moneys or property received by grant, gift, donation, or bequest specified for the enhancement of the Arrow Rock State Historic Site.

Confederate Memorial Park – Accounts for the income from investments acquired by gifts, donations, and bequests to be used for the maintenance of the Confederate Memorial Park.

State Public School – Accounts for all moneys, bonds, lands, and other properties belonging to or donated to the State for public school use in establishing and maintaining free public schools.

Smith Memorial Endowment Trust – Accounts for moneys bequeathed for the use and benefit of the Crippled Children's Service.

Missouri Investment Trust – Accounts for moneys transferred from the Missouri Arts Council Trust Fund, the Missouri Humanities Council Trust Fund, the Johnson-Travis Memorial Trust Fund, and the Secretary of State Wolfner Library Fund to be invested by the Missouri Investment Trust's Board of Trustees.

**STATE OF MISSOURI
COMBINING BALANCE SHEET
PERMANENT FUNDS
June 30, 2008
(In Thousands of Dollars)**

	Arrow Rock State Historic Site Endowment	Confederate Memorial Park	State Public School	Smith Memorial Endowment Trust	Missouri Investment Trust	Totals June 30, 2008
ASSETS						
Cash and Cash Equivalents	\$ 2	\$ 13	\$ 147	\$ 29	\$ ---	\$ 191
Investments	25	152	33,683	359	28,623	62,842
Interest Receivable	---	1	---	3	---	4
Total Assets	<u>\$ 27</u>	<u>\$ 166</u>	<u>\$ 33,830</u>	<u>\$ 391</u>	<u>\$ 28,623</u>	<u>\$ 63,037</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Deferred Revenue	\$ ---	\$ 1	\$ ---	\$ 1	\$ ---	\$ 2
Total Liabilities	<u>---</u>	<u>1</u>	<u>---</u>	<u>1</u>	<u>---</u>	<u>2</u>
Fund Balances:						
Reserved for Trust Principal	26	75	33,830	365	28,623	62,919
Unreserved	1	90	---	25	---	116
Total Fund Balances	<u>27</u>	<u>165</u>	<u>33,830</u>	<u>390</u>	<u>28,623</u>	<u>63,035</u>
Total Liabilities and Fund Balances	<u>\$ 27</u>	<u>\$ 166</u>	<u>\$ 33,830</u>	<u>\$ 391</u>	<u>\$ 28,623</u>	<u>\$ 63,037</u>

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
PERMANENT FUNDS
For the Fiscal Year Ended June 30, 2008
(In Thousands of Dollars)

	Arrow Rock State Historic Site Endowment	Confederate Memorial Park	State Public School	Smith Memorial Endowment Trust	Missouri Investment Trust	Totals June 30, 2008
Revenues:						
Investment Earnings:						
Net Increase (Decrease) in the Fair Value of Investments	\$ ---	\$ ---	\$ (259)	\$ 1	\$ (4,187)	\$ (4,445)
Interest	2	8	---	18	---	28
Penalties and Unclaimed Properties	---	---	1,933	---	---	1,933
Total Revenues	2	8	1,674	19	(4,187)	(2,484)
Net Change in Fund Balances	2	8	1,674	19	(4,187)	(2,484)
Fund Balances – Beginning	25	157	32,156	371	32,810	65,519
Fund Balances – Ending	<u>\$ 27</u>	<u>\$ 165</u>	<u>\$ 33,830</u>	<u>\$ 390</u>	<u>\$ 28,623</u>	<u>\$ 63,035</u>

NOTE: There were no expenditures during fiscal year 2008.

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, 2008
(In Thousands of Dollars)

	Arrow Rock State Historic Site Endowment			Confederate Memorial Park			State Public School			Smith Memorial Endowment Trust		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:												
Interest	\$ ---	\$ 2	\$ 2	\$ 7	\$ 8	\$ 1	\$ ---	\$ 533	\$ 533	\$ 18	\$ 18	\$ ---
Penalties and Unclaimed												
Property	---	---	---	---	---	---	---	138	138	---	---	---
Reimbursement/Miscellaneous	---	---	---	---	---	---	---	1	1	---	---	---
Total Revenues	---	2	2	7	8	1	---	672	672	18	18	---
Expenditures:												
Current:												
Human Services	---	---	---	---	---	---	---	---	---	35	---	35
Total Expenditures	---	---	---	---	---	---	---	---	---	35	---	35
Excess Revenues (Expenditures)	---	2	2	7	8	1	---	672	672	(17)	18	35
Other Financing Sources (Uses):												
Transfers In	---	---	---	---	---	---	1,795	1,795	---	---	---	---
Total Other Financing Sources (Uses)	---	---	---	---	---	---	1,795	1,795	---	---	---	---
Net Change in Fund Balances	---	2	2	7	8	1	1,795	2,467	672	(17)	18	35
Fund Balances – Beginning	25	25	---	156	156	---	9,390	9,390	---	369	369	---
Fund Balances – Ending	<u>\$ 25</u>	<u>\$ 27</u>	<u>\$ 2</u>	<u>\$ 163</u>	<u>\$ 164</u>	<u>\$ 1</u>	<u>\$ 11,185</u>	<u>\$ 11,857</u>	<u>\$ 672</u>	<u>\$ 352</u>	<u>\$ 387</u>	<u>\$ 35</u>
Reconciling Items:												
Reclassifying Cash Equivalents as Investments		(25)			(151)			(11,710)			(358)	
Investments at Fair Value		25			152			33,683			359	
Interest Receivable		---			1			---			3	
Deferred Revenue		---			(1)			---			(1)	
Fund Balance – GAAP Basis	<u>\$ 27</u>			<u>\$ 165</u>			<u>\$ 33,830</u>			<u>\$ 390</u>		

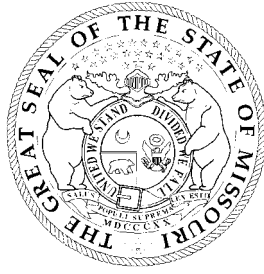
NOTE: The Missouri Investment Trust Fund is not presented on the budgetary comparison schedule because it is a non-appropriated fund and does not have a legally adopted budget.

This schedule is continued on page 123.

	Totals		
	Budget	Actual	Variance
Revenues:			
Interest	\$ 25	\$ 561	\$ 536
Penalties and Unclaimed			
Property	---	138	138
Reimbursement/Miscellaneous	---	1	1
Total Revenues	25	700	675
Expenditures:			
Current:			
Human Services	35	---	35
Total Expenditures	35	---	35
Excess Revenues (Expenditures)	(10)	700	710
Other Financing Sources (Uses):			
Transfers In	1,795	1,795	---
Total Other Financing Sources (Uses)	1,795	1,795	---
Net Change in Fund Balances	1,785	2,495	710
Fund Balances – Beginning	9,940	9,940	---
Fund Balances – Ending	<u>\$ 11,725</u>	<u>\$ 12,435</u>	<u>\$ 710</u>
Reconciling Items:			
Reclassifying Cash Equivalents as Investments		(12,244)	
Investments at Fair Value		34,219	
Interest Receivable		4	
Deferred Revenue		(2)	
Fund Balance – GAAP Basis		<u>\$ 34,412</u>	

NOTE: The Missouri Investment Trust Fund is not presented on the budgetary comparison schedule because it is a non-appropriated fund and does not have a legally adopted budget.

This schedule is continued from page 122.



*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, 2008
(In Thousands of Dollars)

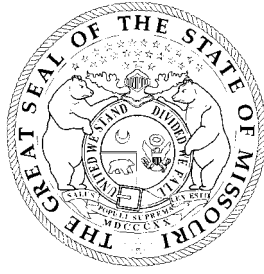
	State Fair Fees	State Parks	Natural Resources Revolving Services	Historic Preservation Revolving	Missouri Veterans' Homes	State Agency for Surplus Property	Department of Revenue Information	Totals June 30, 2008
ASSETS								
Current Assets:								
Cash and Cash Equivalents	\$ 53	\$ 2,746	\$ 49	\$ 176	\$ 448	\$ 225	\$ 242	\$ 3,939
Investments	645	33,305	599	2,144	5,460	2,739	2,957	47,849
Accounts Receivable, Net	---	---	4	---	139	251	56	450
Interest Receivable	3	---	---	16	62	21	---	102
Due from Other Funds	2	1	117	---	---	---	---	120
Inventories	---	597	414	---	711	1	7	1,730
Prepaid Items	---	---	22	---	---	---	---	22
Loans Receivable	---	---	---	534	---	---	---	534
Noncurrent Assets:								
Assets Held for Resale	---	---	---	115	---	---	---	115
Capital Assets:								
Construction in Progress	---	3,121	---	---	13	---	---	3,134
Land	---	7,333	---	---	---	---	---	7,333
Land Improvements	75	7,160	---	---	42	169	---	7,446
Buildings	3	22,360	---	480	164	161	---	23,168
Equipment	448	11,912	16,477	35	5,490	791	166	35,319
Less Accumulated Depreciation	(407)	(20,552)	(11,889)	(157)	(3,905)	(984)	(144)	(38,038)
Total Capital Assets (Net of Accumulated Depreciation)	119	31,334	4,588	358	1,804	137	22	38,362
Total Assets	822	67,983	5,793	3,343	8,624	3,374	3,284	93,223
LIABILITIES								
Current Liabilities:								
Accounts Payable	22	183	92	4	662	31	13	1,007
Accrued Payroll	27	45	3	6	1,551	27	16	1,675
Due to Other Funds	26	---	7	---	13	6	6	58
Unearned Revenue	---	60	41	---	2	---	---	103
Compensated Absences	3	40	5	10	1,818	48	26	1,950
Noncurrent Liabilities:								
Compensated Absences	---	---	2	6	---	3	---	11
Total Liabilities	78	328	150	26	4,046	115	61	4,804
NET ASSETS								
Invested in Capital Assets, Net of Related Debt	119	31,334	4,588	358	1,804	137	22	38,362
Restricted for:								
Other Purposes	---	36,321	---	---	2,774	---	---	39,095
Unrestricted	625	---	1,055	2,959	---	3,122	3,201	10,962
Total Net Assets	\$ 744	\$ 67,655	\$ 5,643	\$ 3,317	\$ 4,578	\$ 3,259	\$ 3,223	\$ 88,419

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, 2008
(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, 2008
Operating Revenues:								
Licenses, Fees, and Permits	\$ 2,779	\$ 4,431	\$ 150	\$ ---	\$ ---	\$ ---	\$ ---	\$ 7,360
Sales	---	644	290	---	370	3,510	1,934	6,748
Leases and Rentals	998	1,868	---	---	---	---	---	2,866
Charges for Services	---	---	---	---	26,407	---	---	26,407
Cost Reimbursement/Miscellaneous	---	500	39	2	157	275	1	974
Total Operating Revenues	<u>3,777</u>	<u>7,443</u>	<u>479</u>	<u>2</u>	<u>26,934</u>	<u>3,785</u>	<u>1,935</u>	<u>44,355</u>
Operating Expenses:								
Cost of Goods Sold	---	---	377	---	---	1,818	---	2,195
Personal Service	1,015	983	93	234	52,611	984	628	56,548
Operations	2,386	3,434	297	65	2,494	648	357	9,681
Inventories	11	23	5	3	1,356	10	20	1,428
Specific Programs	45	9	---	89	199	---	---	342
Depreciation	25	1,705	757	10	339	54	12	2,902
Other Charges	164	207	3	4	64	14	70	526
Total Operating Expenses	<u>3,646</u>	<u>6,361</u>	<u>1,532</u>	<u>405</u>	<u>57,063</u>	<u>3,528</u>	<u>1,087</u>	<u>73,622</u>
Operating Income (Loss)	<u>131</u>	<u>1,082</u>	<u>(1,053)</u>	<u>(403)</u>	<u>(30,129)</u>	<u>257</u>	<u>848</u>	<u>(29,267)</u>
Non-Operating Revenues (Expenses):								
Contributions and Intergovernmental	135	450	1,964	2	32,666	24	(1)	35,240
Investment Earnings:								
Net Increase (Decrease) in the								
Fair Value of Investments	2	79	2	6	15	9	9	122
Interest	10	---	---	94	318	127	---	549
Penalties and Unclaimed Properties	---	31,876	---	---	16	---	---	31,892
Disposal of Capital Assets	(1)	(18)	(14)	---	(3)	---	---	(36)
Total Non-Operating Revenues (Expenses)	<u>146</u>	<u>32,387</u>	<u>1,952</u>	<u>102</u>	<u>33,012</u>	<u>160</u>	<u>8</u>	<u>67,767</u>
Income (Loss) Before Transfers	277	33,469	899	(301)	2,883	417	856	38,500
Transfers In	---	---	---	1,261	---	---	---	1,261
Transfers Out	---	---	---	---	---	(30)	---	(30)
Change in Net Assets	277	33,469	899	960	2,883	387	856	39,731
Total Net Assets - Beginning	467	34,186	4,744	2,357	1,695	2,872	2,367	48,688
Total Net Assets - Ending	<u>\$ 744</u>	<u>\$ 67,655</u>	<u>\$ 5,643</u>	<u>\$ 3,317</u>	<u>\$ 4,578</u>	<u>\$ 3,259</u>	<u>\$ 3,223</u>	<u>\$ 88,419</u>

STATE OF MISSOURI
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2008
(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, 2008
Cash Flows from Operating Activities:								
Receipts from Internal Customers and Users	\$ 44	\$ ---	\$ ---	\$ ---	\$ ---	\$ 529	\$ ---	\$ 573
Receipts from External Customers and Users	3,733	6,963	459	---	26,838	2,980	1,931	42,904
Payments to Suppliers	(2,386)	(3,429)	(665)	(67)	(4,189)	(2,684)	(397)	(13,817)
Payments to Employees	(1,040)	(992)	(93)	(231)	(52,611)	(977)	(653)	(56,597)
Payments Made for Program Expense	(45)	(9)	---	(89)	(199)	---	---	(342)
Other Receipts (Payments)	(164)	293	36	(2)	93	261	(69)	448
Net Cash Provided (Used) by Operating Activities	142	2,826	(263)	(389)	(30,068)	109	812	(26,831)
Cash Flows from Non-Capital Financing Activities:								
Loans Made to Outside Entities	---	---	---	(61)	---	---	---	(61)
Due to/from Other Funds	23	---	(101)	(1)	1	6	(27)	(99)
Contributions and Intergovernmental	135	450	1,964	2	32,657	---	(1)	35,207
Transfers to/from Other Funds	---	---	---	1,261	---	(30)	---	1,231
Net Cash Provided (Used) by Non-Capital Financing Activities	158	450	1,863	1,201	32,658	(24)	(28)	36,278
Cash Flows from Capital and Related Financing Activities:								
Purchases and Construction of Capital Assets	(16)	(1,835)	(1,583)	---	(329)	(8)	---	(3,771)
Net Cash Provided (Used) by Capital and Related Financing Activities	(16)	(1,835)	(1,583)	---	(329)	(8)	---	(3,771)
Cash Flows from Investing Activities:								
Purchase of Investments	(317)	(31,124)	(87)	(997)	(2,789)	(509)	(996)	(36,819)
Interest and Dividends Received	10	---	---	94	339	137	---	580
Penalties and Other Receipts	---	31,876	---	---	16	---	---	31,892
Net Cash Provided (Used) by Investing Activities	(307)	752	(87)	(903)	(2,434)	(372)	(996)	(4,347)
Net Increase (Decrease) in Cash	(23)	2,193	(70)	(91)	(173)	(295)	(212)	1,329
Cash and Cash Equivalents, Beginning of Year	76	553	119	267	621	520	454	2,610
Cash and Cash Equivalents, End of Year	\$ 53	\$ 2,746	\$ 49	\$ 176	\$ 448	\$ 225	\$ 242	\$ 3,939
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:								
Operating Income (Loss)	\$ 131	\$ 1,082	\$ (1,053)	\$ (403)	\$ (30,129)	\$ 257	\$ 848	\$ (29,267)
Depreciation Expense	25	1,705	757	10	339	54	12	2,902
Changes in Assets and Liabilities:								
Accounts Receivable	---	1	20	---	59	(1)	(3)	76
Inventories	1	(39)	(38)	---	(331)	(1)	(7)	(415)
Accounts Payable	10	67	52	1	(8)	(207)	(13)	(98)
Accrued Payroll	(6)	(4)	---	1	16	4	(7)	4
Unearned Revenue	---	19	(1)	---	2	---	---	20
Compensated Absences	(19)	(5)	---	2	(16)	3	(18)	(53)
Net Cash Provided (Used) by Operating Activities	\$ 142	\$ 2,826	\$ (263)	\$ (389)	\$ (30,068)	\$ 109	\$ 812	\$ (26,831)
Non-Cash Financing and Investing Activities:								
Capital Asset Donations	\$ ---	\$ 16	\$ ---	\$ ---	\$ 9	\$ 24	\$ ---	\$ 49
Increase (Decrease) in Fair Value of Investments	1	77	1	5	13	6	7	110
Net Non-Cash Financing and Investing Activities	\$ 1	\$ 93	\$ 1	\$ 5	\$ 22	\$ 30	\$ 7	\$ 159



*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, 2008
(In Thousands of Dollars)

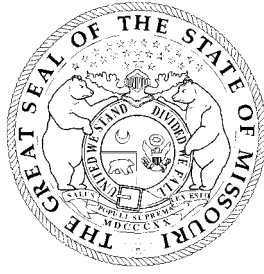
	Natural Resources Cost Allocation	Mental Health Interagency Payments	State Facility Maintenance and Operation	Office of Administration Revolving	Working Capital Revolving	General Government Revolving	Social Services Administrative Trust	Economic Development Administrative	Professional Registration Fees	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, 2008
ASSETS															
Current Assets:															
Cash and Cash Equivalents	\$ 85	\$ 424	\$ 246	\$ 849	\$ 644	\$ 1,847	\$ 24	\$ 20	\$ 6	\$ 682	\$ 230	\$ ---	\$ 143,591	\$ 1,866	\$ 150,514
Investments	1,039	5,169	5,509	12,286	7,867	22,537	300	248	74	5,982	64,673	2,344	30,916	28,387	187,331
Accounts Receivable, Net	---	---	---	1,576	763	25,149	---	---	---	523	---	1,034	18,643	1,393	49,081
Interest Receivable	---	---	---	---	---	---	---	---	---	30	590	---	---	---	620
Due from Other Funds	---	13	12,396	2,891	1,776	29	382	14	---	---	---	---	---	---	17,501
Inventories	9	16	7,401	670	13,287	---	80	2	12	---	---	---	---	---	21,477
Prepaid Items	---	---	---	---	---	---	---	---	---	---	---	---	99	---	99
Non-Current Assets:															
Restricted Assets:															
Cash and Cash Equivalents	---	---	26,585	655	---	---	---	---	---	---	---	---	---	---	27,240
Investments	---	---	---	---	---	---	---	---	---	---	200	---	---	100	300
Capital Assets:															
Construction in Progress	---	---	228,094	1,003	500	---	---	---	---	---	---	---	---	---	229,597
Land	---	---	8,332	---	143	---	---	---	---	---	---	---	---	---	8,475
Land Improvements	---	---	3,090	---	62	---	---	---	---	---	---	---	---	---	3,152
Buildings	1,794	---	285,430	9,827	6,342	---	---	---	2,300	---	---	---	---	---	305,693
Equipment	5,798	3,127	8,815	43,788	23,746	107	226	456	1,876	---	---	---	2,758	---	90,697
Less Accumulated Depreciation	(4,462)	(2,518)	(160,810)	(40,839)	(24,720)	(72)	(183)	(380)	(2,256)	---	---	---	(2,153)	---	(238,393)
Total Capital Assets (Net of Accumulated Depreciation)	3,130	609	372,951	13,779	6,073	35	43	76	1,920	---	---	---	605	---	399,221
Total Assets	4,263	6,231	425,088	32,706	30,410	49,597	829	360	2,012	7,217	65,693	3,378	193,854	31,746	853,384
LIABILITIES															
Current Liabilities:															
Accounts Payable	168	222	3,536	2,450	121	478	44	17	95	143	10	3,052	18,322	1,411	30,069
Accrued Payroll	295	---	759	346	264	40	---	40	121	---	---	---	---	---	1,865
Due to Other Funds	79	---	191	77	109	6	33	3	25	---	---	---	---	---	523
Unearned Revenue	---	---	---	419	---	---	---	---	---	---	---	---	16,401	7,208	24,028
Claims Liability	---	---	---	---	---	---	---	---	---	1,264	14,407	---	38,094	12,400	66,165
Obligations under Lease Purchase	42	---	1,553	2,079	1	---	---	---	---	---	---	---	---	---	3,675
Compensated Absences	408	---	1,723	556	587	63	---	67	214	---	---	---	20	---	3,638
Notes Payable	---	---	177	---	---	---	---	---	---	---	---	---	---	---	177
Non-Current Liabilities:															
Claims Liability	---	---	---	---	---	---	---	---	---	---	50,764	---	---	---	50,764
Obligations under Lease Purchase	1,537	---	15,305	2,576	---	---	---	---	---	---	---	---	---	---	19,418
Compensated Absences	272	---	230	213	---	---	---	13	53	---	---	---	232	---	1,013
Notes Payable	---	---	3,570	---	---	---	---	---	---	---	---	---	---	---	3,570
Total Liabilities	2,801	222	27,044	8,716	1,082	587	77	140	508	1,407	65,181	3,052	73,069	21,019	204,905
NET ASSETS															
Invested in Capital Assets, Net of Related Debt	1,551	609	356,093	9,124	6,072	35	43	76	1,920	---	---	---	605	---	376,128
Restricted for:															
Revenue Bonds	---	---	26,585	---	---	---	---	---	---	---	---	---	---	---	26,585
Other Purposes	---	---	---	655	---	---	---	---	---	---	200	---	---	100	955
Unrestricted	(89)	5,400	15,366	14,211	23,256	48,975	709	144	(416)	5,810	312	326	120,180	10,627	244,811
Total Net Assets	\$ 1,462	\$ 6,009	\$ 398,044	\$ 23,990	\$ 29,328	\$ 49,010	\$ 752	\$ 220	\$ 1,504	\$ 5,810	\$ 512	\$ 326	\$ 120,785	\$ 10,727	\$ 648,479

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2008
(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, 2008
Operating Revenues:															
Employer Contributions	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 7,582	\$ 11,442	\$ ---	\$ 292,045	\$ 71,096	\$ 382,165
Employee Contributions	---	---	---	---	---	---	---	---	---	5,067	---	88,352	57,339	26,534	177,292
Medicare Part D Subsidy	---	---	---	---	---	---	---	---	---	261	---	---	---	3,291	3,552
Licenses, Fees, and Permits	---	---	---	---	---	20,296	---	---	5,868	---	---	---	---	---	26,164
Sales	---	---	---	---	36,575	15	5	---	---	---	---	---	---	---	36,595
Leases and Rentals	---	---	39,744	---	111	13	5	---	---	---	---	---	---	---	39,873
Charges for Services	11,607	5,505	65,136	66,247	2	2,202	5,370	1,778	---	---	---	---	---	---	157,847
Cost Reimbursement/Miscellaneous	17	---	52	40,646	4	29	---	71	3	221	705	536	---	1,623	43,907
Total Operating Revenues	11,624	5,505	104,932	106,893	36,692	22,555	5,380	1,849	5,871	13,131	12,147	88,888	349,384	102,544	867,395
Operating Expenses:															
Cost of Goods Sold	---	---	---	8,405	18,036	---	---	---	---	---	---	---	---	---	26,441
Personal Service	8,293	6	26,391	11,152	9,478	1,207	---	1,396	4,207	---	---	572	3,292	---	65,994
Operations	2,644	323	63,891	79,145	3,599	6,308	5,495	159	1,478	1,667	655	166	21,316	5,584	192,430
Inventories	123	2	140	845	152	15	16	9	114	---	---	---	---	---	1,416
Specific Programs	9	3,277	28	---	32	486	---	---	15	---	---	---	---	---	3,847
Insurance Benefits	---	---	---	---	---	---	---	---	---	11,085	31,448	88,299	357,622	101,118	589,572
Depreciation	513	452	6,820	2,446	1,211	9	35	51	334	---	---	---	318	---	12,189
Other Charges	204	3	237	1,104	1,689	114	---	37	120	11	---	---	---	47	3,566
Total Operating Expenses	11,786	4,063	97,507	103,097	34,197	8,139	5,546	1,652	6,268	12,763	32,103	89,037	382,548	106,749	895,455
Operating Income (Loss)	(162)	1,442	7,425	3,796	2,495	14,416	(166)	197	(397)	368	(19,956)	(149)	(33,164)	(4,205)	(28,060)
Non-Operating Revenues (Expenses):															
Contributions and Intergovernmental	---	---	---	---	---	23	---	---	---	---	---	---	---	---	23
Interest Expense	---	---	(1,010)	(238)	---	---	---	---	---	---	---	---	---	---	(1,248)
Investment Earnings:															
Net Increase (Decrease) in the Fair Value of Investments	4	15	8	37	25	66	1	1	---	(12)	630	---	---	276	1,051
Interest	---	---	2,678	---	---	---	---	---	---	290	2,819	77	7,099	1,021	13,984
Penalties and Unclaimed Properties	---	---	---	---	---	---	2	---	---	---	---	---	---	---	2
Disposal of Capital Assets	(2)	(3)	(5)	(5)	(7)	---	(1)	(6)	---	---	---	---	---	---	(30)
Total Non-Operating Revenues (Expenses)	2	12	1,671	(206)	18	89	2	---	(6)	278	3,449	77	7,099	1,297	13,782
Income (Loss) Before Transfers	(160)	1,454	9,096	3,590	2,513	14,505	(164)	197	(403)	646	(16,507)	(72)	(26,065)	(2,908)	(14,278)
Capital Contributions	---	---	268	---	---	---	---	---	---	---	---	---	---	---	268
Transfers In	---	---	5,222	---	---	---	---	---	2	---	---	---	---	---	5,224
Transfers Out	---	---	---	(442)	---	(67)	---	---	---	---	---	---	---	---	(509)
Change in Net Assets	(160)	1,454	14,586	3,148	2,513	14,438	(164)	197	(401)	646	(16,507)	(72)	(26,065)	(2,908)	(9,295)
Total Net Assets - Beginning	1,622	4,555	383,458	20,842	26,815	34,572	916	23	1,905	5,164	17,019	398	146,850	13,635	657,774
Total Net Assets - Ending	\$ 1,462	\$ 6,009	\$ 398,044	\$ 23,990	\$ 29,328	\$ 49,010	\$ 752	\$ 220	\$ 1,504	\$ 5,810	\$ 512	\$ 326	\$ 120,785	\$ 10,727	\$ 648,479

STATE OF MISSOURI
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2008
(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, 2008
Cash Flows from Operating Activities:															
Receipts from Internal Customers and Users	\$ 11,607	\$ 5,308	\$ 104,945	\$ 36,411	\$ 26,947	\$ 486	\$ 5,564	\$ 1,765	\$ 5,868	\$ 7,582	\$ 11,442	\$ ---	\$ 290,212	\$ 71,372	\$ 579,509
Receipts from External Customers and Users	---	197	---	29,864	10,406	16,668	20	15	---	5,326	---	88,301	57,339	30,551	238,687
Payments to Suppliers	(2,730)	(103)	(68,993)	(87,849)	(23,832)	(6,464)	(5,523)	(164)	(1,601)	(1,595)	(767)	(87)	(10,764)	(5,999)	(216,471)
Payments to Employees	(8,116)	(8)	(26,199)	(11,160)	(9,483)	(1,215)	---	(1,374)	(4,205)	---	---	(572)	(3,257)	---	(65,589)
Payments Made for Program Expense	(9)	(3,277)	(28)	---	(32)	(486)	---	---	(15)	(11,083)	(17,592)	(88,299)	(362,582)	(99,718)	(583,121)
Other Receipts (Payments)	(187)	(3)	(185)	39,542	(1,685)	(85)	---	34	(117)	210	705	536	---	1,576	40,341
Net Cash Provided (Used) by Operating Activities	565	2,114	9,540	6,808	2,321	8,904	61	276	(70)	440	(6,212)	(121)	(29,052)	(2,218)	(6,644)
Cash Flows from Non-Capital Financing Activities:															
Due to/from Other Funds	34	(10)	(9,790)	(428)	(805)	(3)	(124)	(3)	(9)	---	---	---	---	---	(11,138)
Contributions and Intergovernmental Transfers to/from Other Funds	---	---	5,222	(442)	---	23	---	---	---	---	---	---	---	---	23
Net Cash Provided (Used) by Non-Capital Financing Activities	34	(10)	(4,568)	(870)	(805)	(47)	(124)	(3)	(7)	---	---	---	---	---	4,715
Cash Flows from Capital and Related Financing Activities:															
Interest Expense	---	---	(1,010)	(238)	---	---	---	---	---	---	---	---	---	---	(1,248)
Purchase or Construction of Capital Assets	(774)	(9)	(76,727)	(1,564)	(410)	(9)	---	(39)	(108)	---	---	---	(496)	---	(80,136)
Bonds and Notes Payable	---	---	(158)	---	---	---	---	---	---	---	---	---	---	---	(158)
Capital Lease Downpayment/Obligations	(1)	---	(324)	(1,523)	(17)	---	---	---	---	---	---	---	(42)	---	(1,907)
Net Cash Used by Capital and Related Financing Activities	(775)	(9)	(78,219)	(3,325)	(427)	(9)	---	(39)	(108)	---	---	---	(538)	---	(83,449)
Cash Flows from Investing Activities:															
Proceeds from Sales and Investment Maturities	15	---	50,220	---	---	---	12	---	---	---	202,974	590,202	---	88,112	931,535
Purchase of Investments	---	(2,332)	---	(4,196)	(1,849)	(9,938)	---	(220)	(74)	(693)	(199,707)	(590,161)	(445)	(88,955)	(898,570)
Interest and Dividends Received	---	---	2,678	---	---	---	---	---	---	283	3,175	77	7,099	1,021	14,333
Penalties and Other Receipts	---	---	---	---	---	---	2	---	---	---	---	---	---	---	2
Net Cash Provided (Used) by Investing Activities	15	(2,332)	52,898	(4,196)	(1,849)	(9,938)	14	(220)	(74)	(410)	6,442	118	6,654	178	47,300
Net Increase (Decrease) in Cash	(161)	(237)	(20,349)	(1,583)	(760)	(1,090)	(49)	14	(259)	30	230	(3)	(22,936)	(2,040)	(49,193)
Cash and Cash Equivalents, Beginning of Year	246	661	47,180	3,087	1,404	2,937	73	6	265	652	---	3	166,527	3,906	226,947
Cash and Cash Equivalents, End of Year	\$ 85	\$ 424	\$ 26,831	\$ 1,504	\$ 644	\$ 1,847	\$ 24	\$ 20	\$ 6	\$ 682	\$ 230	\$ ---	\$ 143,591	\$ 1,866	\$ 177,754
Reconciliation of Operating Income (Loss) of Net Cash Provided (Used) by Operating Activities:															
Operating Income (Loss)	\$ (162)	\$ 1,442	\$ 7,425	\$ 3,796	\$ 2,495	\$ 14,416	\$ (166)	\$ 197	\$ (397)	\$ 368	\$ (19,956)	\$ (149)	\$ (33,164)	\$ (4,205)	\$ (28,060)
Depreciation Expense	513	452	6,820	2,446	1,211	9	35	51	334	---	---	---	318	---	12,189
Changes in Assets and Liabilities:															
Accounts Receivable	---	---	65	83	665	(5,372)	204	2	---	(2)	---	(51)	828	277	(3,301)
Inventories	---	---	(5,801)	582	(2,048)	---	17	---	---	---	---	---	---	---	(7,250)
Prepaid Items	---	---	---	---	---	---	---	---	---	117	---	---	(80)	---	37
Accounts Payable	37	222	839	(36)	3	(141)	(29)	4	(9)	72	(229)	79	10,632	(415)	11,029
Accrued Payroll	57	(2)	23	17	8	(2)	---	3	(11)	---	---	---	---	---	93
Unearned Revenue	---	---	---	(55)	---	---	---	---	---	---	---	---	(2,661)	725	(1,991)
Claims Liability	---	---	---	---	---	---	---	---	---	2	13,856	---	(4,960)	1,400	10,298
Compensated Absences	120	---	169	(25)	(13)	(6)	---	19	13	---	---	---	35	---	312
Net Cash Provided (Used) by Operating Activities	\$ 565	\$ 2,114	\$ 9,540	\$ 6,808	\$ 2,321	\$ 8,904	\$ 61	\$ 276	\$ (70)	\$ 440	\$ (6,212)	\$ (121)	\$ (29,052)	\$ (2,218)	\$ (6,644)
Non-Cash Financing and Investing Activities:															
Capital Lease Issuance	\$ ---	\$ ---	\$ 16,342	\$ 3,296	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 19,638
Capital Asset Donations	---	---	274	---	---	---	---	---	2	---	---	---	---	---	276
Increase (Decrease) in Fair Value of Investments	2	12	7	28	18	52	1	1	---	19	630	---	---	276	1,046
Net Non-Cash Financing and Investing Activities	\$ 2	\$ 12	\$ 16,623	\$ 3,324	\$ 18	\$ 52	\$ 1	\$ 1	\$ 2	\$ 19	\$ 630	\$ ---	\$ ---	\$ 276	\$ 20,960



*The **Fiduciary Funds** account for assets held by the State in a trustee or agent capacity.*

Pension (and Other Employee Benefit) Trust Funds:

Missouri State Employees' Retirement System:

Missouri State Employees' Plan – Accounts for retirement, survivor, and disability benefits paid to employees of the State who are not covered under another state-sponsored retirement plan.

Judicial Plan – Accounts for retirement, survivor, and disability benefits to judges in the State of Missouri.

Missouri Department of Transportation and Highway Patrol Employees' Retirement System – Accounts for retirement, survivor, and disability benefits paid to Department of Transportation employees and members of the Missouri State Highway Patrol.

Missouri Consolidated Health Care Plan State Retiree Welfare Benefit Trust – Accounts for health and welfare benefits paid for the exclusive benefit of current and future retired employees of the State who are not covered under another state-sponsored other post-employment benefit plan.

Missouri State Employees' Deferred Compensation Incentive (IRC 401a) Plan – Accounts for retirement benefits paid to employees of the State.

Missouri State Public Employees' Deferred Compensation (IRC 457) Plan – Accounts for deposits from State employees, which are invested for the benefit of the employees until properly authorized to distribute.

Private-Purpose Trust Funds:

Alternative Care Trust – Accounts for all moneys received and spent by the Division of Family Services on behalf of children in their custody.

Johnson-Travis Memorial Trust – Accounts for all moneys, stocks, and securities given to the State by Miss Pansy Johnson or for the benefit of the Pansy Johnson-Travis Memorial State Gardens. Moneys will be used solely to establish, develop, and maintain the gardens.

Unclaimed Property – Accounts for moneys unpaid or unclaimed within one year after final settlement of any executor or administrator, assignee, sheriff or receiver and all unclaimed deposits, dividends, and interest of banks unable to locate the owners.

Agency Funds:

Social Security Contributions – Accounts for the receipt of contributions from various state funds for the State's share of social security contributions, which are due to the Federal Social Security Administration.

Missouri State Employees' Voluntary Life Insurance – Accounts for moneys withheld from employees' compensation for the contracts entered into with life insurance companies.

Program – Accounts for the receipt of various taxes, refundable deposits, and other moneys to be held until the State has the right or obligation to distribute them to various entities or individuals.

Institution – Accounts for deposits to various institutional accounts and other receipts held by the State until there is proper authorization to disburse them directly to others.

STATE OF MISSOURI
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS
June 30, 2008
(In Thousands of Dollars)

	Missouri State Employees' Retirement System		Missouri Department of Transportation and Highway Patrol Employees' Retirement System	Missouri Consolidated Health Care Plan State Retiree Welfare Benefit Trust	Deferred Compensation		Totals
	Missouri State Employees' Plan	Judicial Plan			401 (a) Plan	457 Plan	June 30, 2008
ASSETS							
Cash and Cash Equivalents	\$ 714,626	\$ 6,876	\$ 110	\$ 15,646	\$ 139	\$ 490	\$ 737,887
Investments at Fair Value	7,286,120	70,105	1,685,750	---	314,261	1,094,631	10,450,867
Receivables:							
Accounts Receivable	97,275	1,938	35,006	13,571	180	724	148,694
Interest Receivable	---	---	4,209	---	---	---	4,209
Invested Securities							
Lending Collateral	981,008	9,439	61,380	---	---	---	1,051,827
Prepaid Expenses	83	1	8	---	---	---	92
Capital Assets:							
Land	264	3	84	---	---	---	351
Buildings	3,440	33	582	---	---	---	4,055
Equipment	1,761	17	1,145	---	---	---	2,923
Accumulated Depreciation	(2,169)	(21)	(234)	---	---	---	(2,424)
Total Capital Assets, Net	3,296	32	1,577	---	---	---	4,905
Total Assets	9,082,408	88,391	1,788,040	29,217	314,580	1,095,845	12,398,481
LIABILITIES							
Accounts Payable	150,975	1,453	7,984	124	178	628	161,342
Securities Lending							
Collateral	997,021	9,593	61,380	---	---	---	1,067,994
Unearned Revenue	---	---	---	2,996	---	---	2,996
Claims Liability	---	---	---	10,451	---	---	10,451
Obligations under Lease Purchase	---	---	1	---	---	---	1
Compensated Absences	382	4	---	---	---	---	386
Total Liabilities	1,148,378	11,050	69,365	13,571	178	628	1,243,170
Net Assets Held in Trust for Benefits	\$ 7,934,030	\$ 77,341	\$ 1,718,675	\$ 15,646	\$ 314,402	\$ 1,095,217	\$ 11,155,311

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, 2008
(In Thousands of Dollars)

	Missouri State Employees' Retirement System		Missouri Department of Transportation and Highway Patrol Employees'	Missouri Consolidated Health Care Plan State Retiree Welfare Benefit Trust	Deferred Compensation		Totals
	Missouri State Employees' Plan	Judicial Plan	Retirement System		401 (a) Plan	457 Plan	June 30, 2008
Additions:							
Contributions:							
Employer	\$ 249,770	\$ 26,215	\$ 123,335	\$ 76,906	\$ 16,663	\$ ---	\$ 492,889
Plan Member	3,085	---	---	40,826	---	91,803	135,714
Other	38	---	1,193	---	47,129	401	48,761
Total Contributions	252,893	26,215	124,528	117,732	63,792	92,204	677,364
Investment Earnings:							
Increase (Decrease) in Appreciation of Assets	(44,207)	(425)	(39,141)	---	(11,736)	(57,557)	(153,066)
Interest and Dividends	222,877	2,144	23,443	185	25,910	100,475	375,034
Securities Lending Income	49,767	479	3,848	---	---	---	54,094
Total Investment Earnings	228,437	2,198	(11,850)	185	14,174	42,918	276,062
Less Investment Expenses:							
Investment Activity Expense	(76,404)	(735)	(27,632)	---	---	---	(104,771)
Securities Lending Expense	(41,405)	(399)	(3,435)	---	---	---	(45,239)
Total Investment Expense	(117,809)	(1,134)	(31,067)	---	---	---	(150,010)
Net Investment Earnings	110,628	1,064	(42,917)	185	14,174	42,918	126,052
Cost Reimbursement/ Miscellaneous	572	6	32	---	---	---	610
Total Additions	364,093	27,285	81,643	117,917	77,966	135,122	804,026
Deductions:							
Benefits	479,854	22,058	185,801	94,400	31,678	---	813,791
Administrative Expenses	6,722	65	2,308	7,871	893	---	17,859
Program Distributions	---	---	---	---	---	116,143	116,143
Service Transfer Payments	251	---	---	---	---	---	251
Depreciation	229	2	63	---	---	---	294
Total Deductions	487,056	22,125	188,172	102,271	32,571	116,143	948,338
Change in Net Assets	(122,963)	5,160	(106,529)	15,646	45,395	18,979	(144,312)
Net Assets Held in Trust for Benefits							
Beginning of Year	8,056,993	72,181	1,825,204	---	269,007	1,076,238	11,299,623
End of Year	\$ 7,934,030	\$ 77,341	\$ 1,718,675	\$ 15,646	\$ 314,402	\$ 1,095,217	\$ 11,155,311

STATE OF MISSOURI
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE-PURPOSE TRUST FUNDS
June 30, 2008
(In Thousands of Dollars)

	Alternative Care Trust	Johnson- Travis Memorial Trust	Unclaimed Property	Totals June 30, 2008
ASSETS				
Cash and Cash Equivalents	\$ 302	\$ 3	\$ 732	\$ 1,037
Investments at Fair Value	3,684	89	8,925	12,698
Interest Receivable	30	---	---	30
Inventories	---	---	1	1
Capital Assets:				
Equipment	---	---	51	51
Less: Accumulated Depreciation	---	---	(26)	(26)
Total Capital Assets, Net	---	---	25	25
Total Assets	4,016	92	9,683	13,791
LIABILITIES				
Accounts Payable	881	---	16	897
Accrued Payroll	---	---	21	21
Total Liabilities	881	---	37	918
NET ASSETS				
Net Assets Held in Trust for Other Purposes	\$ 3,135	\$ 92	\$ 9,646	\$ 12,873

STATE OF MISSOURI
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE-PURPOSE TRUST FUNDS
For the Fiscal Year Ended June 30, 2008
(In Thousands of Dollars)

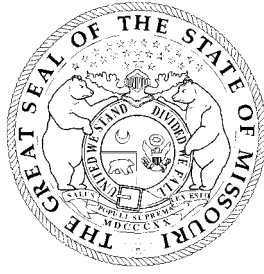
	Alternative Care Trust	Johnson- Travis Memorial Trust	Unclaimed Property	Totals June 30, 2008
Additions:				
Increase (Decrease) in Appreciation of Assets	\$ 12	\$ ---	\$ 33	\$ 45
Interest	187	2	---	189
Total Investment Earnings	199	2	33	234
Unclaimed Property	---	---	29,261	29,261
Cost Reimbursement/Miscellaneous	11,149	---	30	11,179
Total Additions	11,348	2	29,324	40,674
Deductions:				
Administrative Expenses	---	---	2,696	2,696
Program Distributions	11,848	---	30,643	42,491
Depreciation	---	---	9	9
Total Deductions	11,848	---	33,348	45,196
Change in Net Assets	(500)	2	(4,024)	(4,522)
Net Assets – Beginning	3,635	90	13,670	17,395
Net Assets – Ending	\$ 3,135	\$ 92	\$ 9,646	\$ 12,873

**STATE OF MISSOURI
COMBINING BALANCE SHEET
AGENCY FUNDS
June 30, 2008
(In Thousands of Dollars)**

	Social Security Contributions	Missouri State Employees' Voluntary Life Insurance	Program	Institution	Totals June 30, 2008
ASSETS					
Cash and Cash					
Equivalents	\$ 8	\$ 10	\$ 19,400	\$ 28,543	\$ 47,961
Investments at					
Fair Value	94	124	380,643	1,274	382,135
Receivables:					
Accounts Receivable	6,254	---	193,577	317	200,148
Interest Receivable	---	---	685	---	685
Total Assets	<u>\$ 6,356</u>	<u>\$ 134</u>	<u>\$ 594,305</u>	<u>\$ 30,134</u>	<u>\$ 630,929</u>
LIABILITIES					
Accounts Payable	\$ ---	\$ ---	\$ 31	\$ ---	\$ 31
Due to Other Entities	6,356	134	591,119	---	597,609
Due to Individuals	---	---	3,155	30,134	33,289
Total Liabilities	<u>\$ 6,356</u>	<u>\$ 134</u>	<u>\$ 594,305</u>	<u>\$ 30,134</u>	<u>\$ 630,929</u>

STATE OF MISSOURI
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2008
(In Thousands of Dollars)

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<u>SOCIAL SECURITY CONTRIBUTIONS</u>				
ASSETS				
Cash and Cash Equivalents	\$ 20	\$ 155,001	\$ 155,013	\$ 8
Investments at Fair Value	81	94	81	94
Accounts Receivable	6,089	6,254	6,089	6,254
Total Assets	<u>\$ 6,190</u>	<u>\$ 161,349</u>	<u>\$ 161,183</u>	<u>\$ 6,356</u>
LIABILITIES				
Due to Other Entities	<u>\$ 6,190</u>	<u>\$ 470,493</u>	<u>\$ 470,327</u>	<u>\$ 6,356</u>
<u>MISSOURI STATE EMPLOYEES'</u>				
<u>VOLUNTARY LIFE INSURANCE</u>				
ASSETS				
Cash and Cash Equivalents	\$ ---	\$ 3,281	\$ 3,271	\$ 10
Investments at Fair Value	---	124	---	124
Total Assets	<u>\$ ---</u>	<u>\$ 3,405</u>	<u>\$ 3,271</u>	<u>\$ 134</u>
LIABILITIES				
Due to Other Entities	<u>\$ ---</u>	<u>\$ 3,281</u>	<u>\$ 3,147</u>	<u>\$ 134</u>
<u>PROGRAM</u>				
ASSETS				
Cash and Cash Equivalents	\$ 15,416	\$ 5,673,463	\$ 5,669,479	\$ 19,400
Investments at Fair Value	352,653	548,680	520,690	380,643
Receivables:				
Accounts Receivable	62,159	171,122	39,704	193,577
Interest Receivable	1,546	7,420	8,281	685
Total Assets	<u>\$ 431,774</u>	<u>\$ 6,400,685</u>	<u>\$ 6,238,154</u>	<u>\$ 594,305</u>
LIABILITIES				
Accounts Payable	\$ 30	\$ 393	\$ 392	\$ 31
Due to Other Entities	426,171	6,119,881	5,954,933	591,119
Due to Individuals	5,573	245,760	248,178	3,155
Total Liabilities	<u>\$ 431,774</u>	<u>\$ 6,366,034</u>	<u>\$ 6,203,503</u>	<u>\$ 594,305</u>
<u>INSTITUTION</u>				
ASSETS				
Cash and Cash Equivalents	\$ 26,708	\$ 149,270	\$ 147,435	\$ 28,543
Investments at Fair Value	1,195	141	62	1,274
Accounts Receivable	295	32	10	317
Total Assets	<u>\$ 28,198</u>	<u>\$ 149,443</u>	<u>\$ 147,507</u>	<u>\$ 30,134</u>
LIABILITIES				
Due to Individuals	<u>\$ 28,198</u>	<u>\$ 149,443</u>	<u>\$ 147,507</u>	<u>\$ 30,134</u>
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and Cash Equivalents	\$ 42,144	\$ 5,981,015	\$ 5,975,198	\$ 47,961
Investments at Fair Value	353,929	549,039	520,833	382,135
Receivables:				
Accounts Receivable	68,543	177,408	45,803	200,148
Interest Receivable	1,546	7,420	8,281	685
Total Assets	<u>\$ 466,162</u>	<u>\$ 6,714,882</u>	<u>\$ 6,550,115</u>	<u>\$ 630,929</u>
LIABILITIES				
Accounts Payable	\$ 30	\$ 393	\$ 392	\$ 31
Due to Other Entities	432,361	6,593,655	6,428,407	597,609
Due to Individuals	33,771	395,203	395,685	33,289
Total Liabilities	<u>\$ 466,162</u>	<u>\$ 6,989,251</u>	<u>\$ 6,824,484</u>	<u>\$ 630,929</u>



*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.

STATE OF MISSOURI
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR COMPONENT UNITS
June 30, 2008
(In Thousands of Dollars)

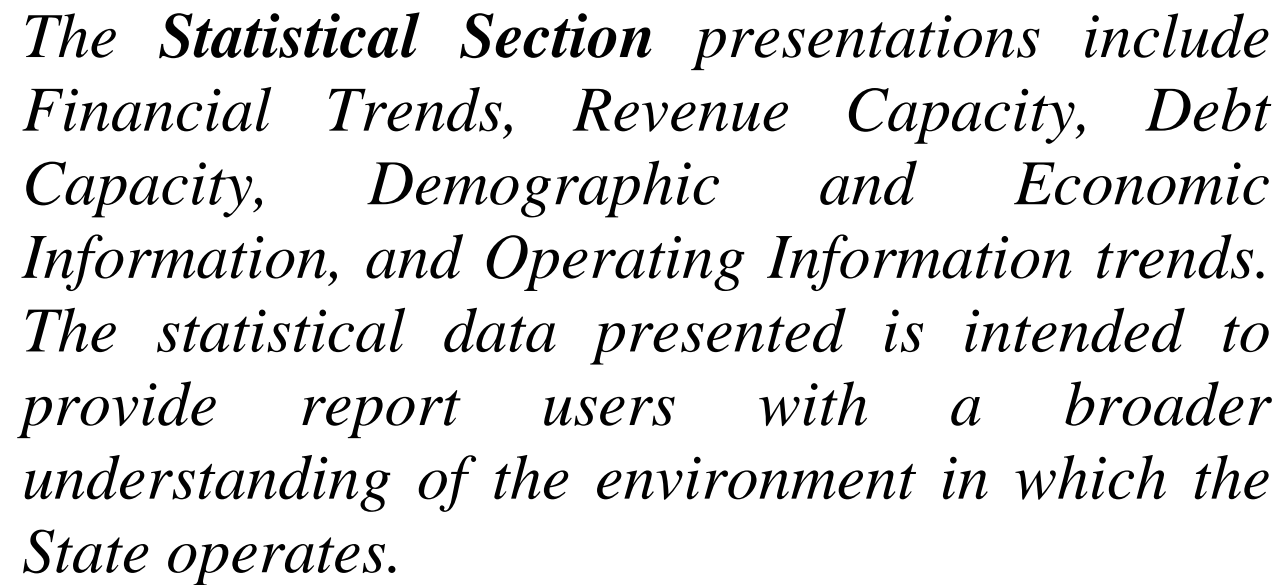
	Missouri Development Finance Board	Missouri Agricultural and Small Business Development Authority	Missouri Transportation Finance Corporation	Totals June 30, 2008
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 17,818	\$ 338	\$ 2,838	\$ 20,994
Investments	18,045	1,706	6,665	26,416
Interest Receivable	239	19	896	1,154
Prepaid Items	150	---	---	150
Loans Receivable	279	983	8,073	9,335
Non-Current Assets:				
Advance to Primary Government	---	---	6,167	6,167
Loans Receivable	6,025	3,349	3,596	12,970
Restricted Assets:				
Cash and Cash Equivalents	15,558	498	902	16,958
Investments	12,506	3,738	57,072	73,316
Capital Assets:				
Land	7,220	---	---	7,220
Buildings	49,614	---	---	49,614
Equipment	140	---	---	140
Less Accumulated Depreciation	(4,802)	---	---	(4,802)
Total Capital Assets (Net of Accumulated Depreciation)	52,172	---	---	52,172
Total Assets	122,792	10,631	86,209	219,632
LIABILITIES				
Current Liabilities:				
Accounts Payable	481	6	4	491
Due to Primary Government	---	983	---	983
Interest Payable	49	54	---	103
Bonds Payable	240	---	---	240
Non-Current Liabilities:				
Advance from Primary Government	---	3,851	---	3,851
Deposits and Reserves	21,204	---	---	21,204
Bonds Payable	31,610	---	---	31,610
Total Liabilities	53,584	4,894	4	58,482
NET ASSETS				
Invested in Capital Assets, Net	20,322	---	---	20,322
Restricted for:				
Other Purposes	5,795	4,236	76,311	86,342
Unrestricted	43,091	1,501	9,894	54,486
Total Net Assets	\$ 69,208	\$ 5,737	\$ 86,205	\$ 161,150

STATE OF MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
NON-MAJOR COMPONENT UNITS
For the Fiscal Year Ended June 30, 2008
(In Thousands of Dollars)

	Missouri Development Finance Board	Missouri Agricultural and Small Business Development Authority	Missouri Transportation Finance Corporation	Totals June 30, 2008
Operating Revenues:				
Licenses, Fees, and Permits	\$ 3,075	\$ 156	\$ 6	\$ 3,237
Interest on Receivables	317	---	1,064	1,381
Leases and Rentals	3,724	---	---	3,724
Cost Reimbursement/Miscellaneous	1,122	1	---	1,123
Total Operating Revenues	<u>8,238</u>	<u>157</u>	<u>1,070</u>	<u>9,465</u>
Operating Expenses:				
Personal Service	658	281	33	972
Operations	1,866	125	10	2,001
Specific Programs	1,501	187	---	1,688
Depreciation and Amortization	1,492	---	---	1,492
Bad Debt Expense	106	---	---	106
Other Charges	20	1	5	26
Total Operating Expenses	<u>5,643</u>	<u>594</u>	<u>48</u>	<u>6,285</u>
Operating Income (Loss)	<u>2,595</u>	<u>(437)</u>	<u>1,022</u>	<u>3,180</u>
Non-Operating Revenues (Expenses):				
Contributions and Intergovernmental	(10,714)	2	---	(10,712)
Investment Earnings:				
Increase (Decrease) in Fair Value of Investments	---	294	832	1,126
Interest	2,534	181	1,627	4,342
Interest Expense	(1,262)	(59)	---	(1,321)
Miscellaneous Expenses	---	---	(57)	(57)
Total Non-Operating Revenues (Expenses)	<u>(9,442)</u>	<u>418</u>	<u>2,402</u>	<u>(6,622)</u>
Change in Net Assets	(6,847)	(19)	3,424	(3,442)
Total Net Assets – Beginning	<u>76,055</u>	<u>5,756</u>	<u>82,781</u>	<u>164,592</u>
Total Net Assets – Ending	<u>\$ 69,208</u>	<u>\$ 5,737</u>	<u>\$ 86,205</u>	<u>\$ 161,150</u>

STATE OF MISSOURI
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR COMPONENT UNITS
For the Fiscal Year Ended June 30, 2008
(In Thousands of Dollars)

	Missouri Development Finance Board	Missouri Agricultural and Small Business Development Authority	Missouri Transportation Finance Corporation	Totals June 30, 2008
Cash Flows from Operating Activities:				
Receipts from Customers and Users	\$ 5,835	\$ 138	\$ 901	\$ 6,874
Loans to Outside Entities	---	(1,250)	687	(563)
Payments to Vendors and Suppliers	(3,141)	(161)	(13)	(3,315)
Payments to Employees	(658)	(281)	(33)	(972)
Net Payments/Receipts for tax credit projects	(19,685)	---	---	(19,685)
Other Payments	---	(188)	(5)	(193)
Net Cash Provided (Used) by Operating Activities	(17,649)	(1,742)	1,537	(17,854)
Cash Flows from Non-Capital Financing Activities:				
Loans Receivable Principal Receipts	4,125	---	---	4,125
Loans Receivable Issuance	(253)	---	---	(253)
Due to/from Primary Government	---	257	---	257
Advance to/from Primary Government	---	551	5,991	6,542
Contributions and Intergovernmental	(540)	2	---	(538)
Net Cash Provided (Used) by Non-Capital Financing Activities	3,332	810	5,991	10,133
Cash Flows from Capital and Related Financing Activities:				
Interest Expense	(1,335)	(89)	---	(1,424)
Purchases and Construction of Capital Assets	(1,426)	---	---	(1,426)
Net Cash Provided (Used) by Capital and Related Financing Activities	(2,761)	(89)	---	(2,850)
Cash Flows from Investing Activities:				
Proceeds from Investment Maturities	109,938	186	---	110,124
Purchase of Investments	(92,794)	---	(7,641)	(100,435)
Interest	2,918	181	1,627	4,726
Investment Fees	---	---	(57)	(57)
Net Cash Provided (Used) by Investing Activities	20,062	367	(6,071)	14,358
Net Increase (Decrease) in Cash	2,984	(654)	1,457	3,787
Cash and Cash Equivalents, Beginning of Year	30,392	1,490	2,283	34,165
Cash and Cash Equivalents, End of Year	\$ 33,376	\$ 836	\$ 3,740	\$ 37,952
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 2,595	\$ (437)	\$ 1,022	\$ 3,180
Depreciation/Amortization Expense	1,492	---	---	1,492
Changes in Assets and Liabilities:				
Accounts Receivable	(33)	---	---	(33)
Interest Receivable	74	(19)	(169)	(114)
Deferred Charges	2	---	---	2
Prepaid Items	249	---	---	249
Loans Receivable	---	(1,250)	687	(563)
Accounts Payable	100	(36)	(3)	61
Deposit and Reserve	(22,128)	---	---	(22,128)
Net Cash Provided (Used) by Operating Activities	\$ (17,649)	\$ (1,742)	\$ 1,537	\$ (17,854)
Non-Cash Financing and Investing Activities:				
Increase (Decrease) in Fair Value of Investments	\$ ---	\$ 31	\$ 832	\$ 863
Net Non-Cash Financing and Investing Activities	\$ ---	\$ 31	\$ 832	\$ 863



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	145
Changes in Net Assets	146
Fund Balances – Governmental Funds	147
Changes in Fund Balances – Governmental Funds	148

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	149
Revenue Rates	150
Revenue Payers by Industry/Category	151

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	152
Pledged Revenue Coverage	153

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 and Economic Indicators	154
Major Employers	155

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	156
Operating Indicators by Function	157
Capital Asset Counts and Square Footage of Buildings Occupied by Function	158

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 2005-2008
(In Thousands of Dollars)

	2008	2007*	2006	2005
Governmental Activities				
Invested in Capital Assets, Net of Related Debt	\$ 25,439,971	\$ 25,475,504	\$ 25,840,886	\$ 25,572,008
Restricted	5,968,804	5,032,619	3,824,769	3,250,204
Unrestricted	(2,373,765)	(1,909,993)	(1,453,203)	(1,321,738)
Total Governmental Activities Net Assets	<u><u>\$ 29,035,010</u></u>	<u><u>\$ 28,598,130</u></u>	<u><u>\$ 28,212,452</u></u>	<u><u>\$ 27,500,474</u></u>
Business-Type Activities				
Invested in Capital Assets, Net of Related Debt	\$ 41,755	\$ 40,922	\$ 39,669	\$ 43,304
Restricted	45,362	9,517	3,942	12,407
Unrestricted	329,511	185,453	33,993	(151,323)
Total Business-Type Activities Net Assets	<u><u>\$ 416,628</u></u>	<u><u>\$ 235,892</u></u>	<u><u>\$ 77,604</u></u>	<u><u>\$ (95,612)</u></u>
Primary Government				
Invested in Capital Assets, Net of Related Debt	\$ 25,481,726	\$ 25,516,426	\$ 25,880,555	\$ 25,615,312
Restricted	6,014,166	5,042,136	3,828,711	3,262,611
Unrestricted	(2,044,254)	(1,724,540)	(1,419,210)	(1,473,061)
Total Primary Government Net Assets	<u><u>\$ 29,451,638</u></u>	<u><u>\$ 28,834,022</u></u>	<u><u>\$ 28,290,056</u></u>	<u><u>\$ 27,404,862</u></u>

*Fiscal year 2007 amounts have been restated.

**STATE OF MISSOURI
CHANGES IN NET ASSETS
FISCAL YEARS 2005-2008
(In Thousands of Dollars)**

	2008	2007*	2006	2005
Governmental Activities :				
Expenses				
General Government	\$ 1,209,716	\$ 1,092,613	\$ 981,614	\$ 1,035,396
Education	6,379,185	6,042,581	5,773,048	5,669,627
Natural and Economic	1,006,506	928,873	867,915	834,269
Transportation and Law Enforcement	2,255,196	2,303,272	2,025,341	2,189,839
Human Services	9,876,119	9,191,994	9,890,652	9,771,651
Interest on Debt (Excluding Direct Expense)	174,450	149,987	130,438	126,202
Total Expenses	20,901,172	19,709,320	19,669,008	19,626,984
Program Revenues				
Charges for Services	1,816,377	1,685,635	1,611,022	1,453,667
Operating Grants and Contributions	8,669,295	7,828,289	7,758,885	7,767,831
Capital Grants and Contributions	387	306	---	---
Total Program Revenues	10,486,059	9,514,230	9,369,907	9,221,498
Total Governmental Activities Net Program Expense	(10,415,113)	(10,195,090)	(10,299,101)	(10,405,486)
General Revenues and Other Changes in Net Assets				
Taxes:				
Sales and Use	2,871,465	2,929,398	3,047,305	3,003,405
Individual Income	5,447,817	5,140,588	5,271,506	4,821,500
Corporate Income	463,826	496,378	520,324	351,116
County Foreign Insurance	186,566	178,507	186,647	163,952
Alcoholic Beverage	27,754	28,074	29,068	28,045
Corporate Franchise	82,360	69,704	76,574	118,343
Inheritance	3,073	5,351	15,319	41,832
Miscellaneous Taxes	1,173,076	1,164,171	1,307,727	1,334,595
Grants and Contributions not Restricted to Specific Programs	196,401	195,662	158,745	158,140
Unrestricted Investment Earnings	134,772	145,879	146,234	80,161
Transfers	264,883	256,687	258,773	207,159
Total General Revenues and Other Changes in Net Assets	10,851,993	10,610,399	11,018,222	10,308,248
Total Governmental Activities Change in Net Assets	\$ 436,880	\$ 415,309	\$ 719,121	\$ (97,238)
Business-Type Activities :				
Expenses				
State Lottery	\$ 740,279	\$ 689,426	\$ 665,848	\$ 575,667
Unemployment Compensation	498,318	444,962	412,937	501,098
Petroleum Storage Tank Insurance	21,516	16,249	13,243	25,944
Missouri Veteran's Homes	57,066	53,234	46,664	58,760
Non-Major Funds	16,643	16,498	20,764	13,345
Total Expenses	1,333,822	1,220,369	1,159,456	1,174,814
Revenues				
Charges for Services	1,106,483	1,011,407	989,703	857,674
Operating Grants and Contributions	657,534	618,071	603,727	542,984
Total Revenues	1,764,017	1,629,478	1,593,430	1,400,658
Total Business-Type Activities Net Program Expense	430,195	409,109	433,974	225,844
General Revenues and Other Changes in Net Assets				
Unrestricted Investment Earnings	15,424	5,684	(2,189)	3,213
Extraordinary Items	---	---	35	---
Transfers	(264,883)	(256,687)	(258,773)	(207,159)
Total General Revenues and Other Changes in Net Assets	(249,459)	(251,003)	(260,927)	(203,946)
Total Business-Type Activities Change in Net Assets	\$ 180,736	\$ 158,106	\$ 173,047	\$ 21,898
Total Primary Government Change in Net Assets	\$ 617,616	\$ 573,415	\$ 892,168	\$ (75,340)

*Fiscal year 2007 amounts have been restated.

STATE OF MISSOURI
FUND BALANCES – GOVERNMENTAL FUNDS
FISCAL YEARS 2005–2008
(In Thousands of Dollars)

	<u>2008</u>	<u>2007*</u>	<u>2006</u>	<u>2005</u>
General Fund				
Reserved	\$ 584,441	\$ 567,880	\$ 526,159	\$ 577,561
Unreserved	1,335,999	1,289,033	988,240	326,920
Total General Fund	<u>1,920,440</u>	<u>1,856,913</u>	<u>1,514,399</u>	<u>904,481</u>
All Other Governmental Funds				
Reserved	1,112,257	1,068,533	988,493	876,859
Unreserved, Reported in:				
Special Revenue Funds	1,289,868	1,184,853	1,192,431	1,043,965
Capital Projects Funds	927,694	542,038	213,026	251,124
Permanent Funds	116	88	96	87
Total All Other Governmental Funds	<u>3,329,935</u>	<u>2,795,512</u>	<u>2,394,046</u>	<u>2,172,035</u>
Total Fund Balances, Governmental Funds	<u><u>\$ 5,250,375</u></u>	<u><u>\$ 4,652,425</u></u>	<u><u>\$ 3,908,445</u></u>	<u><u>\$ 3,076,516</u></u>

*Fiscal year 2007 amounts have been restated.

**STATE OF MISSOURI
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEARS 2005–2008
(In Thousands of Dollars)**

	2008	2007*	2006*	2005*
Revenues:				
Taxes	\$ 10,220,623	\$ 10,030,906	\$ 10,648,213	\$ 9,646,452
Licenses, Fees, and Permits	638,050	574,873	622,911	591,530
Sales	12,064	34,973	11,321	16,849
Leases and Rentals	438	373	155	2,143
Services	231,509	230,173	240,857	182,112
Contributions and Intergovernmental	8,866,111	8,025,979	7,930,499	7,901,109
Investment Earnings:				
Net Increase (Decrease) in the				
Fair Value of Investments	6,172	15,758	(113)	3,152
Interest	203,782	185,163	136,876	69,698
Penalties and Unclaimed Properties	64,015	63,151	83,174	25,854
Cost Reimbursement/Miscellaneous	507,689	478,419	427,916	441,555
Total Revenues	<u>20,750,453</u>	<u>19,639,768</u>	<u>20,101,809</u>	<u>18,880,454</u>
Expenditures:				
Current:				
General Government	1,021,589	924,531	875,069	865,414
Education	6,373,671	6,044,304	5,780,688	5,670,649
Natural and Economic Resources	853,872	820,483	783,277	804,478
Transportation and Law				
Enforcement	1,429,102	1,396,135	1,237,897	1,189,831
Human Services	9,835,109	9,160,077	9,826,860	9,811,224
Capital Outlay:				
General Government	---	320	386	245
Education	---	18,043	21,687	13,769
Transportation and Law				
Enforcement	1,144,171	1,244,625	1,117,018	846,465
Human Services	3,133	10,248	12,319	7,821
Debt Service:				
Principal	196,669	197,212	170,295	127,264
Interest	186,432	165,470	121,301	120,982
Bond Issuance Costs	2,694	5,775	1,821	---
Underwriter's Discount	390	247	---	326
Total Expenditures	<u>21,046,832</u>	<u>19,987,470</u>	<u>19,948,618</u>	<u>19,458,468</u>
Excess Revenues (Expenditures)	<u>(296,379)</u>	<u>(347,702)</u>	<u>153,191</u>	<u>(578,014)</u>
Other Financing Sources (Uses):				
Proceeds from Capital Leases	52,245	8,794	41,924	53,025
Capital Lease Termination Payment	(22,559)	---	---	---
Debt Issuance	576,800	920,000	350,660	---
Issuance of Refunding Bonds	---	394,870	---	157,605
Swap Termination Payment	(11,118)	---	---	---
Payments to Escrow Agent	---	(433,477)	---	(175,553)
Bond Premium	28,361	77,099	21,336	18,274
Proceeds from Capital Asset Sale	13,142	8,675	6,634	5,920
Transfers In	266,263	257,287	260,967	239,465
Transfers Out	(6,476)	(120,586)	(1,598)	(19,420)
Total Other Financing Sources (Uses)	<u>896,658</u>	<u>1,112,662</u>	<u>679,923</u>	<u>279,316</u>
Net Change in Fund Balances	<u>600,279</u>	<u>764,960</u>	<u>833,114</u>	<u>(298,698)</u>
Increase (Decrease) in Reserve for Inventory	<u>(2,329)</u>	<u>838</u>	<u>(129)</u>	<u>327</u>
Net Change in Fund Balances	<u><u>\$ 597,950</u></u>	<u><u>\$ 765,798</u></u>	<u><u>\$ 832,985</u></u>	<u><u>\$ (298,371)</u></u>
Debt Service as a Percentage of				
Non-Capital Expenditures	1.96%	1.99%	1.59%	1.35%

*Fiscal years 2005–2007 amounts have been restated.

**STATE OF MISSOURI
REVENUE BASE
FISCAL YEARS 2005–2008**

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%

Personal Income by Industry (In Thousands)	Calendar Year			
	2007	2006	2005	2004
Farm Earnings	\$ 916,392	\$ 684,947	\$ 942,505	\$ 1,447,414
Agricultural/Forestry, Fishing, and Other	322,550	316,768	313,690	315,180
Mining	637,091	589,065	539,704	414,217
Construction/Utilities	11,394,944	11,213,028	10,708,318	10,154,302
Manufacturing	19,825,185	19,777,856	18,883,609	18,909,957
Transportation and Public Utilities	5,876,147	5,649,625	5,442,431	5,275,278
Wholesale Trade	8,803,267	8,281,109	7,899,429	7,405,797
Retail Trade	10,082,485	9,813,026	9,612,689	9,231,804
Finance, Insurance, and Real Estate	11,569,320	11,164,861	10,725,944	10,367,607
Services	59,392,031	56,073,484	53,462,833	50,298,016
Federal, civilian	5,015,726	4,854,439	4,688,986	4,524,190
Military	2,308,090	2,121,049	1,992,472	1,847,477
State and Local Government	17,121,727	16,316,137	15,656,882	14,969,626
Total Personal Income	\$ 153,264,955	\$ 146,855,394	\$ 140,869,492	\$ 135,160,865
Total Direct Personal Income Tax Rate	6.0%	6.0%	6.0%	6.0%

Sources: Missouri Department of Revenue and Bureau of Economic Analysis.

**STATE OF MISSOURI
REVENUE RATES
FISCAL YEARS 2005-2008**

	2008	2007	2006	2005
Personal Income Tax Revenue	\$804,377,211	\$773,375,291	\$662,996,843	\$543,193,091
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	0.33%	0.36%	0.36%	0.34%
Taxable Income	0.47%	0.49%	0.50%	0.47%

**Ranges of Tax Rates on the Portion of
Taxable Income (In Thousands)**

	2008	2007	2006	2005
Tax Rate	1.5%	1.5%	1.5%	1.5%
Income Levels	1.1-2	1.1-2	1.1-2	1.1-2
Tax Rate	2.0%	2.0%	2.0%	2.0%
Income Levels	2.1-3	2.1-3	2.1-3	2.1-3
Tax Rate	2.5%	2.5%	2.5%	2.5%
Income Levels	3.1-4	3.1-4	3.1-4	3.1-4
Tax Rate	3.0%	3.0%	3.0%	3.0%
Income Levels	4.1-5	4.1-5	4.1-5	4.1-5
Tax Rate	3.5%	3.5%	3.5%	3.5%
Income Levels	5.1-6	5.1-6	5.1-6	5.1-6
Tax Rate	4.0%	4.0%	4.0%	4.0%
Income Levels	6.1-7	6.1-7	6.1-7	6.1-7
Tax Rate	4.5%	4.5%	4.5%	4.5%
Income Levels	7.1-8	7.1-8	7.1-8	7.1-8
Tax Rate	5.0%	5.0%	5.0%	5.0%
Income Levels	8.1-9	8.1-9	8.1-9	8.1-9
Tax Rate	6.0%	6.0%	6.0%	6.0%
Income Levels	9.1+	9.1+	9.1+	9.1+

The State Sales and Use Tax Rate is 4.225%.

Source: Missouri Department of Revenue

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.

**STATE OF MISSOURI
REVENUE PAYERS BY INDUSTRY/CATEGORY
FISCAL YEARS 2005-2008**

Sales Tax	2008	%	2007	%	2006	%	2005	%
Agricultural	\$ 8,113,043	0.25%	\$ 8,389,363	0.26%	\$ 8,035,272	0.26%	\$ 7,311,996	0.25%
Mining	4,516,211	0.14%	5,430,562	0.17%	6,254,774	0.20%	6,099,229	0.20%
Construction	37,501,898	1.17%	39,282,083	1.23%	39,256,419	1.25%	33,010,961	1.10%
Manufacturing	126,551,548	3.96%	120,957,730	3.78%	135,930,915	4.32%	128,179,558	4.29%
Transportation & Utilities	301,269,192	9.42%	324,197,696	10.12%	307,824,630	9.79%	293,661,236	9.82%
Wholesale Trade	339,197,058	10.61%	352,288,511	11.00%	363,538,752	11.57%	343,764,423	11.49%
Retail Trade	1,960,979,708	61.32%	1,950,519,024	60.91%	1,896,124,858	60.32%	1,814,668,108	60.67%
Finance, Insurance, & Real Estate	22,741,986	0.71%	22,383,949	0.70%	22,543,866	0.72%	21,435,550	0.72%
Services	389,226,814	12.17%	371,286,656	11.60%	356,313,304	11.34%	338,655,256	11.32%
Government	6,866,503	0.22%	6,828,911	0.21%	6,631,039	0.21%	3,583,174	0.12%
Non-Classifiable	831,025	0.03%	655,651	0.02%	705,332	0.02%	688,741	0.02%
Total	\$ 3,197,794,986	100.00%	\$ 3,202,220,136	100.00%	\$ 3,143,159,161	100.00%	\$ 2,991,058,232	100.00%

Personal Income *

2008**				
	Number of Filers	% of Total	Personal Income Tax Liability	% of Total
\$50,000 and under	3,471,050	78.35%	\$ 1,427,983,764	26.48%
\$50,000 – \$100,000	705,977	15.94%	1,450,514,807	26.89%
\$100,000 – \$250,000	188,582	4.26%	927,440,015	17.20%
\$250,000 – \$1,000,000	50,598	1.14%	752,972,135	13.96%
\$1,000,000 and over	13,731	0.31%	834,665,186	15.47%
Total	4,429,938	100.00%	\$ 5,393,575,907	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%	486,312,065	12.13%
\$1,000,000 and over	7,854	0.19%	399,557,445	9.97%
Total	4,080,816	100.00%	\$ 4,008,911,851	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.

Source: Missouri Department of Revenue

**STATE OF MISSOURI
RATIOS OF OUTSTANDING DEBT
FISCAL YEARS 2005-2008
(In Thousands of Dollars)**

	2008	2007 *	2006	2005
Governmental Activities				
General Obligation Bonds	\$ 666,165	\$ 684,515	\$ 739,935	\$ 790,910
Other Bonds	3,084,670	2,660,875	1,873,140	1,609,815
Leasehold Revenue Bonds	36,935	37,880	38,860	---
Certificates of Participation	105,325	113,990	122,255	124,490
Capital Leases	109,181	74,641	74,049	107,647
Total Governmental Activities	<u>\$ 4,002,276</u>	<u>\$ 3,571,901</u>	<u>\$ 2,848,239</u>	<u>\$ 2,632,862</u>
Debt as a Percentage of Personal Income ¹	2.0%	1.9%	1.6%	1.5%
Debt Per Capita ¹	\$ 681	\$ 612	\$ 492	\$ 458

**Legal Debt Margin Calculation for
Fiscal Year 2008:**

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	<u>\$ 237,901</u>

Legal Debt Margin Summary by Fiscal Year:

Legislative Debt Limit	\$ 1,726,395	\$ 1,686,395	\$ 1,646,395	\$ 1,606,395
Total Net Debt Applicable to Limit	(1,488,494)	(1,438,494)	(1,438,494)	(1,438,494)
Legal Debt Margin	<u>\$ 237,901</u>	<u>\$ 247,901</u>	<u>\$ 207,901</u>	<u>\$ 167,901</u>
Legal Debt Margin to Debt Limit Ratio	13.78%	14.70%	12.63%	10.45%

¹These ratios are calculated using personal income and population for the calendar year.
See *Demographic and Economic Indicators* for personal income and population data.

*Fiscal year 2007 has been restated.

**STATE OF MISSOURI
PLEDGED REVENUE COVERAGE
FISCAL YEARS 2006–2008
(In Thousands of Dollars)**

Fiscal Year	Gross Revenues ¹	Less: Operating Expenses ²	Net Available Revenues	Debt Service		Coverage ³
				Principal	Interest	
State Facility Maintenance and Operation						
2008	\$ 48,576	\$ 11,157	\$ 37,419	\$ 15,965	\$ 11,017	1.4
2007	48,780	10,661	38,119	15,405	11,676	1.4
2006	49,474	12,078	37,396	14,130	11,054	1.5
Missouri Road Fund						
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

Source: Bond records and debt service schedules.

¹ Revenues for State Facility Maintenance and Operation consist of lease rental payments. 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, and revenue derived from motorists for their usage of the highways of the State.

² Operating Expenses do not include depreciation.

³ Coverage equals net available revenue divided by debt service.

**STATE OF MISSOURI
DEMOGRAPHIC AND ECONOMIC INDICATORS
CALENDAR YEARS 2004-2007**

	2007	2006	2005	2004
Population				
Missouri (In Thousands)	5,878	5,838	5,788	5,745
Change	0.7%	0.9%	0.7%	
National (In Thousands)	301,621	298,755	295,896	293,192
Change	1.0%	1.0%	0.9%	
Total Personal Income				
Missouri (In Thousands)	\$ 199,773,300	\$ 189,575,792	\$ 180,511,998	\$ 173,905,941
Change	5.4%	5.0%	3.8%	
National (In Thousands)	\$ 11,631,571,000	\$ 10,977,312,000	\$ 10,252,849,000	\$ 9,711,363,000
Change	6.0%	7.1%	5.6%	
Per Capita Personal Income				
Missouri	\$ 33,984	\$ 32,475	\$ 31,188	\$ 30,272
Change	4.6%	4.1%	3.0%	
National	\$ 38,564	\$ 36,744	\$ 34,650	\$ 33,123
Change	5.0%	6.0%	4.6%	
Resident Civilian Labor Force and Employment				
Civilian Labor Force (In Thousands)	3,031	3,016	2,997	2,986
Employed (In Thousands)	2,878	2,871	2,836	2,814
Unemployed (In Thousands)	153	145	161	172
Unemployment Rate	5.0%	4.8%	5.4%	5.8%
National Unemployment Rate	4.6%	4.6%	5.1%	5.5%
	2007-08	2006-07	2005-06	2004-05
School Enrollment (In Thousands)				
Elementary and Secondary Education	894	898	898	892
Higher Education – Private Institutions	250	243	240	235
Total Enrollment	1,144	1,141	1,138	1,127
% Change from Prior Year	0.3%	0.3%	1.0%	0.3%
Higher Education				
Public Community Colleges				
Number of Campuses	19	18	18	18
Number of Students				
(Full-Time Equivalent 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				
(Full-Time Equivalent 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				
(Full-Time Equivalent FTE)	106,056	103,856	102,628	100,717
Number of Regular Term Teaching Positions (FTE)	4,731	4,638	4,578	4,597

Sources: Bureau of Economic Analysis, Missouri Economic Research and Information Center, Bureau of Labor Statistics, Missouri Department of Elementary and Secondary Education, and Missouri Department of Higher Education.

**STATE OF MISSOURI
MAJOR EMPLOYERS
CALENDAR YEARS 2007 AND 1998**

2007		
Employer	Number of Employees	Percent of Total State Employment
State of Missouri ¹	63,000	2.19%
Wal-Mart Associates, Inc.	40,000 +	1.39%
University of Missouri	20,000 +	0.69%
U.S. Post Office	15,000 – 20,000	0.52% – 0.69%
Boeing Corporation	10,000 – 15,000	0.35% – 0.52%
Washington University	10,000 – 15,000	0.35% – 0.52%
Schnuck Markets, Inc.	7,500 – 10,000	0.26% – 0.35%
Barnes-Jewish Hospitals	7,500 – 10,000	0.26% – 0.35%
U.S. Department of Defense	7,500 – 10,000	0.26% – 0.35%
City of St. Louis	7,500 – 10,000	0.26% – 0.35%
Total	<u>188,000 – 213,000</u>	<u>6.53% – 7.40%</u>
Total Missouri Employment		2,878,399

1998		
Employer²	Number of Employees	Percent of Total State Employment
Wal-Mart Associates, Inc.	27,500 – 32,500	0.98% – 1.16%
Boeing Corporation	20,000 – 25,000	0.72% – 0.89%
Trans World Airlines, Inc.	10,000 – 15,000	0.36% – 0.54%
Washington University	10,000 – 15,000	0.36% – 0.54%
Schnuck Markets, Inc.	10,000 – 15,000	0.36% – 0.54%
May Department Stores	7,500 – 15,000	0.27% – 0.54%
Southwestern Bell Telephone Co.	7,500 – 10,000	0.27% – 0.36%
Barnes-Jewish Hospital	7,500 – 10,000	0.27% – 0.36%
Ford Motor Company	7,500 – 10,000	0.27% – 0.36%
Chrysler Corporation	7,500 – 10,000	0.27% – 0.36%
Total	<u>115,000 – 157,500</u>	<u>4.13% – 5.65%</u>
Total Missouri Employment		2,794,869

All figures are based on a calendar-year average.

¹Number of state employees includes only full-time personnel, and does not include college or university employees.

²Only includes major private employers.

Sources: Missouri Economic Research and Information Center,
State of Missouri CAFR-Fiscal Year 1999, State Employee Headcount report.

**STATE OF MISSOURI
STATE EMPLOYEES BY FUNCTION
FISCAL YEARS 2005-2008
FULL-TIME EQUIVALENTS***

	2008	2007	2006	2005
General Government				
Legislature	719	732	749	708
Judiciary	3,731	3,777	3,826	3,452
Public Defender	555	558	561	571
Governor	32	33	34	35
Lt. Governor	6	7	7	8
Secretary of State	277	275	266	262
State Auditor	128	127	132	142
State Treasurer	51	51	51	50
Attorney General	451	443	427	423
Office of Administration	2,046	1,783	868	899
Revenue	1,523	1,586	1,766	2,086
Total General Government	9,519	9,372	8,687	8,636
Education				
Elementary and Secondary Education	2,650	2,654	2,719	2,261
Higher Education	67	58	67	73
Total Education	2,717	2,712	2,786	2,334
Natural and Economic Resources				
Agriculture	479	467	456	388
Insurance, Financial Institutions and Professional Registration	748	192	200	207
Conservation	2,065	2,190	2,270	2,047
Economic Development	1,024	1,604	1,681	1,379
Labor and Industrial Relations	810	913	1,056	1,051
Natural Resources	2,102	2,061	2,175	2,019
Total Natural and Economic Resources	7,228	7,427	7,838	7,091
Transportation and Law Enforcement				
Transportation	6,961	7,196	7,300	7,024
Public Safety	5,294	5,085	5,101	4,927
Total Transportation and Law Enforcement	12,255	12,281	12,401	11,951
Human Services				
Health and Senior Services	1,885	1,877	1,969	2,048
Mental Health	9,500	9,602	9,784	9,571
Social Services	8,624	8,553	8,794	9,034
Corrections	11,020	11,138	11,235	11,493
Total Human Services	31,029	31,170	31,782	32,146
State Total	62,748	62,962	63,494	62,158

Source: Office of Administration, Division of Accounting, Statewide Indirect Cost Allocation Plan.

* Based on a four quarter average.

**STATE OF MISSOURI
OPERATING INDICATORS BY FUNCTION
FISCAL YEARS 2006–2008**

	2008	2007	2006
General Government			
Individual Income Tax Returns Processed (in thousands)	3,013	3,902	2,770
Sales and Use Tax Returns Processed (in thousands)	788	1,055	742
Driver Licenses Processed (in thousands)	964	1,052	1,106
Motor Vehicle Registrations Processed (in thousands)	3,866	3,856	2,994
Audit Reports Issued	91	88	103
Statewide Court Filings (in thousands)*	2,196	2,027	2,152
Business Services Requests Made on Secretary of State Web Page (in thousands)	44,300	36,000	35,000
Checks Issued (in thousands)	2,807	3,035	3,309
Unclaimed Property Returned (in thousands)	\$ 34,531	\$ 22,966	\$ 21,816
Education			
High School Drop Out Rate*	4.2%	4.7%	3.8%
Elementary and Secondary Schools Meeting Adequate Yearly Progress*	40.1%	62.6%	65.2%
Clients Achieving Employment after Receiving Vocational Rehabilitation Services	67.7%	70.2%	67.6%
Guaranteed Student Loans (in thousands)	\$ 901,385	\$ 1,178,692	\$ 1,162,519
Scholarships/Grants Awarded to Eligible Missouri Residents (in thousands)	\$ 89,728	\$ 41,466	\$ 41,845
Natural and Economic Resources			
Job Placement Rate of unemployed individuals that registered on Great Hires Web Page	66.0%	62.0%	63.3%
Insurance Policies Filed Electronically	50.0%	50.0%	50.0%
Initial Unemployment Claims (in thousands)	396	411	393
International Agricultural Exports (in thousands)	\$ 30,300	\$ 19,760	\$ 18,191
Hunting License Holders (in thousands)*	580	579	570
Visitors to Missouri State Parks and Historic Sites (in thousands)	15,576	16,069	16,650
Transportation and Law Enforcement			
Methamphetamines Labs Seized	274	259	375
State – licensed Fire Safety Inspections	11,998	11,684	9,848
Buildings Served by Missouri Capitol Police	82	82	79
Alcohol Arrests	736	954	1,084
Missouri Major Roads Rated in Good Condition	78.0%	74.0%	60.8%
Difference Between Awarded and Actual Transportation Construction Costs	0.9%	0.9%	3.1%
Human Services			
Medicaid Enrollees	833,112	822,685	830,262
Food Stamp Recipients	899,332	826,313	795,963
Doses of Vaccine Issued by Vaccines for Children Providers (in thousands)	1,360	1,097	1,075
Incarcerated Offenders	30,803	29,975	30,185
Individuals Served in State Comprehensive Psychiatric Service Facilities	6,882	7,805	7,772

*Previous fiscal year data was used since it was the most recent available.

Sources: State agencies.

**STATE OF MISSOURI
CAPITAL ASSET COUNTS AND SQUARE FOOTAGE
OF BUILDINGS OCCUPIED BY FUNCTION
FISCAL YEARS 2005–2008**

	<u>2008</u>	<u>2007*</u>	<u>2006*</u>	<u>2005*</u>
General Government				
Parcels of Land	21	20	18	15
Land Improvements	37	35	35	31
Square Footage of Buildings	1,001,281	996,590	991,800	1,071,699
Equipment	35,171	42,333	44,469	49,644
Education				
Parcels of Land	31	32	32	32
Land Improvements	31	31	31	29
Square Footage of Buildings	135,230	135,230	102,719	134,162
Equipment	6,010	6,679	6,780	6,723
Natural and Economic Resources				
Parcels of Land	815	811	815	812
Land Improvements	323	318	320	216
Square Footage of Buildings	625,779	622,887	528,136	370,505
Equipment	41,145	43,534	46,574	46,915
State Parks and Historic Sites	84	84	84	84
State Conservation Areas	1,165	1,151	1,148	1,140
Transportation and Law Enforcement				
Parcels of Land	836	853	862	1,608
Land Improvements	198	184	177	183
Square Footage of Buildings	154,995	158,081	157,658	157,172
Equipment	65,074	63,327	62,984	61,965
Miles of State Highway	33,685	32,800	32,423	32,402
State-Owned Bridges and Culverts	10,276	10,240	10,224	10,190
Highway Patrol Stations	9	9	9	9
Human Services				
Parcels of Land	84	84	83	85
Land Improvements	118	115	115	112
Square Footage of Buildings	962,710	967,653	870,129	834,352
Equipment	91,178	98,649	107,434	106,334
Correctional Facilities	28	26	26	24

* Restated Square Footage of Buildings for 2007, 2006, and 2005.

Source: State of Missouri capital asset records by agency.

STATE OF MISSOURI
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