Notice of Meeting and Agenda

Audit, Finance & Administration Committee
Friday, October 20, 2017, 8:00 a.m.

Headquarters - Board Room, 6th Floor
211 N. Broadway, Suite 650 - St. Louis, Missouri 63102

This location is accessible to persons with disabilities. Individuals with disabilities needing information or communication accommodations should call Bi-State Development at (314) 982-1400; for TTY access, call Relay 711. Sign language interpreter services or other accommodations for persons with hearing or speech disabilities will be arranged if a request for such service is made at least two days in advance of the meeting. Large print material, Braille material or other formats will also be provided upon request.

	Agenda	Disposition	Presentation
1.	Call to Order	Approval	Chair Gully
2.	Roll Call	Quorum	S. Bryant
3.	Public Comment	Information	Chair Gully
4.	Audit, Finance & Administration Committee Open Session Minutes: August 25, 2017	Approval	Chair Gully
5.	Sole Source Contract for Performance and Management Audit/Mass Transit Consultant Services	Approval	K. Klevorn/L. Jackson
6.	Contract Modification: Employee Vision Plan Services	Approval	D. Toben/ A. Dunn
7.	Internal Audit Status Report – 1st Quarter FY2018	Information	J. Cali
8.	Internal Audit Follow-Up Summary – 1st Quarter FY2018	Information	J. Cali
9.	August Treasury Report	Information	K. Klevorn/T. Fulbright
10.	Pension Audits Update	Information	C. Stewart
11.	Unscheduled Business	Approval	Chair Gully
12.	Call of Dates for Future Committee Meetings	Information	S. Bryant
13.	Adjournment to Executive Session *If such action is approve by a majority vote of The Bi-State Development Agency's Board of Commissioners who constitute a quorum, the Board may go into closed session to discuss legal, confidential, or privileged matters pursuant to Bi-State Development Board Policy Chapter 10, Section 10.080 (D) Closed Records: Legal under §10.080(D)(1); Real Estate under §10.080(D)(2); Personnel under §10.080(D)(3); Health Proceedings under §10.080(D)(4); Employee Negotiations under §10.080(D)(5); Data Processing under §10.080(D)(6); Purchasing and Contracts under §10.080(D)(7); Proprietary Interest under §10.080*	Approval	Chair Gully

Agenda	Disposition	Presentation
(D)(8); Hotlines under §10.080(D)(9); Auditors under §10.080(D)(10); Security under §10.080(D)(11); Computers under §10.080(D)(12); Personal Access Codes under §10.080(D)(13); Personal Information under §10.080(D)(14); Insurance Information under §10.080(D)(15); Rail, Bus, or Facilities Safety and Accidents under §10.080(D)(16) or Protected By Law under §10.080(D)(17).		

Note: Public comment may be made at the written request of a member of the public specifying the topic(s) to be addressed and provided to the Agency's information officer at least 48 hours prior to the meeting.

BI·STATE DEVELOPMENT

BI-STATE DEVELOPMENT
AUDIT, FINANCE & ADMINISTRATION COMMITTEE MEETING
OPEN SESSION MINUTES
AUGUST 25, 2017

Committee Members in Attendance
Constance Gully Chair
Vernal Brown
David Dietzel
Vince Schoemehl
Jeffrey Watson (absent)

Other Commissioners in Attendance
None

Staff in Attendance
John Nations, President & CEO
Barbara Enneking, General Counsel and Deputy Secretary
Jim Cali, Director of Internal Audit
Larry Jackson, Executive Vice President for Administration
Kathy Klevorn, Sr. Vice-President and Chief Financial Officer
Barbara Georgeff, Director of Executive Services
Brenda Krieger, Executive Assistant
Mark Vago, Controller
Tammy Fulbright, Director Treasury Services
Jonathan Frederick, Director Accounting & Budget
Michael Gibbs, Accountant Business Enterprise
Gary Smith, Internal Audit Intern
Kathy Brittin, Director Risk Management, Safety & Claims
Kevin Kloever, Manager Insurance & Analysis
Patti Beck, Director Communications
Dianne Williams, Vice President Communications & Marketing
David Toben, Director Benefits
Maryanne Coley, Manager Benefits
Charles Stewart, Vice President Pension & Insurance
Angela Staicoff, Sr. Internal Auditor
Sheah Thompson, Internal Audit
Kelly Schneider, Internal Audit
Kelli Fitzpatrick, Sr. Internal Auditor, Part-time
Andrew Ghiassi, Manager Safety & Loss Control
Virginia Alt-Hildebrandt, Manager Administrative Services
Richard Zott, Chief of Public Safety
Monica Smith, Administrative Assistant
Kristen King, Administrative Assistant
Ted Zimmerman, Director Marketing
Michael Jennings, Manager IT ERP Systems
Diana Bentz, Vice President Organizational Effectiveness

1. **Call to Order**
8:00 a.m. Chair Gully called the Open Session Audit, Finance and Administration Committee Meeting to order at 8:00 a.m.

2. **Roll Call**
8:01 a.m. Roll call was taken.

3. **Public Comment**
8:02 a.m. There were no public comments.

4. **Audit, Finance and Administration Committee Open Session Minutes: May 18, 2017**
8:03 a.m. The May, 18, 2017 Open Session Audit, Finance and Administration Committee Meeting minutes were provided in the Committee packet. A motion to approve the minutes as presented was made by Commissioner Schoemehl and seconded by Commissioner Gully. **Motion passed unanimously.**

5. **Contract Modification: Werremeyer, Inc. for Development and Implementation of Marketing Activities**
8:04 a.m. The briefing paper regarding the contract modification was provided in the Committee packet. Larry Jackson, Executive Vice President of Administration, provided an overview. On July 7, 2016, BSD procured services from Werremeyer, Inc. The total contract value as originally presented and approved by the Board of Commissioners was incorrectly stated and needs to be revised to reflect the amounts required and budgeted. The correct amount of the contract is to be for $2,000,000 for five years inclusive of option years. A motion was made by Commissioner Schoemehl and seconded by Commissioner Brown to approve this agenda item as presented in the briefing paper and forward to the Board for final approval. **Motion passed unanimously.**

6. **Internal Audit Status Report – 4th Quarter FY2017**
8:05 a.m. The Internal Audit Status Report, 4th Quarter FY17 was provided in the Committee packet. Jim Cali, Director of Internal Audit, provide a brief overview. In addition to tracking the status of current audits and special projects, this report also highlights the follow-up activity related to the implementation of recommendations from prior audits. BKD, the certified public accounting firm that was engaged to perform the audit of BSD's health insurance claims audit completed their review of the claims for Cigna, Delta Dental, and Express Scripts. Mr. Cali introduced Sheah Thompson, a college student intern, to replace Kailey Braddy the former college student intern who returned to Truman State University to begin her studies to obtain her Masters in Accounting. This report was informational only and no Committee action was required. A copy of the report will be kept at the office of the Deputy Secretary.

7. **Internal Audit Follow-Up Summary, 4th Quarter FY17**
8:06 a.m. The Internal Audit Follow-Up Summary, 4th Quarter FY17 was provided in the Committee packet. Jim Cali, Director of Internal Audit provided a brief overview. In accordance with Board Policy, the Internal Audit Department **(IAD)** is tasked with doing a follow-up of previously concluded audits. To ensure compliance, IAD regularly monitors the status of recommendations. Each recommendation has been reviewed and its status is either listed as "completed", "outstanding" or "overdue." At this time, there are no items overdue and Agency management has done a tremendous job keeping track of the corrective action plans going forward. This report was informational only and no Committee action was required. A copy of the report will be kept at the office of the Deputy Secretary.

8. Treasury-Safekeeping Quarterly Accounts Audit – Ending March 31, 2017

8:07 a.m. The Treasury-Safekeeping Quarterly Accounts Audits for the periods ending March 31, 2017 and June 30, 2017 were provided in the Committee packet. Jim Cali, Director of Internal Audit provided a brief overview. The Internal Audit Department **(IAD)** is tasked with the responsibility to perform a quarterly audit of the Agency's safekeeping funds. IAD reviewed the Treasurer's Reports for the 3rd and 4th Quarters of FY17 to identify the securities classified under the Safekeeping Accounts criteria. IAD independently verified the existence and the investments held by the bank custodians and confirmed all balances presented on the Treasurer's report were fairly presented and no exceptions were noted. As of March 31, 2017, the Agency has approximately $82 million in U.S. Treasury and Government Agency securities. The sales tax capital represents $73.2 million, self-insurance funds consist of approximately $4.8 million, and the remaining securities represent $3.4 million in internally restricted funds. As of June 30, 2017, the Agency has approximately $66.5 million in U.S. Treasury and Government Agency securities. The sales tax capital represents $61.2 million, self-insurance funds consist of approximately $2.3 million, and the remaining securities represent $1.9 million in internally restricted funds. This report was informational only and no Committee action was required. A copy of the reports will be kept at the office of the Deputy Secretary.

9. Treasury-Safekeeping Quarterly Accounts Audit – Ending June 30, 2017

8:07 a.m. See agenda item #8.

10. 4th Quarter Financial Statement

8:09 a.m. The 4th Quarter Financial Statements were provided in the Committee packet. Jonathan Frederick, Director Accounting & Budget, provided a brief overview. Bi-State Development **(BSD)** business and self-insurance divisions had combined assets of $1.4 billion. The 4th quarter, FY17 income before depreciation was $10.1 million compared to a budget of $0.6 million for a positive variance of $9.5 million. The 4th Quarter income from FY16 was $16.8 million and that is approximately a $6.7 million decrease in income before depreciation for FY17. The Net Loss after depreciation was $46.8 million. The financial statement package includes the analysis and financial position of each BSD business division.

Executive Services - Income before depreciation for Executive Services was $248,464, down $64,828 or 20.7% from last year. The decrease can be attributed to the increase in wage and benefit, and service expenses.

Gateway Arch – The Arch opened April 19, 2017 with the south tram taking visitors to the top. The north tram was delayed due to flooding of the north tram load zone and opened in July. The loss before depreciation was $562,677, down $3 million from FY16.

Riverboats – After some early season flooding, cruise attendance has been strong. Income before depreciation is $343,840, which is up $220,290 from last year and 260.9% from budgeted numbers. The entire increase in income can be associated with the increase in cruise revenue. The number of cruises is up 15.1% at total of 909. Total Riverboat Passengers are also up 20.8% over last year at a total of 105,775.

St. Louis Downtown Airport – FY17 year-end Loss before depreciation is $240,043, which is down $51,013 from FY16. The increase in expenses can be accounted for in the Services expense line. Aircraft movements have increased 5.3% over last year. Fuel sales have decreased 14.8% from last year.

Metro – In June 2017, BSD broke ground on the new Cortex MetroLink Station. Loss before depreciation is $2.9 million, which is up $227,374 from last year. Revenue has increased from the prior year slightly, but is 6.1% under budgeted numbers and this is due to the decrease in passenger revenue. Expenses in total are similar to last year with the exception of Services and Fuel expense. System passengers have decreased 6.9%. Bus ridership decreased 7.9% and MetroLink ridership decreased 5.6%.

St. Louis Freightway – The Freightway held their annual meeting and it was well attended. Loss before depreciation was $497,543, which was down $274,082 from last year. An increase in wages and services expense are driving the current year loss increase.

Bi-State Development Research Institute – The Market Kiosks construction is well underway. Those kiosks will be installed in two North St. Louis County locations. Net Income is $116,424, which is up $77,015 from the prior year. Increase in grant revenue is the cause for the increase over last year.

Arts-In-Transit – Arts in Transit was one of nine local arts organizations to receive funds through the PNC Arts Alive initiative. Net Income is $39,121 which is up $18,808 from the prior year. The increase year over year is attributed to grant revenue received from PNC.

Self-Insurance Funds – As a caveat to the net income or loss, the self-insurance funds should be looked at over a longer time period, typically 5 years, as there are significant estimations done by actuaries, claims adjusters and our in-house accounting staff.

Health – Total expenses for FY17 are $31.3 million, which is up $1.3 million from the prior year. This is attributed to an increase in claims.

Casualty SIF – Total expenses for FY17 are $4.5 million. Expenses are greater than our budgeted numbers due to claims.

Workers' Compensation SIF – Total expenses for FY17 are $5.5 million. Expenses are greater than our budgeted numbers due to claims.

11. 4th Quarter Performance Indicators

8:16 a.m. The 4th Quarter Procurement Indicators Report was provided in the Committee packet. Jonathan Frederick, Director of Accounting and Budget, discussed the 4th Quarter Performance Indicators during his presentation of Agenda Item #10. This report was informational only, and no Committee action was required. A copy of the report will be kept at the office of the Deputy Secretary.

12. June Treasury Report

8:17 a.m. The June Treasury Report was provided in the Committee packet. Tammy Fulbright, Director Treasury Services, provided a brief overview. BSD directed $189 million in cash and investments; and investments had an average yield of .83% for the month of June. This reflected an increase of .22% since January 2017. Liquidity is more necessary in the summer months for BSD, so the average rate of return is tracking closer to the 1 month treasury rate. In the fall, we are hopeful to get the average rate of return up by about ¼ percent using the six month treasury rate for today. $47 million in Trustee Directed funds earning an average rate of return of 1.38%. We are able to invest these funds for a longer duration. Currently, we have maturities out as far as September 2028. In June, the Federal Reserve (Fed) raised rates for the fourth time since the financial crisis. The Fed is expected to raise rates one more time this year, twice in 2018 and 4 times in 2019. This would bring the federal funds rate to the Feds preferred rate of 3%. The last time we had a Fed rate of 3% was in January of 2008. The 2009 and 2013 Bonds had a credit rating increase in May. All debt is now considered a high grade investment for investors, which allows for lower rates on debt. This report was informational only and no Committee action was required. A copy of this report will be kept at the office of the Deputy Secretary.

13. 4th Quarter Procurement Report

8:23 a.m. The 4th Quarter Procurement Report was provided in the Committee packet. Larry Jackson, Executive Vice President for Administration, provided a brief overview stating that this report was informational only. He noted that the non-competitive or sole source procurement for the quarter was at 16.2% of total purchases and for the twelve months to date was running at 10.4%, which is slightly higher than our goal of being under 10%. This report was informational only, and no Committee action was required. A copy of the report will be kept at the office of the Deputy Secretary.

14. FY18 Risk Management Insurance Program Update

8:25 a.m. The FY18 Risk Management Insurance Program Update was provided in the Committee packet. Kathy Brittin, Director of Risk Management, Safety & Claims, provided a brief overview. For FY18, the following improvements were achieved: The property insurance was marketed and placed in a layered program with Lloyds of London as the primary insurance carrier. The terms and conditions of the coverage are comparable to the expiring program with the exception that the flood and earthquake deductibles were lowered from $250,000 to $100,000, and $1,000,000 to $250,000 respectively. This achieved a 14% savings over the expiring policy. The excess workers' compensation (WC) insurance which is excess over the $1,000,000 self-insured limit was placed with a new insurance carrier, Arch Insurance. The payroll exposure increased 1.5% and the premium decreased by 8%. Due to last year's insurance carrier no longer writing excess liability for public entities, the lead policy was placed with Argonaut Insurance. The overall savings for the excess liability program was 6%. The Riverboat's marine insurance program was also marketed and resulted in a change in insurance carriers to Endurance Insurance Co. The premium remained the same. Overall, the insurance program was renewed with comparable coverage terms and conditions. The premium savings of $302,771, a 10% reduction in premium over last year, can be attributed to Risk Management initiatives and marketing efforts of the new insurance broker, McGriff, Seibels & Williams. This report was informational only, and no Committee action was required. A copy of this report will be kept at the office of the Deputy Secretary.

15. Pension Plans, 401(k) Retirement Savings Program and OPEB Trust Investment Performance Update as of June 30, 2017

8:30 a.m. The briefing paper regarding the Pension Plans, 401(k) Retirement Savings Program and OPEB Trust Investment Performance Update – June 30, 2017 with attachments was provided in the Committee packet. Charles Stewart, Vice President, Pension & Insurance, provided a brief overview. The Board is required to oversee the funding status and trustee administration for the retirement system. Throughout the year Mr. Stewart provides reports to help the Board accomplish that goal.

Total 401(k) Program assets are $49.4M as of the end of the second quarter 2017. Participant contributions into the Plan have been consistent throughout all market environments. Allocations to individual funds and asset types remain relatively unchanged. The Vanguard Index Fund remains the most popular investment option among participants with $9.6 million in participant money or 21% of total assets. The T. Rowe Price Stable Value Fund (13%) and Dodge & Cox

Balanced Fund (15%) both also have significant participation from employees. The new fixed income manager, MetWest Total Return, has seen positive inflows and current participant exposure of about $200,000. The T. Rowe Price Lifecycle Funds continue to grow in popularity. Nearly 28% of participant's money is now held in these funds.

As of June 30, total Salaried Plan assets were $63.4 million. After falling to $33.4 million during 2008, assets have now steadily grown to new highs, increasing by $30M since the depths of the financial crisis. Cash flows are positive for the first six months of the year. A total of $5.9 million of new contributions was offset by outflows of $2.4 million. In addition, the Plan's strong investment performance boosted market values by $4.1 million. The Portfolio gained 3.5% during the second quarter, which brought the calendar year 2017 returns to 7.7%. Since inception dating back to 1988, the Total Portfolio has gained 7.6% outpacing its benchmark by 40 basis points. The Portfolio has also outperformed its current actuarial return target of 7.0%. Program investment managers are performing in line with expectations. Asset allocation remains within target guidelines.

As of June 30, IBEW Pension Plan assets are now $4.7 million, gaining approximately $400,000 since the beginning of the calendar year. Total Portfolio Market values have steadily increased over the past 7 years – in 2008 the market value fell to $1.1 million, but has quadrupled since reaching the market bottom. The growth in assets has been the result of strong investment performance as well as the Plan's positive net cash flow over the past several years. The Portfolio has performed well in 2017 calendar year to date, gaining 8.2%. The IBEW Pension Trust has strong long-term performance gaining +5.4% and +8.6% over the trailing 3- and 5-year periods, respectively. Since inception the Plan has gained 6.2%. All of the Portfolio's investment managers are performing in line with expectations. Asset allocation continues to be split between 65% equities and 35% fixed income. In Q2 Ellwood recommended, and the Committee approved, reinvesting $60,000 of the cash balance in the Dodge and Cox Income Fund in order to reduce cash holdings.

788 Pension Plan assets are now $131.4 million – up by $9.3 million since the beginning of the calendar year. Fund flows over the past few years have been consistently negative, and the first six months of 2017 continued this trend. Year to date cash inflows of $6.7 million were less than outflows of $8.2 million. However, strong investment gains boosted overall Portfolio values after investment earnings of $10.7 million. Through June 30, the Portfolio has gained 8.8% as the equity market continued its strong rally. Positive economic data, particularly from overseas markets, acted to strengthen investor optimism and propel equity markets higher. Longer-term performance remains favorable. Over the trailing 3- and 5-year periods, the Portfolio has gained 5.1% and 9.7%, respectively. The asset allocation changes approved by the Committee in 2013 have aided overall performance, and should help to mute the Portfolio's downside volatility during market declines. The Portfolio is in the process of liquidating the Och-Ziff (expected final 2018) and the BlueCrest (expected final 2017) hedge fund investments. In July 2017, the 788 Plan received a significant portion of its investment with Och-Ziff. As a result, Ellwood recommended enhancements to the overall hedge fund exposures, specifically advising the retention of two manager allocations with two complementary strategies. Ellwood recommended, and the Committee approved, retaining Davidson Kempner as an additional hedge fund manager in the portfolio. It was stated that the Portfolio's overall risk and return exposures are not expected to materially change as a result of this recommendation to change from three hedge funds (HBK, Blue Crest and Och-Ziff) to two hedge funds (HBK and Davidson Kempner). All other investment managers are performing in line with expectations.

As of June 30, OPEB Trust total assets were $27.4 million, higher by $4.8 million compared to the beginning of the calendar year. The Portfolio is in line with target allocations. In June, Bi-State completed its annual contribution of $3.0 million. The new cash flow was invested into the broader investment program in accordance with the statement of investment policy. No additional action is required at this time. The OPEB Trust advanced 8.2% during the first two quarters 2017. All of the Portfolio's asset classes have performed strongly – however, notable performers include non-US and domestic equities which gained 15.6% and 8.4% respectively. Hedge funds (+5.9%) and fixed income (+0.9%) were also able to produce solid positive results. All of the Portfolio's investment managers are performing in line with expectations, and no manager changes were advised at this time. Overall, the Portfolio continues to be well positioned to achieve its long-term goal of fully funding its liabilities. The Committee asked that Ellwood review the Plan's asset allocation following the finalization of the upcoming actuarial report.

16. Unscheduled Business

8:42 a.m. John Nations and Brenda Krieger confirmed there was no unscheduled business to discuss.

17. Call of Dates for Future Committee Meetings

8:42 a.m. The Board was advised of the upcoming meetings, as follows:

Board Meeting:	Friday, September 22, 2017, 8:00 a.m.
Operations Committee:	Tuesday, October 17, 2017, 8:00 a.m.
Audit, Finance & Administration Committee:	Friday, October 20, 2017, 8:00 a.m.

18. Adjournment to Executive Session

Executive Session - If such action is approved by a majority vote of the Bi-State Development Agency's Board of Commissioners who constitute a quorum, the Board may go into closed session to discuss legal, confidential, or privileged matters pursuant to Bi-State Development Board Policy Chapter 10, Section 10.080(D) Closed Records; Legal under § 10.080(D)(1); Real Estate under §10.080(D)(2); Personnel under § 10.080 (D)(3); Health Proceedings under §10.080(D)(4); Employee Negotiations under § 10.080(D)(5); Data Processing under § 10.080(D)(6); Purchasing and Contracts under § 10.080(D)(7); Proprietary Interest under § 10.080(D)(8); Hotlines under § 10.080(D)(9); Auditors under § 10.080(D)(10); Security under § 10.080(D(11); Computers under § 10.080(D)(12); Personal Access Codes under § 10.080(D)(13); Personal Information under § 10.080(D)(14); Insurance Information under § 10.080(D)(15); Rail, Bus, or Facilities Safety and Accidents under § 10.080(D)(16) or Protected by Law under § 10.080(D)(17).

8:45 a.m.

Pursuant to the requirements of Section 10.080 (D) (1), (10), of the Bi-State Development Board Policy, Chapter 10, Section 10.080, Chair Gully requested a motion to allow the Committee to go into closed session. A motion to go into Executive Session was made by Commissioner Schoemehl and seconded by Commissioner Brown. A roll call vote was taken and the Commissioners present, Gully and Schoemehl voted to approve this agenda item. **Motion passed unanimously, and the Open Session meeting was adjourned at 8:45 a.m.**

Barbara Enneking

Deputy Secretary to the Board of Commissioners
Bi-State Development

Bi-State Development
Agenda Item
Audit, Finance & Administration Committee
October 20, 2017

From:	Kathy S. Klevorn, Sr. Vice President and Chief Financial Officer
Subject:	**Sole Source Contract for Performance and Management Audit/ Mass Transit Consultant Services**
Disposition:	Approval and Referral
Presentation:	Kathy S. Klevorn, Sr. Vice President and Chief Financial Officer; Larry B. Jackson, Executive Vice President of Administration

Objective:

To present to the Audit, Finance & Administration Committee for discussion and referral to the Board of Commissioners a request to sole source a five (5) year contract with IMG/Rebel Advisory, Inc., (**IMG**) to perform Management and Performance Audits as specified by Article VI Section 618 of the Series 2002 Mass Transit Sales Tax Appropriation Bond Indenture and St. Louis County Ordinance #24,264.

Board Policy:

Chapter 50 Purchasing, Section 50.010 Procurement and Contract Administration, (E) Award Authority, 1.b. states:

1. The Board of Commissioners shall approve the following procurements:
    b. Non-Competitive Procurements which exceed $100,000

It is the policy of Bi-State Development to conduct all procurements in a manner which fosters full and open competition. In some cases, competition is not feasible or practical. Sole source procurements totaled 10.4% of all procurements over the last four quarters.

Funding Source:

Funding is provided in the operating budget.

Background:

Performance Management Audit Services are required under two authorizations. First, Article VI Section 618 of the Series 2002 Mass Transit Sales Tax Appropriation Bond Indenture required a review of MetroLink Infrastructure and management performance every two years. **See Attachment #2.** St. Louis County Ordinance #24,264 (2010), included the following revision (see *italics)* to Ordinance #24,245 (2009) which allowed the Prop A Sales Tax initiative to be placed on the April 2010 ballot in St. Louis County, *required the Agency to enter into a contract for service and submit to a performance audit of its management and operations every three years.* **See Attachment #1.**

Bi-State Development (**BSD**) executed the original five (5) year service contract in FY2011. The FY2011 competitive bid process produced a sole bidder, IMG/Rebel. IMG/Rebel successfully performed the required audits under the original five (5) year contract. This contract was extended to complete the audit due May 2017.

In April 2017, BSD placed a solicitation for performance management services for the period FY2018 to FY2022.

BSD and St. Louis County staff reviewed the Scope of Work, selection criteria, implementation plan and completion dates. The points criteria is 75% for technical and 25% for cost. A 15% DBE goal was established. The evaluation team was comprised of Metro's Chief Financial Officer, Executive Director Metro Transit, General Manager of MetroLink and the Controller. Kathy Klevorn, Chief Financial Officer chaired the committee.

BSD provided the initial Request for Proposal (17-RFP-104240-SG) to CPA and Management Consulting firms in order to generate additional interest.

Release RFP	April 20, 2017
Pre-Proposal Meeting	April 26, 2017
Questions Due	May 1, 2017
Proposals Due	May 19, 2017

BSD's Contracting Officer contacted firms that indicated interest, but failed to submit a proposal and cataloged their responses in the Follow-Up Solicitation Report. Generally, the responses were that Bi-State's scope is geared towards a large consulting firm with experience auditing internal processes, performing financial audits, and auditing transportation systems and facilities. With that in mind the RFP was reissued to include verbiage that a Consulting Firm could partner with an Engineering Firm to fulfill BSD's requirements. **See Attachment # 3 for Follow-Up Solicitation Report.**

Request for Proposal (18-RFP-104572-SG) was issued in order to generate additional interest from engineering firms. The following plan drove the solicitation:

Release RFP	July 7, 2017
Pre-Proposal Meeting	Not Applicable
Questions Due	July 12, 2017
Proposals Due	July 27, 2017

Analysis:

This solicitation generated much interest, but only one proposal. Only one (1) proposal was received from IMG/Rebel Advisory, Inc. with ABNA as the DBE subcontractor.
IMG is a national management and financial consulting firm with over 500 successful performance improvement and financial management engagements. ABNA Engineering (**ABNA**) is a partner in this audit and partnered with IMG on the 2011 contract as well. **ABNA** has participated in several Metro light rail construction projects and is familiar with Metro's infrastructure.

With the issuance of the second RFP Metro's Contracting Officer contacted firms that indicated interest, but failed to submit a proposal due to the consultant's inability to assemble an engineering partner and meet the necessary timetable.

Proposal Summary:

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
IMG/Rebel Advisory	$ 108,399	$ 140,018	$ -0-	$ 146,932	$ -0-

Total Contract Amount $ 395,349.00

Committee Action Requested:

Management recommends that the Audit, Finance & Administration Committee accept and forward to the Board of Commissioners for approval to award a five year contract to IMG/Rebel Advisory, Inc., in the not-to-exceed amount of $395,349.00.

Attachments:

1. St. Louis County Ordinance #24,264 (2010)
2. Special Bond Covenant Consultant – Article VI, Section 618
3. Follow-Up Solicitation Report

ATTACHMENT #1

St. Louis County Ordinance # 24,264 (2010)

SECTION 1. Prior to distribution to the Bi-State Development Agency ("Metro") of any of the half-cent sales tax revenues that may be authorized by St. Louis County voters at the election scheduled for April 6, 2010 pursuant to Section 94.660 R.S. Mo., Metro and St. Louis County shall first execute a contract pertaining to use of said funds.

SECTION 2. The contract authorized in Section 1 shall be executed by the County Executive and shall provide that any material expansions in Metro infrastructure including, but not limited to, the addition of any new rail or rapid bus service systems or such other similar expansion proposals shall only be pursued if federal funding is part of the funding mechanism for the project; that in addition to annual financial audits, Metro shall agree to submit to performance audits of its management and operations, conducted by an external audit body every three years at Metro's expense; and for such other terms and conditions as are approved by the County Counselor.

ATTACHMENT # 2

Special Bond Covenant Consultant- Article VI, Section 618

Article VI, Section 618 (a special covenant) within the Series 2002, 2005, 2007 and 2009 bond indentures requires a Consultant's Report as follows: Beginning with the fifth anniversary of revenue service of the (Cross County Light Rail) Project and biannually thereafter, the Agency covenants to employ, in an advisory capacity, a competent independent consulting firm having a favorable national report for skill and experience in the mass transit field; which firm shall be appointed by the Agency and shall be acceptable to the Trustee. <u>The duties of such consulting firm shall include inspection of the MetroLink system facilities and maintenance programs performed under the MetroLink Structures Inspection Program dated August 26, 2002 (as revised), and making reports and recommendations to the Agency with respect thereto and with respect to any proposed changes in the rates of fare, service adjustments, budgets for operation, maintenance, capital replacements and modernization.</u>

ATTACHMENT # 3

Follow-up Solicitation Report

Firm	Reason for not submitting a proposal
Brown Smith Wallace LLC	Did not have necessary engineering expertise that was requested
Crowe Horwath	Conflicted from bidding, as we are current external auditor
KPMG, LLP	Staff overbooked didn’t feel could provide the service required at this particular time
Linda Goldstein Consulting	Project too big to handle and intended to contact other larger firms as subcontractor did not make it due to timeframe
TransPro Consulting	Didn’t respond as the sub planning to work with wasn’t available and didn’t have sufficient time to coordinate with another
TranSystems Corp	Proposal was going to take a lot of effort wasn’t comfortable with the time to do it right

Bi-State Development
Agenda Item
Audit, Finance & Administration Committee
October 20, 2017

From:	Charles A. Stewart, Jr., Vice President of Pension & Insurance
Subject:	**Contract Modification: Employee Vision Plan Services**
Disposition:	Approval and Referral
Presentation:	Dave Toben, Director of Benefits; Anita Dunn, Health & Welfare Plan Manager

Objective:
To present to the Audit, Finance and Administration Committee a request to modify EyeMed Vision Care Incorporated, Employee Vision Plan services contract for a not to exceed amount of $142,000 for Option Year one (1) and $150,500 for Option Year two (2).

Board Policy:
Board Policy, Chapter 50 – Purchasing, Section 50.010 Procurement and Contract Administration, states:

E. Award Authority

1. The Board of Commissioners shall approve the following procurements:
   a. Competitive negotiation procurements which exceed $500,000.00.
   d. Procurements which exceed the amounts budgeted or otherwise approved by the Board of Commissioners for such project, function or service.

Funding Source:
This benefit is completely funded by employee payroll deductions, however, the Bi-State Development (**BSD)** Operating Budget pre-funds on a monthly basis to pay premium as billed by the vision plan vendor.

Background:
On June 17, 2013, our health and welfare plan consultants in concert with **BSD** issued Solicitation 13-RFP-5992-DR to retain a qualified firm to provide a fully insured voluntary vision plan for eligible employees and their dependents. An informational briefing paper was presented to the Finance and Administration Committee on August 16, 2013, detailing the procurement. The anticipated cost for the five (5) year period was expected to be less than $500,000. **BSD** does not subsidize this employee's benefit, however, pays monthly billed premium on the employee's behalf using operating funds. Employees contribute 100% of required premiums through pre-tax payroll deductions. A competitive negotiated five (5) year contract that was effective January 1, 2014, was awarded in September 2013, to EyeMed Vision Care Incorporated for three (3) base years and two (2) option years to be exercised at **BSD's** discretion.

Analysis:
Enrollment into the voluntary vision plan has continued to increase year over year at levels not originally anticipated when first presented in August 2013. The following grid presents actual annual premium expenses paid along with estimated costs for the remaining term of the contract.

Contract Year	Premium Amount
Base Year 1 – January 1, 2014 thru December 31, 2014	$109,938.00
Base Year 2 – January 1, 2015 thru December 31, 2015	$121,900.82
Base Year 3 – January 1, 2016 thru December 31, 2016	$133,731.13
Option Yr. 1 – January 1, 2017 thru December 31, 2017	$142,000.00*
Option Yr. 2 – January 1, 2018 thru December 31, 2018	$150,500.00*
Total Estimated Cost	**$658,069.95**
*Full Year Estimates	

The vendor is performing at expectation and we anticipate exercising our second option year. From January 2014 through September 2017, we have spent $472,056.35 in total and anticipate exceeding $500,000 by the end of Option Year (1). While the vision benefit is fully paid for by employee contributions, **BSD** advance pays the monthly premium to EyeMed Vision Care Incorporated and has now estimated the full cost of the five (5) year contract at $658,069.95.

Committee Action Requested:

Management recommends that the Audit, Finance and Administration Committee accept and refer to the Board of Commissioners for approval this request for additional funding for Option Years one (1) and two (2) for the Employee Vision Plan in an amount not to exceed **$659,000.00** and award any future monetary and administrative contract modifications as needed.

Bi-State Development
Agenda Item
Audit, Finance & Administration Committee
October 20, 2017

From:	James J. Cali, CPA Director of Internal Audit
Subject:	**Internal Audit Status Report – 1st Quarter FY2018** Briefing Paper No. 18-04
Disposition:	Information
Presentation:	James J. Cali, Director of Internal Audit

Objective:

To present to the Audit, Finance & Administration Committee the Internal Audit Department's (**IAD**) Status Report for the 1st Quarter **(FY)**2018.

Board Policy:

Board Policy Chapter 30 Audit, Finance and Budget, Section 30.005 Audit Committee Charter, A. GENERAL states:

The purpose of the Audit Charter is to assist the Board of Commissioners, through its Audit Committee, in fulfilling its fiduciary oversight responsibilities as follows:

The IAD Policies and Procedures Manual, Internal Audit Charter, dated May 22, 2015, and signed by the Chair of the Board of Commissioners, the Audit Committee Chair, the President and CEO, and the Director of Internal Audit states in Section 1.1-Responsibility that the IAD had the responsibility to:

- Develop a flexible Annual Audit Plan using an appropriate risk-based methodology, including any risks or control concerns identified by Management, and submit that plan to the Audit Committee for review and approval as well as periodic updates.
- Implement the Annual Audit Plan, as approved, including as appropriate any special tasks or projects requested by Management and the Audit Committee.
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- Evaluate and assess significant functions and new or changing services, processes, operations, and control processes during development, implementation, and/or expansion phases.
- Issue periodic reports to the Audit Committee and Management summarizing results of audit activities.
- Keep the Audit Committee informed of emerging trends and successful practices in internal auditing.
- Provide a list of significant measurement goals and results to the Audit Committee.
- Assist in the investigation of significant suspected fraudulent activities within the organization and notify Management and the Audit Committee of the results.

- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the organization at a reasonable overall cost.
- Include any assignments given by the Audit Committee or the Board as a whole.

Funding Source:
Funding is provided through the Internal Audit operating budget.

Background:
The Internal Audit Status Report provides the Board of Commissioners, the Audit Finance & Administration Committee members and Senior Management with a summary of the IAD's quarterly activity pertaining to the Annual Audit Plan.

In addition to tracking the status of current audits and special projects, this report also highlights the follow-up activity related to the implementation of recommendations from prior audits.

At the beginning of the 1st Quarter, Sheah Thompson began working in IAD as a college intern for the fall semester. Sheah has completed her Bachelor's Degree in Accounting, and she is currently taking courses towards completing with her Master's Degree in Accounting. During the 1st Quarter IAD met with Crowe Horwath, the Agency's external auditor, to assist them with their work pertaining to the annual financial statement audit.

Committee Action Requested:
This material is presented for information only; therefore, no action is required of the Audit, Finance & Administration Committee.

Attachments:
1. Internal Audit Status Report – 1st Quarter FY2018
2. Internal Audit Status Report – Special Projects – 1st Quarter FY2018

Bi-State Development
Internal Audit Department

Fourth Quarter Status Report
Ending September 30, 2017

Attachment 1

FY 2018 - Audit Plan	Start Date	Completion Date	Status	Completion Rate (Percentage)	Budget	Hours Previous Periods	Hours This Quarter	Total Hours	Hours Remaining
Audit Follow - Up	July 2017		Ongoing	49.85%	420.00	0.00	209.35	209.35	210.65
Quarterly IAD Status Report	July 2017		Ongoing	18.92%	240.00	0.00	45.40	45.40	194.60
Quarterly Treasury Safekeeping Audit	July 2017		Ongoing	27.27%	240.00	0.00	65.45	65.45	174.55
Smart Card - Passenger Revenue Testing of Internal Controls	March 2015		In Progress	53.13%	800.00	414.75	10.25	425.00	375.00
Health Insurance Claims Audit	May 2016		In Progress	51.94%	1,800.00	929.00	6.00	935.00	865.00
Eads Bridge Construction Audit	October 2016		In Progress	54.00%	600.00	218.25	105.75	324.00	276.00
On-Call Bi-State Research Institute Consulting Services	December 2016		In Progress	121.25%	80.00	90.50	6.50	97.00	(17.00)
FTA - Required Safety and Security Certification Audit (Safety)	March 2017		In Progress	15.65%	360.00	54.85	1.50	56.35	303.65
Payroll Hours of Service Audit	March 2017		In Progress	94.59%	600.00	300.80	266.75	567.55	32.45
Accounts Receivable Audit	May 2017		In Progress	74.03%	360.00	120.90	145.60	266.50	93.50
Procurement Card Audit	May 2017	August 2017	Complete	100.00%	240.00	137.00	23.00	160.00	80.00
SSO - Threat and Vulnerability Assessment (Security Audit)	May 2017	August 2017	Complete	100.00%	208.00	100.00	75.75	175.75	32.25
Staples Procurement Card Audit	August 2017		In Progress	40.07%	360.00	0.00	144.25	144.25	215.75
Benefits In Arrears	September 2017		In Progress	2.58%	600.00	0.00	15.50	15.50	584.50
FTA Required Rail Safety Audit - Safety Data Acquisition	August 2017		In Progress	22.08%	240.00	0.00	53.00	53.00	187.00
Subtotal Audit Hours					**7,148.00**	**2,366.05**	**1,174.05**	**3,540.10**	**3,607.90**

Bi-State Development
Internal Audit Department

Fourth Quarter Status Report
Ending September 30, 2017

Attachment 1

FY 2018 - Audit Plan	Start Date	Completion Date	Status	Completion Rate (Percentage)	Budget	Hours Previous Periods	Hours This Quarter	Total Hours	Hours Remaining
FTA Required Rail Safety Audit -Internal Safety Audits				0.00%	240.00	0.00	0.00	0.00	240.00
FTA Required Rail Safety Audit - Employee Safety				0.00%	360.00	0.00	0.00	0.00	360.00
FTA Required Rail Safety Audit - System Safety Program Plan Implementation				0.00%	360.00	0.00	0.00	0.00	360.00
FTA Required Rail Security Audit - Security Protective Measures	June 2017	August 2017	Complete	100.00%	240.00	9.25	15.00	24.25	215.75
Passenger Revenue - Pass Unit				0.00%	360.00	0.00	0.00	0.00	360.00
Contract Services - Facility Maintenance Audit				0.00%	480.00	0.00	0.00	0.00	480.00
Contract Services - Track Maintenance Audit				0.00%	480.00	0.00	0.00	0.00	480.00
Accounts Receivable Audit				0.00%	360.00	0.00	0.00	0.00	360.00
Travel Card Audit				0.00%	360.00	0.00	0.00	0.00	360.00
Casualty Claims Audit				0.00%	480.00	0.00	0.00	0.00	480.00
Customer Service Audit				0.00%	360.00	0.00	0.00	0.00	360.00
Grants Audit				0.00%	360.00	0.00	0.00	0.00	360.00
FY2019 Annual Audit Work Plan and Risk Assessment				0.00%	80.00	0.00	0.00	0.00	80.00
Grand Total Annual Audit Plan					**11,668.00**	**2,375.30**	**1,189.05**	**3,564.35**	**8,103.65**

Bi-State Development
Internal Audit Department

Fourth Quarter Status Report
Ending September 30, 2017

Attachment 1

FY 2018 - Audit Plan Summary On-Call Contract Audit Hours	Start Date	Completion Date	Status	Completion Rate (Percentage)	Budget	Hours Previous Periods	Hours This Quarter	Total Hours	Hours Remaining
Health Insurance Claims Audit	March 2016	August 2017	Complete	60.71%	1,400.00	850.00	0.00	850.00	550.00
Total On-Call Contract Audit Hours					**1,400.00**	**850.00**	**0.00**	**850.00**	**550.00**

First Quarter Status Report
Ending September 30, 2017

FY2018 Audit Plan - Special Projects	Start Date	Completion Date	Status	Completion Rate (Percentage)	Budget	Hours Previous Periods	Hours This Quarter	Total Hours	Hours Remaining
Auditor Recruitment / Intern Recruitment			Ongoing			0.00	15.75	15.75	
Board Meeting / Audit Committee Meeting Preparations			Ongoing			0.00	49.50	49.50	
CEO Meetings			Ongoing			0.00	1.50	1.50	
DBE Application Review			Ongoing			0.00	0.00	0.00	
EEO/Ethics Point (Fraud Hotline)			Ongoing			0.00	7.00	7.00	
Freedom of Information Act			Ongoing			0.00	0.00	0.00	
IAD Audit Research / Reading			Ongoing			0.00	30.25	30.25	
IAD Oracle Procard Procurement			Ongoing			0.00	6.25	6.25	
Public Safety Governance Committee			Ongoing			0.00	34.00	34.00	
Records Retention			Ongoing			0.00	30.25	30.25	
SSO Meetings			Ongoing			0.00	16.25	16.25	
Training & Professional Development			Ongoing			0.00	41.25	41.25	
Total Special Projects Hours					0.00	0.00	232.00	232.00	0.00

Bi-State Development
Agenda Item
Audit, Finance & Administration Committee
October 20, 2017

From:	James J. Cali, CPA Director of Internal Audit
Subject:	**Internal Audit Follow-Up Summary – 1st Quarter FY2018** Briefing Paper No. 18-05
Disposition:	Information
Presentation:	James J. Cali, Director of Internal Audit

Objective:
To present to the Audit, Finance and Administration Committee the Internal Audit Department's (**IAD's**) Follow-Up Summary Findings regarding the status of prior Recommendations during the 1st Quarter FY2018.

Board Policy:
Board Policy Chapter 30 Audit, Finance and Budget, Section 30.005 Audit Committee Charter, A. GENERAL, states:

The purpose of the Audit Charter is to assist the Board of Commissioners, through its Audit Committee, in fulfilling its fiduciary oversight responsibilities as follows:

(3) Internal Audit Process

- Review with Management and the Director of Internal Audit:
  a**.** Significant findings on internal audits during the year and Management's responses thereto.
  f. The Internal Audit Department's compliance with applicable standards (for example, *Government Auditing Standards*, or the Institute of Internal Auditors' **(IIA's)** Standards for the Professional Practice of Internal Auditing).

In addition, the IAD Policies and Procedures Manual, effective May 22, 2015, in Section 2.9-Report Follow-Up, Status Reports 2 states:

> The Director of Internal Audit shall schedule follow-up reviews as necessary to determine compliance. One of our primary responsibilities as professional auditors is determining that the auditee takes corrective action on recommendations. This applies in all cases except where "Management or the Board has assumed the risk of not taking corrective action on reported findings."

Funding Source:
Funding is provided through the Internal Audit operating budget.

Background:

The Standards for the Professional Practice of Internal Auditing, Standard 2500 – Monitoring Process, states that, "The Chief Audit Executive should establish and maintain a system to monitor the disposition of audit results communicated to management." To ensure compliance with this standard, Internal Audit regularly monitors the status of recommendations.

The Audit Follow-Up Summary Report is a comprehensive overview highlighting the current implementation status of recommendations issued in prior audit reports. Each recommendation has been reviewed and its status has been classified as follows:

- **Completed –** The recommendation has been implemented.
- **Outstanding –** The recommendation has not yet been implemented, and/or the implementation date has not occurred yet.
- **Overdue –** The recommendation remains outstanding past the established implementation date.

The report should be used to determine the timeliness and the completeness of the implementation of corrective action. Management should place specific focus on those recommendations that are determined to be overdue.

Committee Action Requested:

This material is presented for information only; therefore, no action is required of the Audit, Finance and Administration Committee.

First Quarter-FY2018 Audit Follow-Up
Executive Summary

Report Name	Number of Recommendations	Completed	Outstanding – Not Overdue	Overdue
Drug and Alcohol Program Testing Audit - FY2017	11	4	7	0
Accounts Payable/Vendor Payment Audit	4	1	3	0
ID Badge Access Audit	19	15	4	0
American Express Card Audit	6	6	0	0
Fuel Inventory Audit	6	4	2	0
Time and Attendance Including FMLA Audit	11	11	0	0
SSO-Security Training and Certification Audit	6	6	0	0
Procurement Card Program Audit	10	10	0	0
Staples Procurement Card Program Audit	10	10	0	0
Armored Car Contract Audit	1	1	0	0
MetroStore Financial Audit	5	5	0	0
Passenger Revenue-Special Event Hand Sales Audit	7	7	0	0
SSO-Security Incident Investigation Audit	2	2	0	0
SSO-Drug & Alcohol Testing Audit	15	12	3	0

COMPLETED FOLLOW-UP AUDIT REPORTS:

1. Armored Car Contract Audit – Closed 2nd Quarter-FY2017
2. Staples Procurement Card Program – Closed 2nd Quarter-FY2017
3. Time and Attendance, Including FMLA Audit – Closed 2nd Quarter-FY2017
4. American Express Card Audit – Closed 4th Quarter – FY2017
5. SSO-Security Training and Certification Audit – Closed 4th Quarter – FY2017
6. Procurement Card Program Audit – Closed 4th Quarter – FY2017
7. Passenger Revenue Special Event Hand Sales Audit – Closed 4th Quarter – FY2017
8. SSO-Security Incident Investigation Audit – Closed 4th Quarter – FY2017
9. MetroStore Financial Audit – Closed 4th Quarter – FY2017

BI-STATE DEVELOPMENT
TREASURER'S REPORT
August 31, 2017

INVESTMENTS

Yields:
Bi-State investments had an average yield of .93% for the month of August, up slightly from July. The Federal Funds Rate remained at 1.25% in August, although one more increase is still expected by the end of 2017. The Fed is also expected to begin reducing its $4.5 trillion balance sheet soon, which may have unexpected consequences in the financial markets.

Invested Funds:
In August, Bi-State directed $175 million of cash and investments. Approximately 31% of the invested funds were invested in U.S. Treasury or U.S. Government Agency securities, and 5% were invested in collateralized Certificates of Deposit (CDs) or Repurchase Agreements (Repos). The balance was invested in AAA rated money market funds. The average maturity of Bi-State investments was approximately 119 days.

DEBT MANAGEMENT

Debt Restructuring, 2013:
On July 1, 2013, Bi-State successfully sold its $381,225,000 Series 2013A Bonds. More than $1.5 billion in orders were placed for the bonds. The deal closed on August 1, 2013. An effective cost of funds of 4.44% was achieved. The effects of the $75 million County loan bring the true interest cost to 3.68%. The bond restructuring, of essentially all of the Cross County Bonds, with the exception of the $97 million Series 2009 Bonds, achieved important long-term financial objectives for Bi-State:

- Improved debt ratings. The bonds were assigned ratings of 'AA+' and 'Aa3' by S&P and Moody's, respectively. The higher ratings will benefit Bi-State in future financings.
- Eliminated exposure of Bi-State to variable and short-term debt obligations.
- Brought 2010 subordinate bonds to senior lien status, and began their amortization.
- Optimized the debt service funding requirements to preserve long-term funding flexibility for operations and capital.
- Incorporated the availability of the County Loan by using the Prop A Capital Reserve to reduce borrowing costs.
- Returned $18 million of Federal funding from the 2002 Debt Service Reserve Fund to Bi-State's capital program.

In 2014, St Louis County approved the appropriation of the 2nd loan advance in the amount of $30 million to Bi-State. The Series 2052 bonds were redeemed on October 1, 2014. This lowered the interest rate on $30 million in debt from 4.75% to 1.04%.

In August 2015, St Louis County approved the appropriation of the 3rd loan advance and the Series 2050 bonds were redeemed on October 1, 2015. The interest rate on this $30 million in debt decreased from 4.75% to 1.02%. The debt service reserve fund requirement on the 2013A bonds also decreased. The new debt service reserve requirement is now approximately $23.6 million.

Arch Tram Revenue Bonds, 2014:
On December 3, 2014, Bi-State closed on the Series 2014 Taxable Arch Tram Revenue Bonds. These bonds have a par value of $7,656,000 and a 30-year term. The initial fixed rate term is 10 years with a fixed interest rate of 4.016%. The funds from this bond issuance will pay for the cost of issuance, a portion of the interior roof

over the Arch visitor's center, and the replacement of the motor generator sets. The debt service requirement is approximately $454 thousand.

Bi-State Development/St. Clair County Transit District Revenue Bonds Refunding, 2014:
On December 4, 2014, Bi-State and St Clair County Transit District closed on the $4,160,000 issuance of the Series 2014 Bi-State Development/St Clair County Metrolink Extension Project Refunding Revenue Bonds. The refunding provides a savings of approximately $700,000 in debt service expenses. It also eliminated the need for the debt service reserve funding of approximately $450 thousand.

Capital Leases:
Bi-State has one remaining capital lease, its 2001 LRV Lease (C1, C2 Tranches). In February 2011, staff negotiated a default cure agreement with the 2001 C1 C2 lease investor. The agreement provided that Bi-State deposit additional collateral with the lease trustee, of which the St. Clair County Transit District (SCCTD) provided 70%. In January, the aggregate market value of pledged collateral was determined to be approximately $1 million more than required. Our current collateral requirement is approximately $6.8 million.

FUEL HEDGING

In August, in conjunction with its diesel fuel hedging program, Bi-State had an *unrealized gain* of $558 thousand on the sale of Home Heating Oil #2 futures contracts. August oil prices ended the month at $47.23 a barrel, a 6% decrease since the end of July. Generally, as the price of oil increases, the value of Bi-State’s future positions also increases. A gain in the futures partially offsets the actual increase in the cost of diesel fuel. If oil prices drop, the value of the futures decline. An increase in unrealized gains generally indicates that the price of fuel is rising, and losses generally indicate oil prices are falling.

BI-STATE DEVELOPMENT - MONTHLY TREASURER'S REPORT

	AS OF: 31-Aug-2017					31-Jul-2017				
BI-STATE DIRECTED:	Wt. Avg. Maturity (1)	Dollars (,000 omitted)	Of Total	Rate	Market Value (2)	Wt. Avg. Maturity (1)	Dollars (,000 omitted)	Percentage Of Total	Rate	Market Value (2)
Cash	0	$9,183	7.2%	0.00%	$9,183	0	$19,183	13.4%	0.00%	$19,183
Repurchase Agreements	1	6,416	5.0%	1.09%	6,416	1	4,763	3.3%	1.15%	4,763
Certificates of Deposit	0	0	0.0%	0.00%	0	0	0	0.0%	0.00%	0
U.S. Agencies (discounted)	56	2,489	2.0%	0.62%	2,496	87	2,489	1.7%	0.62%	2,494
U.S. Agencies (coupon)	390	10,501	8.3%	1.16%	10,486	421	10,501	7.4%	1.16%	10,481
U.S. Treasury Securities	203	6,845	5.4%	0.69%	6,854	234	6,845	4.8%	0.69%	6,849
Other Investments (3)	1	91,802	72.2%	0.84%	92,360	1	98,983	69.3%	0.83%	98,983
SUB-TOTAL BI-STATE	**45**	**$127,236**	**100.0%**	**0.87%**	**$127,795**	**44**	**$142,764**	**100.0%**	**0.86%**	**$142,753**
BI-STATE DIRECTED-PROP M:										
Certificates of Deposit	470	$1,530	3.2%	1.31%	$1,530	501	$1,530	3.2%	1.31%	$1,530
U.S. Agencies (discounted)	72	3,983	8.4%	0.93%	3,989	88	3,983	8.5%	0.93%	3,986
U.S. Agencies (coupon)	463	30,307	64.3%	1.20%	30,265	494	30,307	64.3%	1.20%	30,255
U.S. Treasury Securities	0	0	0.0%	0.00%	0	0	0	0.0%	0.00%	0
Other Investments (3)	1	11,319	24.0%	0.88%	11,319	1	11,301	24.0%	0.86%	11,301
SUB-TOTAL PROP M	**319**	**$47,139**	**100.0%**	**1.10%**	**$47,103**	**342**	**$47,121**	**100.0%**	**1.10%**	**$47,072**
TOTAL BI-STATE DIRECTED	**119**	**$174,375**		**0.93%**	**$174,898**	**118**	**$189,885**		**0.92%**	**$189,825**
TRUSTEE DIRECTED:										
Cash	0	$0	0.0%	0.00%	$0	0	$0	0.0%	0.00%	$0
Municipal Bonds	1381	8,165	14.2%	2.34%	8,114	1412	8,165	15.1%	2.34%	8,086
U.S. Agencies (coupon)	1536	12,764	22.1%	2.60%	13,120	1567	12,764	23.7%	2.60%	13,034
Commercial Paper	0	0	0.0%	0.00%	0	16	8,998	16.7%	0.06%	9,030
Bonds	46	2,482	4.3%	0.18%	2,491	46	2,482	4.6%	0.18%	2,488
Other Investments (3)	1	34,222	59.4%	0.77%	34,222	1	21,513	39.9%	0.77%	21,513
SUB-TOTAL TRUSTEE	**538**	**$57,633**	**100.0%**	**1.37%**	**$57,947**	**587**	**$53,922**	**100.0%**	**1.29%**	**$54,151**
TOTAL BI-STATE & TRUSTEE	**223**	**$232,008**		**1.04%**	**$232,845**	**222**	**$243,807**		**1.00%**	**$243,976**
LRV LEASE\LEASEBACK 2001:										
Cash	0	3	0.0%	0.00%	3	0	3	0.0%	0.00%	3
US Treasury Securities	126	6,840	6.1%	0.63%	6,858	157	6,840	6.1%	0.63%	6,851
Other Investments (4)		104,567	93.9%	5.80%	104,567		104,567	93.9%	5.80%	104,567
SUB-TOTAL LRV 2001		**$111,410**	**100.0%**	**5.48%**	**$111,428**		**$111,410**	**100.0%**	**5.48%**	**$111,421**
SUB-TOTAL LEASES		**$111,410**			**$111,428**		**$111,410**			**$111,421**
Grand Total (5)		**$343,418**			**$344,273**		**$355,217**			**$355,397**

Explanatory Notes:

(1) Approximate weighted average of days to effective maturity, from last business day of the month.
(2) Market value of goverment securities provided by safekeeping agent. Cost equals market for other investments.
(3) Includes money market funds and fuel hedging accounts.
(4) Investment Contracts (leases). Values of investment contracts adjusted to conform to lease payment schedules.
(5) All amounts preliminary and subject to audit and adjustment.

Prepared by: Terri Gudowicz Green, Mgr of Treas Ops — Date 10/5/17

Reviewed by: Tammy Fulbright, Dir of Treasury Services — Date 10/5/17

Approved: Kathy Klevorn, CFO — Date 10/5/17

BI-STATE DEVELOPMENT
MONTHLY TREASURER'S REPORT- ALL COMPANIES
BANK / ISSUER SUMMARY as of: 8/31/2017

Section 1 Bank/issuer Summary

BI-STATE DIRECTED * *all non debt/lease assets, inc. Prop M:*	CASH	CERTIFICATES OF DEPOSIT	REPURCHASE AGREEMENTS	OTHER	GOVERNMENT SECURITIES	COMMERCIAL PAPER\ BA's	TOTAL	MARKET VALUE	NOTES
BANK OF AMERICA MERRILL LYNCH	14,797,902	0	0	0	0	0	14,797,902	14,797,902	FDIC\tri-party collateral(deposits).
BLACK ROCK	0	0	0	32,594,277	0	0	32,594,277	32,594,277	Money Market Fund (Govt. Securities).
COMMERCE BANK	0	1,529,985	0	0	0	0	1,529,985	1,529,985	FDIC\FRB collateral.
FIDELITY	0	0	0	51,188,056	0	0	51,188,056	51,188,056	Money Market Fund (First Tier\Prime)
INVESCO	0	0	0	15,337,689	0	0	15,337,689	15,337,689	Money Market Fund (First Tier\Prime)
FIRST CLOVERLEAF	0	0	0	0	0	0	0	0	FDIC\tri-party collateral(deposits).
JEFFERSON BANK & TRUST	500	0	0	0	0	0	500	500	FDIC; repo collaterl held at JBT.
JP MORGAN CHASE	(87,974)	0	0	0	0	0	(87,974)	(87,974)	FDIC (bank acct.)MMKT (First Tier\Prime)
OPTUM	15,429	0	0	0	0	0	15,429	15,429	FDIC\FRB collateral.
BENEFLEX	4,307	0	0	0	0	0	4,307	4,307	FDIC\FRB collateral.
HEALTHSCOPE	50,370	0	0	0	0	0	50,370	50,370	FDIC\FRB collateral.
PNC BANK	(6,095,807)	0	1,268,517	0	0	0	(4,827,290)	(4,827,290)	FDIC\FRB collateral.
RBC DAIN RAUSCHER	0	0	0	3,047,053	0	0	3,047,053	3,047,053	Commodities Margin Acct. (fuel hedging)
RJ O'BRIEN	0	0	0	953,506	0	0	953,506	1,512,073	Commodities Trading Acct. (fuel hedging)
REGIONS BANK	9,060	0	0	0	0	0	9,060	9,060	FDIC Insured.
UMB BANK	908	0	5,147,000	0	0	0	5,147,908	5,147,908	FDIC\FRB Collateral.
U.S. BANK	(179,058)	0	0	0	0	0	(179,058)	(179,058)	FDIC\FRB Collateral.
ILLINOIS FUNDS	0	0	0	0	0	0	0	0	Illinois State Treasurer Investment Pool.
FARM CREDIT BANK	0	0	0	0	25,481,185	0	25,481,185	25,445,606	Safekept at Bank of America (BOA).
FEDERAL HOME LOAN BANK	0	0	0	0	21,798,846	0	21,798,846	21,790,125	Safekept at Bank of America (BOA).
U.S. TREASURY	0	0	0	0	6,845,063	0	6,845,063	6,853,898	Safekept by BOA or designated agent.
OTHER	667,286	0	0	0	0	0	667,286	667,286	
sub-total Bi-State directed	***9,182,923***	***1,529,985***	***6,415,517***	***103,120,581***	***54,125,094***	***0***	***174,374,100***	***174,897,202***	
TRUSTEE DIRECTED									
DEBT ISSUES									
Cross County Bonds									
Series 2009, 2013									
BANK OF NEW YORK -MELLON TRUST									
BANK OF NEW YORK	0	0	0	0	0	0	0	0	FDIC Insured.
GOLDMAN	0	0	0	34,222,148	0	0	34,222,148	34,222,148	Money Market Fund (First Tier\Prime).
FEDERATED GOVT OBLIG	0	0	0	0	0	0	0	0	Safekept at Bank of New York
MORGAN STANLEY	0	0	0	0	0	0	0	0	Safekept at Bank of New York
GOVERNMENT AGENCIES	0	0	0	0	12,764,224	0	12,764,224	13,119,527	Safekept at Bank of New York
MUNICIPAL BONDS	0	0	0	0	8,165,315	0	8,165,315	8,114,482	Safekept at Bank of New York
BOND FUNDS	0	0	0	0	0	2,482,212	2,482,212	2,491,081	Safekept at Bank of New York
sub-total	0	0	0	34,222,148	20,929,539	2,482,212	57,633,899	57,947,238	
SUB-TOTAL TRUSTEE (BONDS)	***0***	***0***	***0***	***34,222,148***	***20,929,539***	***2,482,212***	***57,633,899***	***57,947,238***	
SUB-TOTAL BI-STATE AND TRUSTEE	***9,182,923***	***1,529,985***	***6,415,517***	***137,342,729***	***75,054,633***	***2,482,212***	***232,007,999***	***232,844,440***	
LRV Lease\Leaseback 2001 C1 C2									
FSA\AIG	0	0	0	104,567,070	0	0	104,567,070	104,567,070	Guaranteed Investment Contract (GIC).
US TREASURY	3,130	0	0	0	6,839,504	0	6,842,634	6,861,489	Safekept by Lease Trustee.
sub-total	3,130	0	0	104,567,070	6,839,504	0	111,409,704	111,428,559	
sub-total leases	***3,130***	***0***	***0***	***104,567,070***	***6,839,504***	***0***	***111,409,704***	***111,428,559***	
GRAND TOTAL	**$9,186,053**	**$1,529,985**	**$6,415,517**	**$241,909,799**	**$81,894,137**	**$2,482,212**	**$343,417,703**	**$344,272,999**	

* *Please refer to Pages 5 and 10 for explanatory notes and credit ratings.*

+ ABBREVIATIONS (above):
FDIC- Federal Deposit Insurance Corp.
FRB - Federal Reserve Bank

INVESTMENT CATEGORY DESCRIPTIONS

CASH: Demand deposit accounts. Some accounts are consolidated by bank for presentation purposes. Negative balances generally reflect check float. Bi-State's bank accounts are protected either by Federal Deposit Insurance Corporation (FDIC), or collateralized with securities pledged to Bi-State and held either in a segregated customer account, tri-party account, or at the Federal Reserve.

CERTIFICATES OF DEPOSIT: Non-negotiable certificates of deposit, protected by FDIC insurance, AAA rated surety or Letter of Credit, or collateralized with securities placed in joint safekeeping with Bi-State at the Federal Reserve Bank.

BANKER'S ACCEPTANCE (BAs): Negotiable investment instruments created by banks to finance commercial trade transactions. Bi-State's investment policy permits purchase of BAs only from banks rated "B" or better by Fitch Ratings (formerly Thomson BankWatch-see ratings descriptions below).

REPURCHASE AGREEMENTS (REPOs): An investment created by the simultaneous sale and repurchase of a security (usually a government security) for different settlement dates. Bi-State's repos are collateralized with securities held in segregated customer accounts, or at the Federal Reserve.

OTHER: Interest checking, money market funds, guaranteed investment contracts (GICs) and investment agreements. Also includes fuel hedging related accounts. Bi-State's policy restricts use of money market funds to Triple A rated institutional funds which have over $500 million in assets.

GOVERNMENT SECURITIES: Securities (bills, discount notes, strips, coupon notes and bonds), issued by the U.S. Treasury or U.S. Government Agencies. Some securities are subject to "call" (redemption before stated final maturity).

COMMERCIAL PAPER: Short-term unsecured promissory note that is the obligation of the issuing entity, generally a large corporation (see ratings descriptions below).

> **NOTE:** Permitted Bi-State investments are specified in Board Policy 30.040. All investments are shown at cost, unless otherwise noted. Market values shown for government securities or commercial paper are considered "subject to market" and provided for informational use only. Cost or par approximates market for other investments, and some of these may be subject to penalty for early redemption.

CREDIT QUALITY RATING DEFINITIONS (also see Page 9)

Standard & Poor's, Moody's Investor Services, Fitch:

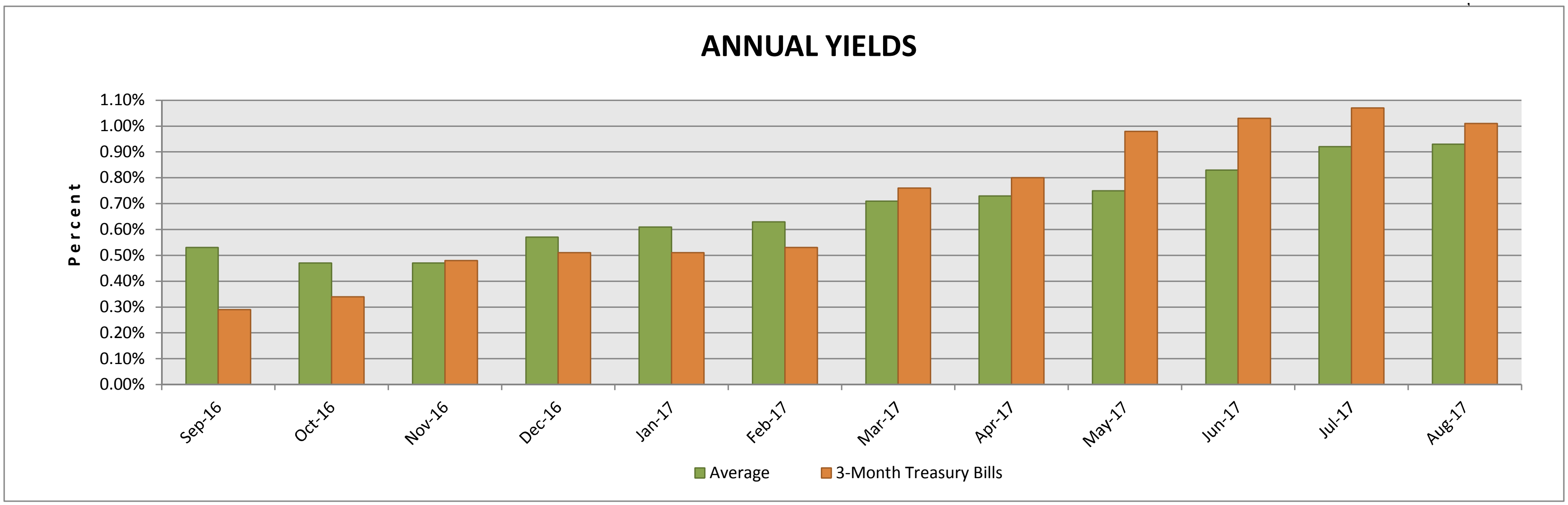
AAA Standard & Poor's, Moody's and Fitch rate credit quality on an A to C scale, with A generally regarded as "upper investment grade" and C as "speculative" (D would indicate default). Within each category are different gradients. The triple A rating indicates that the issuer's long term unsecured debt rating or specific investment instrument (such as money market funds) are of the highest credit quality (lowest expectation of risk.) The AAA rating is assigned only when there is exceptionally strong capacity for timely payment of financial commitments.

A1-P1 Commercial Paper issues rated "A-1 by Standard and Poor's and "P-1" by Moody's have the greatest capacity for timely payment (least risk). Bi-State's investment policy permits purchase of A2-P2 commercial paper from issuers with a business presence in the St. Louis region.

BI-STATE DEVELOPMENT
ANNUAL INVESTMENT REPORT
FOR MOST CURRENT 12 MONTHS

Funds (ooo's omitted)	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17
Bi-State Investments	132,418	157,139	159,874	155,220	162,958	146,426	151,805	157,884	145,640	141,033	142,764	**127,236**
Bi-State Prop M Investments	44,979	52,115	51,693	51,713	51,535	50,600	50,669	49,633	48,143	48,198	47,121	**47,139**
Total	177,397	209,254	211,567	206,933	214,493	197,026	202,474	207,517	193,783	189,231	189,885	**174,375**
Trustee Investments	89,698	40,282	42,648	44,622	46,759	49,144	50,795	42,194	44,780	47,016	53,922	**57,633**

Yields\Rates Information	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17
Bi-State	0.46%	0.41%	0.41%	0.48%	0.51%	0.54%	0.62%	0.64%	0.67%	0.75%	0.86%	**0.87%**
Prop M	0.73%	0.66%	0.67%	0.86%	0.90%	0.91%	0.98%	1.00%	1.01%	1.04%	1.10%	**1.10%**
Average	0.53%	0.47%	0.47%	0.57%	0.61%	0.63%	0.71%	0.73%	0.75%	0.83%	0.92%	**0.93%**
Trustee	0.77%	1.31%	1.29%	1.24%	1.21%	1.16%	1.14%	1.32%	1.26%	1.38%	1.29%	**1.37%**
3-Month Treasury Bills	0.29%	0.34%	0.48%	0.51%	0.51%	0.53%	0.76%	0.80%	0.98%	1.03%	1.07%	**1.01%**
1 Year Treasury	0.59%	0.66%	0.80%	0.85%	0.81%	0.88%	1.03%	1.07%	1.17%	1.24%	1.23%	**1.23%**
Fed Funds (target)	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	**1.25%**
20-Year Municipals	3.06%	3.29%	3.80%	3.04%	3.83%	3.94%	3.86%	3.77%	3.61%	3.58%	3.52%	**3.51%**
SIFMA (BMA) Index (month end)	0.84%	0.63%	0.56%	0.72%	0.66%	0.62%	0.91%	0.90%	0.76%	0.91%	0.82%	**0.79%**



Diesel Fuel Hedging Program - FY 2018

	Diesel Fuel Budget \ Actual Comparison:	***Aug-17***	***Year to Date***	***Life to Date***
a	Gallons consumed-actual	485,298	982,659	80,644,023
b=(c/a)	Average cost per gallon-actual	$ 1.73	$ 1.64	$ 2.10
c	***Total Diesel Fuel Cost-Actual***	**$ 838,935**	**$ 1,612,232**	**$ 169,623,419**
d	Gallons consumed- budget	498,384	982,481	84,298,386
e=(f/d)	Average cost per gallon- budget	$ 1.83	$ 1.83	$ 2.35
f	***Total Diesel Fuel Cost- Budget***	**$ 912,043**	**$ 1,797,940**	**$ 197,956,378**
g=(f-c)	**Budget Variance (Unfavorable)**	**$ 73,108**	**$ 185,708**	**$ 28,332,959**
h	**Realized Futures Gains (Losses)**	**$ 33,697**	**$ 38,367**	**$ (2,680,648)**
i=(c-h)	**Net Cost of Fuel**	**$ 805,238**	**$ 1,573,865**	**$ 172,304,067**
j=(i-f)	***Net Budget Variance (Unfavorable)***	**$ 106,805**	**$ 224,075**	**$ 25,652,311**
j=(i/f)	Net Cost of Fuel, Per Gallon, inc. Hedge	$ 1.66	$ 1.60	$ 2.14
k=(e-i)	Net Budget Variance Per Gallon	$ 0.17	$ 0.23	$ 0.21

Futures Activity:		***Price of Barrel of Oil:***	
		Date	***Price***
Futures Contracts Purchased	8		
Futures Contracts Sold	16	04/30/2017	$ 49.33
Futures Contracts Net Change at month end	(8)	05/31/2017	$ 48.32
Total Open Futures Contracts, at month end	231	06/30/2017	$ 46.04
Futures Contracts Unrealized Gain/(Loss) *	$558,566	07/31/2017	$ 50.17
(% of Estimated Future Consumption)	80%	08/31/2017	$ 47.23

* = At month end

Explanatory Notes:

Consumption budgeted at approximately 120,000 gallons per week.
Current diesel contracts: diesel =Platts +10.17 cents per gal.; B2 diesel= Platts + 10.93 cents per gal.
A futures contract equals 42,000 gallons.
Numbers above rounded.
Amounts do not include transaction or consulting costs.
Futures Contracts are purchased from Oct 2017 through Dec 2019 (27 months).

Background:

Linwood Capital is a consultant retained by Bi-State since April 2004 to assist with its energy price risk management program.
Bi-State manages the cost of fuel by utilizing purchase of exchange traded futures, specifically NYMEX Heating Oil#2 (HO#2) futures.
Generally, as oil prices increase, the value of the futures goes up, and acts to partially offset the actual increase in the price of fuel.

Bi-State Development
Monthly Investment Report
Report of Term Investment* Purchases: August 2017

Item	Investment:	Par Amount	Settled	Maturity Date	Term(days)	Yield	Purchased From	Fund
*Note: There were no new investment purchases in August								
	Total	**$ -**						

Notes:

* Investments with an original term of over 14 days.

Bi-State Development Agency dba Metr Credit Ratings of Financial Institutions (see also page 5							
	Long-Term Debt Rating			Short-Term Debt Rating			Fitch Bank
Depository Banks:	S&P	Moody's	Fitch	S&P	Moody's	Fitch	Rating
Bank of America, N.A.	A+	A1	AA-	A-1	P-1	F1	NA
Commerce Bank	A	A2		A-1	P-1		NA
PNC Bank	A	Aa2	AA-	A-1	P-1	F1+	NA
Regions Bank	BBB+	A2	BBB	A-2	P-1	F2	NA
U.S. Bank		Aa1	AA+		P-1	F1+	NA
UMB Bank	A-		A	A-2		F1	NA
Trust Companies:							
Bank of New York Mellon Trust	AA-	Aa1	AA+	A-1+	P-1	F1+	NA
Money Market Funds:	S&P			Moody's			
Black Rock Fed Trust	AAAm			Aaa-mf			
Black Rock Temp	AAAm			Aaa-mf			
Black Rock T Fund	AAAm			Aaa-mf			
FFI Treasury Fund	AAAm			Aaa-mf			
Columbia (BOA/Merrill) Money Market Reserves	AAAm			Aaa-mf			
Columbia (BOA/Merrill) Government	AAAm			Aaa-mf			
Dreyfus Government Cash Management	AAAm			Aaa-mf			
Federated Prime	AAAm			Aaa-mf			
Federated Treasury	AAAm			Aaa-mf			
Federated Government	AAAm			Aaa-mf			
Fidelity Government	AAAm			Aaa-mf			
Fidelity Prime	AAAm			Aaa-mf			
Fidelity Treasury	AAAm			Aaa-mf			
Goldman Financial Government	AAAm			Aaa-mf			
Invesco Government and Agency	AAAm			Aaa-mf			
JP Morgan Prime	AAAm			Aaa-mf			
Wells Fargo Treasury	AAAm			Aaa-mf			
	Long-Term Debt Rating						
Other:	S&P	Moody's	Fitch				
AIG (2001 LRV Lease)	A+	A2	A+				
U.S. Treasury	AA+	Aaa	AAA				
Federal Home Loan Bank (FHLB)	AA+	Aaa		***NA = Fitch overall bank ratings or LT debt ratings have been withdrawn***			
Federal Farm Credit Bank (FCB)	AA+	Aaa	AAA				

Bi-State Development				
Mass Transit Sales Tax Appropriation Cross-County Bonds & St Louis County Loan				
	2009	**2013**		
Series	**Refunding**	**2013A Bonds**	**2013B Loan**	**Total Cross County**
Issue date	9-Nov-09	1-Aug-13	1-Aug-13	
Principal (original)	$97,220,000	$381,225,000	$75,000,000	
Principal (currently outstanding)	**$97,220,000**	**$299,110,000**	**$135,000,000**	**$531,330,000**
Lien on 1\4 cent Prop M, Prop M2, Prop A tax	Senior	Senior	Subordinate	
Stand alone credit rating (S&P\Moody's)	AA+\A2	AA+\Aa3	NA	
Maturity date(s)	2023 – 2039	2048	2053	
Optional Call Date	2019	Various	Anytime	
Optional Put Date	NA	NA	2018	
Interest rate mode	Fixed	Fixed	1% + SIFMA	
Rate	4.50%-5.00%	3.00%-5.00%	1.02%-1.06%	
Interest pmt. Dates (4/1/17 &10/1/17)	April, October	April, October	April, October	
Annual debt service:				
Interest - FY 2017	**$4,767,975**	**$14,859,112**	**$1,413,000**	**$21,040,087**
Principal - (Previous payment 10/1/16 - $7,880,000) (next payment 10/1/17 - $8,275,000)	**$0**	**$8,275,000**	**$0**	**$8,275,000**
total princ.&int.	**$4,767,975**	**$23,134,112**	**$1,413,000**	**$29,315,087**
Debt Service Reserve Fund (DSRF)	$9.1 million in DSRF with bond trustee, BONY-Mellon.	$23.7 million in DSRF with bond trustee, BONY-Mellon.	NA	
Other	Refunded balance of 2002 A	Refunded Series 2002A,B,C, 2007, and Series 2010B	Refunded Series 2010A Bonds	

Bi-State Development
Agenda Item
Audit, Finance &Administration Committee
October 20, 2017

From:	Charles A. Stewart, Jr., Vice President, Pension & Insurance
Subject:	**Pension Audits Update**
Disposition:	Information
Presentation:	Charles A. Stewart, Jr., Vice President, Pension & Insurance

Objective:
To present to the Audit, Finance & Administration Committee an update on the audits of the three pension plans.

Board Policy:
Board Policy, Section 70.050, Employee's Pension and 40l(k) Retirement Savings Plan states (in part) that:

A. General. The Bi-State Development Agency sponsors four defined benefit pension plans and one defined contribution 401(k) Retirement Savings Plan for employees of the Agency. It is the responsibility of the Board of Commissioners to:

2. Oversee the funded status of the Plans
3. Oversee Trustee Administration

Funding Source:
No funding request is made for this matter. The pension plans are funded by employer and employee contributions.

Background:
The Pension Data Audit, issued by Bi-State Development's Internal Audit Department in March 2012, identified policy, procedure, recordkeeping and internal control deficiencies that affected both financial reporting and the general administration of the pension plans.

A major recommendation made by Internal Audit was for the pension trustees to engage an independent certified public accounting firm to perform an annual financial statement audit.

This recommendation has been implemented and the audit reports referenced herein reflect significant progress in addressing the deficiencies noted by the internal auditors.

Analysis:
Audit Results: Plan Years 2017 Pension Audits

- Financial audit reports for plan years ended 2017 were issued by Mayer Hoffman McCann, PC (**MHM**) in September 2017.

- MHM issued unqualified "clean" audit opinions for plan years ended 2017 for all three pension plans.

Other Audit Findings or Issues
All matters discovered by MHM during the course of the audits were reviewed with management and disclosed to the pension trustees. All identified issues were corrected prior to the completion of the audits.

401(k) Audit
The audit report of the 401(k) Retirement Savings Program for the year ended December 31, 2016 is in process.

Financial Statements
The comparative Financial Statements for fiscal year ended 2017 for the three pension plans follow this report.

Committee Action Requested:
None. Information only.

Attachments:

1. Financial Statements – Pension Plan for Salaried Employees of the Bi-State Development Agency of Missouri-Illinois Metropolitan District, Year Ended May 31, 2017

2. Financial Statements – Metro Local No. 2 and Local No. 309 of the International Brotherhood of Electrical Worker's Employees' Pension Plan, Year Ended March 31, 2017

3. Financial Statements – Metro Division 788 Amalgamated Transit Union Pension Plan, Year Ended March 31, 2017

Attachment 1

PENSION PLAN FOR SALARIED EMPLOYEES OF THE BI-STATE DEVELOPMENT AGENCY OF MISSOURI-ILLINOIS METROPOLITAN DISTRICT

Financial Statements and Required Supplementary Information

Year Ended May 31, 2017

MHM

PENSION PLAN FOR SALARIED EMPLOYEES OF THE BI-STATE DEVELOPMENT AGENCY OF MISSOURI-ILLINOIS METROPOLITAN DISTRICT

Year Ended May 31, 2017

CONTENTS

625 Maryville Centre Drive, Suite 200 ■ St. Louis, MO 63141
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INDEPENDENT AUDITORS' REPORT

To the Pension Committee of the Pension Plan for Salaried Employees of the Bi-State Development Agency of the Missouri-Illinois Metropolitan District:

We have audited the accompanying financial statements of the Pension Plan for Salaried Employees of the Bi-State Development Agency of Missouri-Illinois Metropolitan District (the Plan), which comprise the statement of fiduciary net position as of May 31, 2017, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of May 31, 2017, and the changes in fiduciary net position for the year then ended, in accordance with U.S. GAAP.

Other Matters

Required Supplementary Information

U.S. GAAP requires that the management's discussion and analysis (MD&A) on pages 3-7 and the required supplementary information (the schedules of changes in net pension liability and related ratios, employer contributions, and money-weighted rate of return) be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the U.S. Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Mayer Hoffman McCann P.C.

St. Louis, Missouri
August 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

PENSION PLAN FOR SALARIED EMPLOYEES OF THE BI-STATE DEVELOPMENT AGENCY OF MISSOURI-ILLINOIS METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
May 31, 2017

OVERVIEW

The management's discussion and analysis (MD&A) presented is for the Pension Plan for Salaried Employees of the Bi-State Development Agency of Missouri-Illinois Metropolitan District (the Plan). The MD&A is intended to serve as an introduction to the Plan's financial statements which consists of (1) Financial Statements, (2) Notes to the Financial Statements and (3) Required Supplementary Information. The MD&A provides an overview for the fiscal year ended May 31, 2017 with limited information provided on the previous year.

HISTORY

The Plan is a defined benefit plan that meets the requirements of the IRS code section 401(a). The Plan provides for pension benefits for any participant who satisfies the age and service requirements. The Plan is that of a governmental unit and, therefore, is not subject to the provisions of the Employee Retirement Income Security Act (ERISA) of 1974.

Effective June 1, 1964, Bi-State Development Agency of the Missouri-Illinois Metropolitan District (Bi-State Development) adopted the Bi-State Agency Employee Trust Plan Agreement and subsequently amended the name to Pension Plan for Salaried Employees of the Bi-State Development Agency of Missouri-Illinois Metropolitan District effective June 1, 1966.

In order to qualify for a normal retirement benefit, an employee must have attained age 60 and have at least five years of credited service.

In order to qualify for early retirement benefits, an employee must attain age 55 and have completed at least ten years of credited service.

In addition to pension benefits paid at retirement, the Plan also provides death benefits under certain circumstances that would be paid to a retiree's designated beneficiaries.

The Plan included a provision for the payment of Supplemental Benefits, as defined by the Plan. This option allowed a retiree to receive the dollar value of his/her unused sick leave as of the termination date. Prior to June 25, 2009, a retiree could choose to have his/her Supplemental Benefits paid as either a lump sum payment or a series of monthly payments for a designated length of time (one, three, five or seven years). After June 25, 2009, unused sick leave is converted to additional credited service, as defined by the Plan.

Effective July 1, 2013, the Plan was amended so that the Plan is closed to new participants.

In January, 2017, the Plan changed custodians from Bank of New York Mellon (BNY) to U.S. Bank, N.A. (U.S. Bank). As a result, the Plan transferred Plan assets of $55,265,590 from BNY to U.S. Bank.

ORGANIZATION

The Pension Committee consists of four standing Trustees and up to five non-standing Trustees. Bi-State Development's Board of Commissioners appoints the Chairperson by Bi-State Development's Board Policy, the four standing Pension Committee members are the Chief Operations Officer, the Vice President of Human Resources, the General Counsel and the Chief Financial Officer. The Chairperson of the Pension Committee, with the concurrence of the Bi-State Development President, shall appoint up to five non-standing Trustees.

The Pension Committee is responsible for establishing the investment policies, overseeing the activity of the investment manager, approving applications for pension benefits and safeguarding the Plan's assets.

FINANCIAL STATEMENTS

As described above, there is one year of data presented. The Plan follows Governmental Accounting Standards Board No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No.* 25 (GASB 67). The statement of fiduciary net position includes information about assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position, as applicable, as of the end of a pension plan's reporting period. The statement of changes in fiduciary net position summarizes the additions to, deductions from, and net increase in fiduciary net position for a pension plan's reporting period. The difference between assets and liabilities is one measure of a pension plan's financial position and the change in this measure over time is an indication of whether the Plan's financial health is improving or deteriorating.

The Notes to the Financial Statements and Required Supplementary Information provide additional information that is essential to a full understanding of the data provided in the Financial Statements.

Per GASB 67, the Plan is required to provide the following supplementary information for ten years:

1. Schedule of Changes in Net Pension Liability and Related Ratios
2. Schedule of Employer Contributions
3. Schedule of Money-Weighted Rate of Return

However, the Plan is permitted to disclose as many years as are available (3 years) of data and build on to the information in each subsequent period until ten full years are presented.

CONDENSED FINANCIAL INFORMATION

(In thousands)

	As of and for the Year Ended May 31, 2017
Assets	$ 63,320
Liabilities	1
Net Position	$ 63,319
Contributions	
Employer	$ 6,960
Participant	535
Investment Income, net	5,504
Benefits Paid to Participants	(4,439)
Administrative Expenses	(96)
Net Increase	$ 8,464

FINANCIAL HIGHLIGHTS

<u>Pension Plan</u>

The Plan's net position decreased by $3.2 million in 2016 and increased by approximately $8.5 million in 2017. Net plan position totaled $63.3 million at May 31, 2017. This is an increase over the 2016 asset total of $55.0 million.

Liabilities totaled $1 thousand and $21 thousand as of May 31, 2017 and 2016, respectively. These liabilities are primarily driven by the timing of payment of certain plan expenses.

The Plan received employer contributions from Bi-State Development in the amount of approximately $7.0 million and $2.8 million for the years ended May 31, 2017 and 2016, respectively. Employer contributions are determined by the Plan's actuary. Bi-State Development also funds supplemental pension benefits for participants' unused sick leave as they are paid by the Plan. Prior to January 1, 2014, contributions were paid 100% by Bi-State Development and there were no participant contributions. Effective January 1, 2014, employees began making mandatory contributions into the Plan. Participant contributions for the years ended May 31, 2017 and 2016 were $535 thousand and $556 thousand, respectively.

The Plan paid $4.4 million and $4.3 million in benefits for the years ended May 31, 2017 and 2016, respectively.

Bi-State Development

As of June 30, 2016, Bi-State Development had assets of approximately $1.5 billion and net assets of $561 million. Operating revenues for the twelve months ended June 30, 2016 were $73 million and operating expenses were $353 million. The main operating expenses were wages and benefits ($182 million), depreciation and amortization ($74 million), and materials and supplies ($38 million). This created an operating loss of $280 million. Non-operating revenues, net were $279 million and were primarily comprised of grants and assistance. The Change in Net Position was $(1) million for the year ended June 30, 2016. Comprehensive Annual Financial Report (CAFR) information for the current and prior years can be found at www.bistatedev.org or by contacting the Finance Division, Bi-State Development Agency, One Metropolitan Square, 211 North Broadway, Suite 700, Mail Stop 154, St. Louis, MO 63102. The telephone number to the Finance Division is 314-982-1547. The email address is Finance@BiStateDev.org.

CONDENSED CAFR DATA FOR BI-STATE DEVELOPMENT:
(In millions)

	As of and for the Year Ended June 30, 2016
Assets	$ 1,469
Liabilities	908
Net Position	$ 561
Operating Revenue	$ 73
Operating Expenses	353
Operating Loss	(280)
Non-Operating Revenue, net	279
Change in Net Position	$ (1)

CONTACT

The financial section is designed to provide users with a general overview of the Plan's financial activity. If you have questions about this report or need additional financial information regarding the Plan, contact the Bi-State Development Pension Department, One Metropolitan Square, 211 North Broadway, Suite 700, Mail Stop 125, St. Louis, MO 63102.

PENSION PLAN FOR SALARIED EMPLOYEES OF THE BI-STATE DEVELOPMENT AGENCY OF MISSOURI-ILLINOIS METROPOLITAN DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

May 31, 2017

ASSETS:		
Receivables:		
Participant contributions	$	24,919
Securities sold		623
		25,542
Investments:		
Cash and cash equivalents		5,245,119
Investments		58,049,066
		63,294,185
TOTAL ASSETS		63,319,727
LIABILITIES:		
Accrued expenses		915
TOTAL LIABILITIES		915
NET POSITION RESTRICTED FOR PENSIONS	**$**	**63,318,812**

See notes to the financial statements.

PENSION PLAN FOR SALARIED EMPLOYEES OF THE BI-STATE DEVELOPMENT AGENCY OF MISSOURI-ILLINOIS METROPOLITAN DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended May 31, 2017

ADDITIONS:		
Contributions:		
Employer	$	6,960,275
Participant		534,888
Total contributions		7,495,163
Investment income:		
Net appreciation in fair value of investments		5,061,813
Interest and dividends		549,750
Total investment income		5,611,563
Less investment expense		107,929
Net investment income		5,503,634
Total additions		12,998,797
DEDUCTIONS:		
Benefits paid to participants		4,439,358
Administrative expenses		95,964
Total deductions		4,535,322
NET INCREASE IN NET POSITION		**8,463,475**
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of year		**54,855,337**
End of year	**$**	**63,318,812**

See notes to the financial statements.

(1) Description of plan

The following description of the Pension Plan for Salaried Employees of the Bi-State Development Agency of Missouri-Illinois Metropolitan District (the Plan) provides only general information. Participants should refer to the Plan Document or Summary Plan Description for a more complete description of the Plan's provisions, which are available from the plan administrator.

General - The Plan, which is a single-employer defined benefit plan, became effective June 1, 1964. The Plan provides for pension benefits for any participant who satisfies the age and service requirements pursuant to the Plan document. The Plan is that of a governmental unit and, therefore, not subject to the provisions of the Employee Retirement Income Security Act of 1974.

The Pension Committee of the Pension Plan for Salaried Employees of the Bi-State Development Agency of Missouri-Illinois Metropolitan District (the Committee) serves as the Plan's trustee. The Committee consists of four standing Trustees and up to five non-standing Trustees. Bi-State Development's Board of Commissioners appoints the Chairperson by Bi-State Development's Board Policy; the four standing Committee members are the Chief Operations Officer, the Vice President of Human Resources, the General Counsel and the Chief Financial Officer. The Chairperson of the Committee, with the concurrence of the Bi-State Development President, shall appoint up to five non-standing Trustees. The Committee is responsible for establishing the investment policies, overseeing the activity of the investment manager, approving applications for pension benefits and safeguarding the Pension Plan's assets.

In January, 2017, the Plan changed custodians from Bank of New York Mellon (BNY) to U.S. Bank, N.A. (U.S. Bank). The Bi-State Development Agency of Missouri-Illinois Metropolitan District (Bi-State Development) has historically served as the Plan's administrator. Milliman, Inc. is the third party administrator of the Plan. Ellwood Associates serves as the Plan's investment advisor. The Plan's membership consisted of:

	As of June 1, 2016
Active participants	329
Terminated vested participants	103
Terminated nonvested participants (due refund)	2
Long term disability participants	4
Participants receiving payments	353
	791

Funding policy - The Employer intends to make contributions from time to time to the Plan in amounts actuarially determined to be sufficient to fund the benefits provided by the Plan.

(1) <u>Description of plan</u> (continued)

Eligibility - Prior to July 1, 2013, Employees, as defined, were immediately eligible to participate in the Plan upon hire. Effective July 1, 2013, the Plan was amended so that the Plan is closed to new participants. The following describes the various tiers of employees impacted by the amendment:

Tier 1 - new hires into a salaried position- Salaried employees hired on or after July 1, 2013 are not eligible to participate in the Plan, but became eligible to participate in the Bi-State Development Agency 401(k) Retirement Savings Plan (the 401(k) Plan).

Tier 2 - transfers into a salaried position from a union position- Effective July 1, 2013, employees transitioning from a union position to a salaried position are not eligible to participate in the Plan, but will be automatically enrolled in the 401(k) Plan.

Tier 3 - non-vested salaried employees who elect to become a participant in the 401(k) Plan- Effective January 1, 2014, all non-vested salaried employees in the Plan were given two options for retirement plan participation:

1. Cease participation in the Plan and become a participant in the 401(k) Plan and receive contributions from Bi-State Development of 6% of eligible compensation along with a matching contribution from Bi-State Development of 50% up to 5% of eligible compensation.

2. Remain a member of the Plan and, as a participant, contribute 3% of Bi-Weekly Base Pay, as defined, to the Plan.

Tier 4 - vested salaried employees in 401(k) plan with a frozen accrued benefit in the Plan- Effective January 1, 2014, vested employees covered under the Plan could elect to stop participating in the Plan and Bi-State Development will contribute 6% of their eligible compensation to the 401(k) Plan. The participant's accrued benefit in the Plan will be available to the participant at his/her valid Pension Commencement Date, as defined.

Tier 5 - vested salaried employee in the 401(k) Plan without a frozen accrued benefit from the Plan - Effective January 1, 2014, employees who are vested in the Plan who elect to forfeit all their accrued benefits in the Plan, will receive Bi-State Development contributions to the 401(k) Plan.

Tier 6 - vested salaried employee who continues in the Plan - Effective January 1, 2014, vested salaried employees covered under the Plan may elect to continue to participate in the Plan and will be required to contribute 3% of their Bi-Weekly Base Pay, as defined, to the Plan.

(1) Description of plan (continued)

Tier 7 - terminated vested salaried employees in the Plan - During a ninety day window established by Bi-State Development, all terminated, vested participants were offered an option to receive a lump sum cash payment as defined by the Plan to end their participation in the Plan or to remain in the Plan.

In addition, effective January 1, 2014, all vested salaried employees had their accrued sick leave and vacation leave converted to paid time off (PTO). The PTO maximum was 360 hours. Certain amounts in excess of the 360 hours will be converted to a Bi-State Development contribution to the 401(k) Plan. Refer to the restated plan document for additional information.

Contributions - Prior to January 1, 2014, participant contributions to the Plan were not required or permitted. Effective, January 1, 2014, the Plan was amended so that participant contributions equal to 3% of Bi-Weekly Base Pay, as defined, are required each pay period from active participants who elected to continue participation in the Plan.

Normal retirement pension - A participant who has attained age 60 and had completed at least five years of credited service is entitled to pension benefits at normal retirement age. Monthly benefit payments, for participants who retire after July 31, 2004, are the greater of (1) the sum of a participant's accrued benefit as of May 31, 1989 plus 1.5% of the participants' final average monthly earnings multiplied by the years of credited service after May 31, 1989 or (2) 1.5% of the participants' final average monthly earnings multiplied by the total years of credited service. Effective, July 1, 2013, the normal retirement age was changed from 65 to 60.

Early retirement pension - A participant who has attained age 55 and has completed at least ten years of credited service may elect to retire at any time prior to normal retirement date. The early retirement pension equals the participant's normal pension (as described above) reduced by ¼ of 1% for each month that the early retirement date precedes the normal retirement date.

Benefit formula - Monthly benefits are based on final average monthly earnings and years of credited service.

Termination benefit - Participants who leave the service of Bi-State Development with less than five years of credited service are entitled to a refund of their employee contributions, if any.

Vested benefit - Participants who leave the service of Bi-State Development with at least five years of credited service may elect to (i) accept a refund of their pension contributions, if any or (ii) accept a vested pension.

(1) Description of plan (continued)

If a vested pension is elected, benefit payments will be deferred to age 60 or calculated under the early retirement provision of the Plan and will be based upon the participant's accrued credited service and the benefit formula which was in effect at the time the participant left service.

Death benefit - If a married participant's death occurs while eligible for retirement (early or normal), a benefit is payable to the surviving spouse. The amount of the benefit is equal to 50% of the monthly benefit which would have resulted had the participant retired on the first day of the month immediately prior to the date of the participant's death. The beneficiary of an unmarried participant shall be paid a benefit equal to the greater of the participant's accumulated cash share or, if eligible for normal retirement, the computed value of the 120 monthly payments payable had the participant retired on the date of death.

Payment options - Participants may elect to receive their benefits under the following options:

- Straight Life Annuity
- Straight Life Annuity with the first ten years of payments guaranteed
- Joint and Contingent Survivor Annuity

Contingent annuitant options - Under these options, a reduced monthly benefit is available to the participant for life and 50%, 66 2/3%, or 100% of such reduced monthly benefit to the participant's surviving spouse for the spouse's lifetime if the participant predeceases the spouse. The monthly benefit reduction will be actuarially determined based upon the participant's and spouse's ages at the time of retirement.

Supplemental pension benefits - Prior to June 25, 2009, upon retirement, a participant was entitled to receive a supplemental pension benefit for the participant's supplemental sick leave, which was paid in a lump sum or monthly payments over one, three, five or seven years. After that date and prior to July 1, 2013, sick time could be converted into credited years of service.

During Bi-State Development's fiscal year beginning July 1, 2013, Bi-State Development made a special contribution to the Plan for the present value of all excess sick leave, sick hours above 1,248 which accrued for a participant from December 2001 until July 31, 2009. During a transition period from July 1, 2013 to December 31, 2013, any participant who retired under the Plan with excess sick leave converted such leave into a supplemental pension benefit or received a lump sum payment of eighty-five percent of the cash value of the excess sick leave. Any participant who had an excess sick leave balance on January 1, 2014 was entitled to receive a supplemental pension benefit commencing on his pension commencement date.

(2) Summary of significant accounting policies

Basis of presentation - The accompanying financial statements are presented in accordance with accounting principles established by the Governmental Accounting Standards Board (GASB), which designates accounting principles and financial reporting standards applicable to state and local governmental units. The accompanying financial statements include solely the accounts of the Plan, which include all programs, activities and functions relating to the accumulation and investment of the net position and related income necessary to provide the benefits required under the terms of the governing Plan Document and amendments thereto.

Basis of accounting - The financial statements are prepared on the accrual basis of accounting. Under the accrual basis of accounting, contributions are recognized in the period in which the employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Use of estimates - The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and changes therein, and disclosures of contingent assets and liabilities. Accordingly, actual results may differ from those estimates.

Employer and participant contributions receivable - Contributions receivable represents contributions due to the Plan for hours worked prior to the end of the Plan year.

Investment valuation and income recognition - Investments are reported at fair value, which is the closing price reported in the active market as of the reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When quoted market prices are not available, investments are based on independent appraisals and recent financial results, or if no established market, then they are reported at their estimated fair values.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Payment of benefits - Benefits are recorded when paid.

Implementation of GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72) - GASB 72 was implemented during the year ended May 31, 2017. GASB 72 addresses accounting and reporting issues related to fair value measurements. This statement requires disclosure to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The implementation of GASB 72 had no effect on the Plan's net position. See Note 4 for adoption of GASB 72.

Administrative expenses - Certain expenses of the Plan are paid by Bi-State Development and are not included in the statement of changes in fiduciary net position. Investment related expenses are included in net appreciation in fair value of investments.

(3) Investments

The Committee has established a formal investment policy that includes selecting professional investment advisors to manage investments, diversifying the investment portfolio between fixed income and equity securities, and making both short-term and long-term investments to help realize a consistent return. The following schedule presents the aggregate fair value for the Plan's investments as of May 31:

	2017
Investments at fair value:	
Mutual funds - equity	$ 34,850,913
Mutual funds - fixed income	17,121,955
Other	6,076,198
Cash and cash equivalents	5,245,119
Total investments	$ 63,294,185

The following presents investments that represent 5% or more of the Plan's net position, which represents a concentration risk at May 31:

	2017
Metropolitan West Low Duration	$ 16,537,352
Dodge & Cox Stock Fund	6,570,197
T Rowe Price Blue Chip Growth Fund I	5,979,830
Vanguard 500 Index Admiral	5,835,156
First American Treasury Obligation (Class Y)	5,245,119
American Funds Europacific Growth A	5,011,721
Brandes Institutional International Equity Fund	3,316,985
William Blair Small Mid Cap Growth Fund I	3,249,135
Archipelago Hld Class A	3,184,336

Custodial credit risk is when, in the event a financial institution or counterparty fails, the Plan would not be able to recover the value of deposits, investments or collateral securities that are in the possession of an outside party. All investments are held in the Plan's name and are not subject to creditors of the custodial financial institution. The Plan maintains its investments at one commercial trust company in St. Louis, Missouri.

Currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Plan's investments during the period under audit were all in U.S. dollars.

Credit risk is the risk that an issuer or other counterparty to a debt investment will not fulfill its obligations. The Plan's assets as of May 31, 2017 subject to credit risk are shown with their respective credit ratings below:

Metropolitan West Low Duration	AA	$ 16,537,352

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Plan does not have a direct investment in bonds.

(3) Investments (continued)

The Plan's investment policy is based upon an asset allocation that considers the current and expected condition of the Plan, the expected long-term capital market outlook and the Plan's risk tolerance.

For the year ended May 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan expense, was 10.13 percent. The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period.

(4) Fair value measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in inactive markets; inputs other than quoted market prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily Net Asset Value ("NAV") and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

(4) Fair value measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the Plan's investments at fair value as of May 31, 2017:

	Investments at Fair Value as of May 31, 2017			
	Level 1	Level 2	Level 3	Total
Mutual funds - equity	$ 34,850,913	$ -	$ -	$ 34,850,913
Mutual funds - fixed income	17,121,955	-	-	17,121,955
Total investments by fair value level	$ 51,972,868	$ -	$ -	$ 51,972,868
Investments measured at NAV (a)				6,076,198
Investments measured at amortized cost (a)(b)				5,245,119
Total investments measured at fair value				$ 63,294,185

(a) Certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of fiduciary net position.

(b) The money market fund listed in the above chart is redeemed on a daily basis and does not have any redemption restrictions. Additionally, there are no unfunded commitments.

The valuation method for investments measured at the net asset value per share, or equivalent, is presented in the table below.

	Fair Value 5/31/2017	Unfunded Commitments at 5/31/2017	Redempton Frequency	Redemption Notice Period
Archipelago Hld Class A	$ 3,184,336	N/A	See Note[1]	See Note[2]
Forester Offshore 03/14	1,723,243	N/A	See Note[1]	See Note[2]
Forester Offshore 08/13	1,168,619	N/A	See Note[3]	45 days
Investments measured at NAV	$ 6,076,198			

[1] Series A2: 1% management fee plus 3% incentive fee; annual liquidity following an initial two-year lockup

[2] 95 days' notice required for all withdrawals. Series A2 and Series A3 subscribers may convert to Series B2 at any time with the consent of the Fund. At the end of each three-year commitment period, Series B2 subscribers may convert to Series A2, Series A3, or Series B3 subscribers, or continue as Series B2 subscribers.

[3] No lock-up, quarterly redemption, 45 days' notice

(5) Tax status

The Internal Revenue Service has determined and informed the Committee by letter dated August 25, 2014, that the Plan and the related trust are designed in accordance with the applicable sections of the Internal Revenue Code (IRC). Although the Plan has been amended since receiving the determination letter, the Committee believes that the Plan and the related trust are currently designed and being operated in compliance with the applicable requirements of the IRC.

(6) Funding policy

Prior to January 1, 2014, contributions under the Plan were made solely by Bi-State Development. Effective January 1, 2014, the Plan was amended to require participant contributions as discussed in Note 1. Bi-State Development makes contributions as required to keep the Plan qualified under Section 401 of the IRC. Contribution rates are determined by an actuary.

Bi-State Development also funds supplemental pension benefits for participants' unused sick leave as they are paid by the Plan.

(7) Net pension liability

The following presents the components of net pension liability at May 31, 2017:

Total pension liability	$ 91,189,064
Plan fiduciary net position	63,318,812
Net pension liability	$ 27,870,252
Plan Fiduciary net position as a % of total pension liability	69.44%
Covered payroll	$ 22,657,974
Net pension liability as a % of covered payroll	123.00%

The total pension liability was determined by an actuarial valuation as of the valuation date (June 1, 2016) calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. There have been no significant changes between the valuation date and the fiscal year-end. Any significant changes during this period must be reflected as prescribed by GASB 67.

(7) Net pension liability (continued)

The following significant assumptions were used for the June 1, 2016 actuarial valuation:

Valuation date	June 1, 2016
Measurement date	May 31, 2017
Discount rate	7.00%
Long-term expected rate of return, net of investment expense	7.00%

The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Inflation	2.50%
Salary increases including inflation	4.50%
Mortality	Healthy Lives: RP-2014 Mortality for Employees, with White Collar adjustment, and Healthy Annuitants, with White Collar adjustment, male and female rates, with projection five years from the valuation date using Scale BB; Disabled Lives: RP-2014 Disabled Mortality, male and female rates
Actuarial cost method	Entry Age Normal (level percent of pay)

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are from the Plan's investment advisors as of June 20, 2017.

(7) Net pension liability (continued)

Asset Class	Target Allocation*	Long-Term Expected Arithmetic Real Rate of Return
Intermediate Term Fixed Income	32.00%	0.40%
U.S. Large Cap Equity	29.00%	5.20%
U.S. Small/Mid Cap Equity	9.00%	5.70%
Non-U.S. Developed Equity	14.50%	5.30%
Non-U.S. Developed Small Cap Equity	3.00%	5.80%
Real Assets (Liquid)	2.50%	3.00%
Directional Hedge Funds	10.00%	3.80%
Assumed Inflation - Mean		2.50%
Long-Term Expected Rate of Return		7.00%

* As outlined in the Plan's investment policy dated August 2016

The following presents the net pension liability of the Plan, calculated using the discount rate of 7.00%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) and 1 percentage point higher (8.00%) than the current rate.

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Total pension liability	$ 101,295,317	$ 91,189,064	$ 82,577,060
Fiduciary net position	63,318,812	63,318,812	63,318,812
Net pension liability	37,976,505	27,870,252	19,258,248

(8) Plan termination

In the event the Plan is terminated in the future, the Plan's administrator shall determine the assets of the Plan and shall allocate them pursuant to the priority described below and certified by the actuary employed by it based on such actuary's valuation made as of the date of such termination.

The allocation shall be made in the following order:

(i) An amount shall be allocated to each participant equal to the participant's contributions to the Plan as of the date of termination less any benefits received under the Plan.

(ii) From the remaining balance an amount shall be allocated to retired participants and to participants eligible for normal retirement or disability retirement at the date of termination, sufficient to provide for the amount of their allowances not already provided under (i).

(8) Plan termination (continued)

(iii) The remaining balance shall be allocated to the participants in proportion to the excess of the actuarial values of their accrued benefits under the Plan over the amounts allocated under (i).

Should there be insufficient funds to provide the amounts under either (i) or (ii) above, all allocations within the group affected will be reduced by the same proportion.

Upon termination, the Plan's administrator shall liquidate the Plan and the amounts allocated, as prescribed above, shall be apportioned to all such participants in cash, or in the form of insured paid-up annuities, or by transfer to another Plan, or otherwise, as the Plan administrator may determine.

(9) Commitments and contingencies

Certain participants in the Plan are entitled to refunds of their accumulated contributions plus interest thereon, calculated at a rate of 3% compounded annually, upon termination of employment with Bi-State Development, prior to being eligible for pension benefits.

(10) Risks and uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of fiduciary net position.

Plan contributions are made and the net pension liability is reported based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

Changes in the discount rate and investment returns can have a significant effect on the funded status of the Plan. The Committee continues to monitor these changes and the potential impact on the future pension plan funding requirements and related expenses.

(11) Subsequent events

Management has evaluated subsequent events through August 31, 2017, which is the date that the financial statements were available to be issued. No significant items were identified for disclosure during this evaluation.

REQUIRED SUPPLEMENTARY INFORMATION

PENSION PLAN FOR SALARIED EMPLOYEES OF THE BI-STATE DEVELOPMENT AGENCY OF MISSOURI-ILLINOIS METROPOLITAN DISTRICT REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Year Ended May 31, 2017

	Years Ended May 31,									
(in '000's)	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total Pension Liability										
Service cost	$ 1,692	$ 1,710	$ 1,558	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	6,113	5,712	5,687	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic gains or losses	2,689	(604)	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	-	4,143	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(4,439)	(4,275)	(6,012)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	6,055	6,686	1,233	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning of year	85,134	78,448	77,215	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, end of year	$ 91,189	$ 85,134	$ 78,448	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary Net Position										
Employer contributions	$ 6,960	$ 2,752	$ 3,501	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Participant contributions	535	555	529	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net investment income (loss)	5,504	(2,040)	2,605	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(4,439)	(4,275)	(6,012)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expenses	(96)	(168)	(66)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in plan fiduciary net position	8,464	(3,176)	557	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total fiduciary net position, beginning of year	54,855	58,031	57,474	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total fiduciary net position, end of year	$ 63,319	$ 54,855	$ 58,031	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Pension Liability	$ 27,870	$ 30,279	$ 20,417	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a % of total pension liability	69.44%	64.43%	73.97%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered payroll	$ 22,658	$ 21,826	$ 21,841	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a % of covered payroll	123.00%	138.73%	93.48%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report and Notes to Required Supplementary Information.

PENSION PLAN FOR SALARIED EMPLOYEES OF THE BI-STATE DEVELOPMENT AGENCY OF MISSOURI-ILLINOIS METROPOLITAN DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SCHEDULE OF EMPLOYER CONTRIBUTIONS
Year Ended May 31, 2017

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll*	Contribution as a % of Covered Payroll
2008	$ 1,731,125	$ 1,731,125	$ -	$ 25,417,682	6.81%
2009	2,234,053	2,234,053	-	25,645,092	8.71%
2010	2,803,934	2,803,934	-	25,465,982	11.01%
2011	1,924,940	1,924,940	-	25,286,621	7.61%
2012	3,129,976	3,129,976	-	26,578,943	11.78%
2013	4,370,010	4,370,010	-	26,309,983	16.61%
2014	4,998,198	4,998,198	-	27,621,000	18.10%
2015	3,500,784	3,500,784	-	21,841,333	16.03%
2016	2,752,597	2,752,597	-	21,825,710	12.61%
2017	6,960,275	6,960,275	-	22,657,974	30.72%

* Covered payroll is as of June 1 one year prior to the fiscal year end.

See Independent Auditors' Report and Notes to Required Supplementary Information.

PENSION PLAN FOR SALARIED EMPLOYEES OF THE BI-STATE DEVELOPMENT AGENCY OF MISSOURI-ILLINOIS METROPOLITAN DISTRICT REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN

Plan Year Ending May 31,	Net Money-Weighted Rate of Return (Loss)
2008	N/A
2009	N/A
2010	N/A
2011	N/A
2012	N/A
2013	N/A
2014	N/A
2015	4.65%
2016	(3.57)%
2017	10.13%

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This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report and Notes to Required Supplementary Information.

PENSION PLAN FOR SALARIED EMPLOYEES OF THE BI-STATE DEVELOPMENT AGENCY OF MISSOURI-ILLINOIS METROPOLITAN DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

(1) Actuarial methods and significant assumptions

The following actuarial methods and assumptions were used in the June 1, 2016 funding valuation. Please see the valuation report dated November 2, 2016 for further information.

Valuation timing	Actuarially determined contribution rates are calculated as of the June 1 one year prior to the end of the fiscal year in which the contributions are reported
Actuarial cost method	Service Pro-Rate Unit Credit
Amortization method	
Level percent or level dollar	Level dollar
Closed, open, or layered periods	Closed
Amortization period at 6/1/2016	24 years
Asset valuation method	
Smoothing period	5 years
Corridor	80%-120%
Inflation	2.50%
Salary increases	4.50%
Mortality	Healthy Lives: RP-2014 Mortality for Employees, with White Collar adjustment, and Healthy Annuitants, with White Collar adjustment, male and female rates, with projection five years from the valuation date using Scale BB; Disabled Lives: RP-2014 Disabled Mortality, male and female rates
Investment rate of return	7.00%
Cost of living adjustments	none

Attachment 2

BI-STATE DEVELOPMENT AGENCY OF THE MISSOURI-ILLINOIS METROPOLITAN DISTRICT AND LOCAL NO. 2 AND LOCAL NO. 309 OF THE INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS EMPLOYEES' PENSION PLAN

Financial Statements and Required Supplementary Information

Year Ended March 31, 2017

BI-STATE DEVELOPMENT AGENCY OF THE MISSOURI-ILLINOIS METROPOLITAN DISTRICT AND LOCAL NO. 2 AND LOCAL NO. 309 OF THE INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS EMPLOYEES' PENSION PLAN

Year Ended March 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Pension Committee of the Bi-State Development Agency of the Missouri-Illinois Metropolitan District and Local No. 2 and Local No. 309 of the International Brotherhood of Electrical Workers Employees' Pension Plan:

We have audited the accompanying financial statements of the Bi-State Development Agency of the Missouri-Illinois Metropolitan District and Local No. 2 and Local No. 309 of the International Brotherhood of Electrical Workers Employees' Pension Plan (the Plan), which comprise the statement of fiduciary net position as of March 31, 2017 and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of March 31, 2017, and the changes in fiduciary net position for the year then ended, in accordance with U.S. GAAP.

Other Matters

Required Supplementary Information

U.S. GAAP requires that the management's discussion and analysis (MD&A) on pages 3-7 and the required supplementary information (the schedules of changes in net pension liability and related ratios, employer contributions, and money-weighted rate of return) be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the U.S. Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Mayer Hoffman McCann P.C.

St. Louis, Missouri
August 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

BI-STATE DEVELOPMENT AGENCY OF THE MISSOURI-ILLINOIS METROPOLITAN DISTRICT AND LOCAL NO. 2 AND LOCAL NO. 309 OF THE INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS EMPLOYEES' PENSION PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
March 31, 2017

OVERVIEW

The management's discussion and analysis (MD&A) presented is for the Bi-State Development Agency of the Missouri-Illinois Metropolitan District and Local No. 2 and Local No. 309 of the International Brotherhood of Electrical Workers Employees' Pension Plan (the Plan). The MD&A is intended to serve as an introduction to the Plan's financial statements which consists of (1) Financial Statements, (2) Notes to the Financial Statements and (3) Required Supplementary Information. The MD&A provides an overview for the fiscal year ended March 31, 2017 with limited information provided on the previous years.

HISTORY

The Plan is a defined benefit plan that began on January 1, 1976. The Plan provides for pension and disability benefits for any participant who satisfies the age and service requirements pursuant to the Memorandums of Agreement between the Bi-State Development Agency of the Missouri–Illinois Metropolitan District (Bi-State Development) and the International Brotherhood of Electrical Workers (the Union). The Plan is that of a governmental unit and, therefore, is not subject to the provisions of the Employee Retirement Income Security Act (ERISA) of 1974.

In order to qualify for a normal retirement benefit, an employee can be of any age with 25 years of credited service or age 60 with at least 10 years of credited service.

In order to qualify for a disability retirement benefit, an employee must have at least ten years of credited service.

In addition to pension benefits paid at retirement, the Plan also provides death benefits under certain circumstances that would be paid to either a retiree or his/her designated beneficiary(ies).

The Plan includes a provision for the payment of Supplemental Benefits, as defined by the Plan. This option allows a retiree to receive the dollar value of his/her unused sick leave as of the termination date. The retiree could choose to have their Supplemental Benefits paid as either a lump sum payment or a series of monthly payments for a designated length of time (3, 5, 10, 15, or 20 years).

Effective January 1, 2014, the Plan was frozen to new entrants.

ORGANIZATION

The Plan is similar to a Taft Hartley Plan. Therefore its Pension Committee is composed of an equal number of union and management members. The Pension Committee is responsible for establishing the investment policies, overseeing the activity of the investment manager, approving applications for pension benefits, and safeguarding the Plan's assets. The Pension Committee also has the authority to amend the Plan.

The Pension Committee is comprised of eight members. By Bi-State Development's Board Policy, the Vice President of Human Resources is a standing member. The other three members of management are selected by the Chief Executive Officer and the Vice President of Human Resources.

FINANCIAL STATEMENTS

As described above, there is one year of data presented. The Plan follows Governmental Accounting Standards Board No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No.* 25 (GASB 67). The statement of fiduciary net position includes information about assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position, as applicable, as of the end of a pension plan's reporting period. The statement of changes in fiduciary net position summarizes the additions to, deductions from, and net increase in fiduciary net position for a pension plan's reporting period. The difference between assets and liabilities is one measure of a pension plan's financial position and the change in this measure over time is an indication of whether the Plan's financial health is improving or deteriorating.

The Notes to the Financial Statements and Required Supplementary Information provide additional information that is essential to a full understanding of the data provided in the Financial Statements.

Per GASB 67, the Plan is required to provide the following supplementary information for ten years:

1. Schedule of Changes in Net Pension Liability and Related Ratios
2. Schedule of Employer Contributions
3. Schedule of Money-Weighted Rate of Return

However, the Plan is permitted to disclose as many years as are available (3 years) of data and build on to the information in each subsequent period until ten full years are presented.

During the year ended March 31, 2017, the Plan adopted GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72) – This statement addresses accounting and financial reporting issues related to fair value measurements. See Note 4 to the financial statements for the impact of this adoption.

BI-STATE DEVELOPMENT AGENCY OF THE MISSOURI-ILLINOIS METROPOLITAN DISTRICT AND LOCAL NO. 2 AND LOCAL NO. 309 OF THE INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS EMPLOYEES' PENSION PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
March 31, 2017

CONDENSED FINANCIAL INFORMATION

(In thousands)

	As of and for the Year Ended March 31, 2017
Assets	$ 4,472
Liabilities	3
Net Position	$ 4,469
Contributions	
Employer	$ 303
Participant	96
Investment Income, net	437
Benefits Paid to Participants	(177)
Administrative Expenses	(23)
Net Increase	$ 636

FINANCIAL HIGHLIGHTS

Pension Plan

The Plan's fiduciary net position increased by $636 thousand and $192 thousand in fiscal years ended March 31, 2017 and 2016, respectively. The fiduciary net position totaled $4.5 million at March 31, 2017. The increase fiduciary net position in 2017 is driven primarily from improved market conditions, resulting in investment income, net of investment expenses. In fiscal 2016, the Plan experienced a net investment loss of $53 thousand.

Liabilities totaled $3.1 thousand and $8.8 thousand as of March 31, 2017 and 2016, respectively. These liabilities are driven by the timing of payment of certain plan expenses.

The Plan received participant contributions in the amounts of $96 thousand and $103 thousand for the years ended March 31, 2017 and 2016, respectively. The Plan received employer contributions from Bi-State Development in the amounts of $303 thousand and $319 thousand for the years ended March 31, 2017 and 2016, respectively. The participant and employer contributions are determined by the Plan's actuary.

BI-STATE DEVELOPMENT AGENCY OF THE MISSOURI-ILLINOIS METROPOLITAN DISTRICT AND LOCAL NO. 2 AND LOCAL NO. 309 OF THE INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS EMPLOYEES' PENSION PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
March 31, 2017

The Plan paid $177 thousand and $128 thousand in benefits for the years ended March 31, 2017 and 2016, respectively. Benefit payments in any given year vary by number of new retirees and the level of Supplemental Benefits due to the participant.

<u>Bi-State Development</u>
As of June 30, 2016, Bi-State Development had assets of approximately $1.5 billion and net assets of $561 million. Operating revenues for the twelve months ended June 30, 2016 were $73 million and operating expenses were $353 million. The main operating expenses were wages and benefits ($182 million), depreciation and amortization ($74 million), and materials and supplies ($38 million). This created an operating loss of $280 million. Non-operating revenues, net were $279 million and were primarily comprised of grants and assistance. The Change in Net Position was $(1) million for the year ended June 30, 2016. Comprehensive Annual Financial Report (CAFR) information for the current and prior years can be found at www.bistatedev.org or by contacting the Finance Division, Bi-State Development Agency, One Metropolitan Square, 211 North Broadway, Suite 700, Mail Stop 154, St. Louis, MO 63102. The telephone number to the Finance Division is 314-982-1547. The email address is Finance@BiStateDev.org.

CONDENSED CAFR DATA FOR BI-STATE DEVELOPMENT
(In millions)

	As of and for the Year Ended June 30, 2016
Assets	$ 1,469
Liabilities	908
Net Postion	$ 561
Operating Revenue	$ 73
Operating Expenses	353
Operating Loss	(280)
Non-Operating Revenue, net	279
Change in Net Position	$ (1)

CONTACT

The financial section is designed to provide users with a general overview of the Plan's financial activity. If you have questions about this report or need additional financial information regarding the Plan, contact the Bi-State Development Pension Department, One Metropolitan Square, 211 North Broadway, Suite 700, Mail Stop 125, St. Louis, MO 63102.

BI-STATE DEVELOPMENT AGENCY OF THE MISSOURI-ILLINOIS METROPOLITAN DISTRICT AND LOCAL NO. 2 AND LOCAL NO. 309 OF THE INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS EMPLOYEES' PENSION PLAN
STATEMENT OF FIDUCIARY NET POSITION
March 31, 2017

ASSETS:		
Receivables:		
Employer contributions	$	3,434
Participant contributions		1,232
		4,666
Investments:		
Cash and cash equivalents		29,048
Investments		4,437,904
		4,466,952
TOTAL ASSETS		4,471,618
LIABILITIES:		
Accrued expenses		3,054
TOTAL LIABILITIES		3,054
NET POSITION RESTRICTED FOR PENSIONS	**$**	**4,468,564**

See notes to the financial statements.

BI-STATE DEVELOPMENT AGENCY OF THE MISSOURI-ILLINOIS METROPOLITAN DISTRICT AND LOCAL NO. 2 AND LOCAL NO. 309 OF THE INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS EMPLOYEES' PENSION PLAN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended March 31, 2017

ADDITIONS:	
Contributions:	
Employer	$ 303,166
Participant	96,314
Total contributions	399,480
Investment income:	
Net appreciation in fair value of investments	354,137
Interest and dividends	88,251
Total investment income	442,388
Less investment expense	(5,027)
Net investment income	437,361
Total additions	836,841
DEDUCTIONS:	
Benefits paid to participants	177,293
Administrative expenses	22,869
Total deductions	200,162
NET INCREASE IN NET POSITION	**636,679**
NET POSITION RESTRICTED FOR PENSIONS	
Beginning of year	**3,831,885**
End of year	**$ 4,468,564**

See notes to the financial statements.

BI-STATE DEVELOPMENT AGENCY OF THE MISSOURI-ILLINOIS METROPOLITAN DISTRICT AND LOCAL NO. 2 AND LOCAL NO. 309 OF THE INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS EMPLOYEES' PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS

(1) Description of plan

The following description of the Bi-State Development Agency of the Missouri-Illinois Metropolitan District and Local No. 2 and Local No. 309 of the International Brotherhood of Electrical Workers Employees' Pension Plan (the Plan) provides only general information. Participants should refer to the Plan Document or Summary Plan Description for a more complete description of the Plan's provisions, which are available from the plan administrator.

General - The Plan, which is a single-employer defined benefit contributory plan, became effective January 1, 1976. The Plan provides for pension and disability benefits for any participant who satisfies the age and service requirements pursuant to Memorandums of Agreement between the Bi-State Development Agency of the Missouri-Illinois Metropolitan District (Bi-State Development) and the International Brotherhood of Electrical Workers (the Union). Effective January 1, 2014, the Plan was frozen to new entrants. The Plan is that of a governmental unit and, therefore, not subject to the provisions of the Employee Retirement Income Security Act (ERISA) of 1974.

The Pension Committee of the Bi-State Development Agency of the Missouri-Illinois Metropolitan District and Local No. 2 and Local No. 309 of the International Brotherhood of Electrical Workers Employees' Pension Plan (the Committee) serves as the Plan's trustee. The Committee is composed of an equal number of union and management members. The Committee is responsible for establishing the investment policies, overseeing the activity of the investment manager, approving applications for pension benefits, and safeguarding the Plan's assets. The Committee has the authority to amend the Plan.

The Committee is comprised of eight members. By Bi-State Development's Board Policy, the Vice President of Human Resources is a standing member. The other three members of management are selected by the Chief Executive Officer and the Vice President of Human Resources.

U.S. Bank, N.A. (U.S. Bank) serves as the Plan's asset custodian. Milliman, Inc. is the third party administrator of the Plan. Ellwood Associates serves as the Plan's investment advisor.

The Plan's membership consisted of:

	As of April 1, 2016
Active participants	56
Terminated vested participants	5
Terminated non-vested participants due a refund	1
Participants receiving payments	10
Total participants	72

(1) Description of plan (continued)

Funding policy - The goal of the Plan's funding ratio and funding policy is to reach 100% funding by February 28, 2018. The additional contributions needed to meet the 100% funding target, which are actuarially determined, are funded 80% by Bi-State Development and 20% by active participants. Once the Plan reaches a funding level of 100%, participants will contribute 30% of the actuarially determined contributions or 4% of the top electrician's base wage rate, as defined by the Plan, whichever is less. Bi-State Development will contribute 70% of the actuarially determined contribution or 4% of covered payroll, whichever is greater.

Normal retirement benefits - In order to qualify for normal, unreduced retirement benefits, a participant must satisfy the following age and service requirements:

Age	Credited Service
Any age	25 years
60	10 years

Disability retirement - A participant with at least ten years of credited service who becomes disabled, as defined by the Plan, will be eligible for disability pension benefits. The monthly disability benefit will be equal to the amount of the normal retirement benefit as of the effective date of the participant's disability pension. Disability pension benefits will not be payable for any month in which a disability pensioner fails to comply with the medical and/or earnings limitation provision of the Plan.

Benefit formula - The maximum monthly benefit is $60 for each year of credited service.

Termination benefit - Participants who leave the service of Bi-State Development with less than ten years of credited service are entitled to a refund of their employee contributions.

Vested benefit - Participants who leave the service of Bi-State Development with at least ten years of credited service may elect to (i) accept a refund of their pension contributions or (ii) accept a vested pension.

If a vested pension is elected, benefit payments will be deferred to age 65 and will be based upon the participant's accrued credited service and the benefit formula which was in effect at the time the participant left service.

Death benefit - If a participant dies after earning ten years of credited service, the participant's designated beneficiary(ies) will receive benefits as if the participant retired the first day of the month of death. In such event, the beneficiary(ies) may elect any applicable payment option provided by the Plan.

(1) Description of plan (continued)

Ten year certain option - In the event of the participant's death within the period of ten years after the commencement of benefits, the same benefits shall be payable for the remainder of such ten year period to a beneficiary designated by the participant or upon death of designated beneficiary, then the participant's estate. The participant's monthly pension benefit will be reduced $46 if the participant elects this option.

Contingent annuitant options - Under these options, a reduced monthly benefit is available to the participant for life and either 50% or 100% of such reduced monthly benefit to the participant's surviving spouse for the spouse's lifetime if the participant predeceases the spouse. The monthly benefit reduction will be actuarially determined based upon the participant's and spouse's ages at the time of retirement.

Supplemental pension benefits - Upon retirement, a participant is entitled to receive a supplemental pension benefit for the participant's accumulated sick leave. The participant may elect a lump sum or monthly payments over 3, 5, 10, 15 or 20 years.

(2) Summary of significant accounting policies

Basis of presentation - The accompanying financial statements are presented in accordance with accounting principles established by the Governmental Accounting Standards Board (GASB), which designates accounting principles and financial reporting standards applicable to state and local governmental units. The accompanying financial statements include solely the accounts of the Plan, which include all programs, activities and functions relating to the accumulation and investment of the net position and related income necessary to provide the benefits required under the terms of the governing Plan Document and amendments thereto.

Basis of accounting - The financial statements are prepared on the accrual basis of accounting. Under the accrual basis of accounting, contributions are recognized in the period in which the employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Use of estimates - The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and changes therein, and disclosures of contingent assets and liabilities. Accordingly, actual results may differ from those estimates.

Cash and cash equivalents - Cash and cash equivalents consist of demand deposits held in banks, overnight repurchase agreements with original maturities of three months or less, and money market funds.

Employer and participant contributions receivable - Contributions receivable represent contributions due to the Plan for hours worked prior to the end of the Plan year.

(2) Summary of significant accounting policies (continued)

Investment valuation and income recognition - Investments are reported at fair value, which is the closing price reported in the active market as of the reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Payment of benefits - Benefits are recorded when paid.

Implementation of GASB Statement No. 72, ***Fair Value Measurement and Application*** (GASB 72) - GASB 72 was implemented during the year ended March 31, 2017. GASB 72 addresses accounting and reporting issues related to fair value measurements. This statement requires disclosure to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The implementation of GASB 72 had no effect on the Plan's net position. See Note 4 for adoption of GASB 72.

Administrative expenses - Certain expenses of the Plan are paid by Bi-State Development and are not included in the statement of changes in fiduciary net position. Investment related expenses are included in net appreciation in fair value of investments.

(3) Investments

The following schedule presents the aggregate market value for the Plan's investments as of March 31:

	2017	
Money Market:		
First American Treasury Obligation (Class Y)	$ 29,048	
Registered Investment Companies:		
Vanguard 500 Index Amiral	1,827,540	*
Dodge & Cox Income Fund	1,465,287	*
Harbor International Fund #11	682,068	*
Natixis Vaughan Nelson Value Opp Y	235,561	
Artisan Small Cap Fund	227,448	
Total Registered Investment Companies	4,437,904	
Total Investments	**$ 4,466,952**	

* Represents a concentration risk, as investment exceeds 5% of Plan's investments and Plan's fiduciary net position.

(3) Investments (continued)

Custodial credit risk is when, in the event a financial institution or counterparty fails, the Plan would not be able to recover the value of deposits, investments or collateral securities that are in the possession of an outside party. All investments are held in the Plan's name and are not subject to creditors of the custodial financial institution. The Plan maintains its investments at one commercial trust company in St. Louis, Missouri.

Currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Plan's investments during the period under audit were all in U.S. dollars.

Credit risk is the risk that an issuer or other counterparty to a debt investment will not fulfill its obligations.

The Plan's assets as of March 31, 2017 subject to credit risk are shown with their respective credit ratings below:

Dodge & Cox Income Fund	A	$1,465,287	98%
First American Prime Obligation	AA	29,048	2%
		$1,494,335	100%

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Plan does not have a direct investment in bonds.

The Plan's investment policy is based upon an asset allocation that considers the current and expected condition of the Plan, the expected long-term capital market outlook and the Plan's risk tolerance.

For the year ended March 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan expense, was 11.11 percent. The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period.

(4) Fair value measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

(4) Fair value measurements (continued)

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in inactive markets; inputs other than quoted market prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily Net Asset Value ("NAV") and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

The following table sets forth by level, within the fair value hierarchy, the Plan's investments at fair value as of March 31, 2017:

	Investments at Fair Value as of March 31, 2017			
	Level 1	Level 2	Level 3	Total
Mutual Funds	$4,437,904	$ -	$ -	$ 4,437,904
Total investments by fair value level	$4,437,904	$ -	$ -	$ 4,437,904
Investments measured at amortized cost (a)(b)				29,048
Total investments measured at fair value				$ 4,466,952

(a) Certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of fiduciary net position.

(4) Fair value measurements (continued)

(b) The money market fund listed in the above chart is redeemed on a daily basis and does not have any redemption restrictions. Additionally, there are no unfunded commitments.

(5) Tax status

The Internal Revenue Service has determined and informed the Committee by letter dated March 30, 2017, that the Plan and the related trust are designed in accordance with the applicable sections of the Internal Revenue Code.

(6) Funding policy

Bi-State Development is required to contribute a specified amount for each week in which credited service accrues to each participant as provided in the Plan. Contribution rates are determined by an actuary. As a condition of participation, employees are required to contribute a specified amount to the Plan for each week such employee accrues credited service. Bi-State Development deducts such contributions from the pay of the employee. The following is a table of the weekly contribution levels for the Plan.

Period	Participant	Employer
April 1, 2016 to January 5, 2017	$ 34.34	$ 95.80
January 6, 2017 to February 5, 2017	33.69	93.99
February 6, 2017 to March 31, 2017	34.49	96.15

Bi-State Development also funds supplemental pension benefits for participants' unused sick leave as they are paid by the Plan. These contributions are not included in the required weekly minimums above.

(7) Net pension liability

The following presents the components of net pension liability at March 31, 2017:

Total pension liability	$ 4,658,633
Plan fiduciary net position	4,468,564
Net pension liability	$ 190,069
Plan fiduciary net position as a % of total pension liability	95.92%
Covered payroll	$ 3,384,838
Net pension liability as a % of covered payroll	5.62%

The total pension liability was determined by an actuarial valuation as of the valuation date (April 1, 2016) calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. There have been no significant changes between the valuation date and the fiscal year-end. Any significant changes during this period must be reflected as prescribed by GASB 67.

The following significant assumptions were used for the April 1, 2016 actuarial valuation:

Valuation date	April 1, 2016
Measurement date	March 31, 2017
Discount rate	7.00%
Long-term expected rate of return, net of investment expense	7.00%

The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

(7) Net pension liability (continued)

Inflation	2.50%
Salary increases including inflation	3.50%
Mortality	Healthy Lives: RP-2014 Mortality for Employees, with Blue Collar adjustment, and Healthy Annuitants, with Blue Collar adjustment, male and female rates, with projection five years from the valuation date using Scale BB; Disabled Lives: RP-2014 Disabled Mortality, male and female rates
Actuarial cost method	Entry Age Normal (level percent of pay)

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are from the Plan’s investment advisors as of June 20, 2017.

Asset Class	Target Allocation*	Long-Term Expected Arithmetic Real Rate of Return
Cash	1.00%	**
Intermediate Term Fixed Income	34.00%	0.40%
U.S. Large Cap Equity	40.00%	5.20%
U.S. Small/Mid Cap Equity	10.00%	5.70%
Non-U.S. Developed Equity	15.00%	5.30%
Assumed inflation- mean		2.50%
Long-term expected rate of return		7.00%

* As outlined in the Plan's investment policy dated August 2016

** Expected to earn less than inflation

The following presents the net pension liability of the Plan, calculated using the discount rate of 7.00%, as well as what the Plan’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) and 1 percentage point higher (8.00%) than the current rate.

(7) Net pension liability (continued)

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Total pension liability	$ 5,245,798	$ 4,658,633	$ 4,162,255
Fiduciary net position	4,468,564	4,468,564	4,468,564
Net pension liability	777,234	190,069	(306,309)

(8) Plan termination

In the event the Plan is terminated in the future, the Plan's administrator shall determine the assets of the Plan and shall allocate them pursuant to the priority described below and certified by the actuary employed by it based on such actuary's valuation made as of the date of such termination.

The allocation shall be made in the following order:

(i) An amount shall be allocated to each participant equal to the participant's contributions to the Plan as of the date of termination less any benefits received under the Plan.

(ii) From the remaining balance an amount shall be allocated to retired participants and to participants eligible for normal retirement or disability retirement at the date of termination, sufficient to provide for the amount of their allowances not already provided under (i).

(iii) The remaining balance shall be allocated to the participants in proportion to the excess of the actuarial values of their accrued benefits under the Plan over the amounts allocated under (i).

Should there be insufficient funds to provide the amounts under either (i) or (ii) above, all allocations within the group affected will be reduced by the same proportion.

Upon termination, the Plan's administrator shall liquidate the Plan and the amounts allocated, as prescribed above, shall be apportioned to all such participants in cash, or in the form of insured paid-up annuities, or by transfer to another Plan, or otherwise, as the Plan administrator may determine.

(9) Commitments and contingencies

Certain participants in the Plan are entitled to refunds of their accumulated contributions plus interest thereon, calculated at a rate of 3% compounded annually, upon termination of employment with Bi-State Development, prior to being eligible for pension benefits.

(10) Risks and uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statement of fiduciary net position.

Plan contributions are made and the net pension liability is reported based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

Changes in the discount rate and investment returns can have a significant effect on the funded status of the Plan. The Committee continues to monitor these changes and the potential impact on the future pension plan funding requirements and related expenses.

(11) Subsequent events

Management has evaluated subsequent events through August 31, 2017, which is the date that the financial statements were available for issuance and noted the following item for disclosure:

Effective June 26, 2017, the weekly pension contribution levels changed to the following rates:

Participant	$89.80
Employer	$317.41

REQUIRED SUPPLEMENTARY INFORMATION

BI-STATE DEVELOPMENT AGENCY OF THE MISSOURI-ILLINOIS METROPOLITAN DISTRICT AND LOCAL NO. 2 AND LOCAL NO. 309 OF THE INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS EMPLOYEES' PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

	Years Ended March 31,									
(in '000's)	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total Pension Liability										
Service cost	$ 177	$ 177	$ 166	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	311	285	255	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic gains or losses	50	110	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	-	121	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(177)	(128)	(90)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	361	565	331	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning of year	4,298	3,733	3,402	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, end of year	$ 4,659	$ 4,298	$ 3,733	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary Net Position										
Employer contributions	$ 303	$ 319	$ 405	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Participant contributions	96	103	108	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net investment income (loss)	437	(53)	194	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(177)	(128)	(90)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expenses	(23)	(49)	(19)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in plan fiduciary net position	636	192	598	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total fiduciary net position, beginning of year	3,832	3,640	3,042	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total fiduciary net position, end of year	$ 4,468	$ 3,832	$ 3,640	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Pension Liability	$ 191	$ 466	$ 93	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a % of total pension liability	95.92%	89.16%	97.51%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered payroll	$ 3,385	$ 3,408	$ 3,362	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a % of covered payroll	5.62%	13.67%	2.77%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report and Notes to Required Supplementary Information.

BI-STATE DEVELOPMENT AGENCY OF THE MISSOURI-ILLINOIS METROPOLITAN DISTRICT AND LOCAL NO. 2 AND LOCAL NO. 309 OF THE INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS EMPLOYEES' PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SCHEDULE OF EMPLOYER CONTRIBUTIONS
Year Ended March 31, 2017

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll*	Contribution as a % of Covered Payroll
2008	$ 191,261	$ 191,261	$ -	$ 2,512,973	7.61%
2009	125,842	125,842	-	2,804,130	4.49%
2010	122,475	122,475	-	2,939,269	4.17%
2011	134,227	134,227	-	2,887,747	4.65%
2012	145,805	145,805	-	3,035,219	4.80%
2013	156,695	156,695	-	3,125,678	5.01%
2014	223,739	223,739	-	3,168,194	7.06%
2015	405,484	405,484	-	3,362,133	12.06%
2016	319,220	319,220	-	3,407,500	9.37%
2017	303,166	303,166	-	3,384,838	8.96%

* Covered payroll is as of April 1 one year prior to the fiscal year end.

See Independent Auditors’ Report and Notes to Required Supplementary Information.

BI-STATE DEVELOPMENT AGENCY OF THE MISSOURI-ILLINOIS METROPOLITAN DISTRICT AND LOCAL NO. 2 AND LOCAL NO. 309 OF THE INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS EMPLOYEES' PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN

Plan Year Ending March 31,	Net Money-Weighted Rate of Return (Loss)
2007	N/A
2008	N/A
2009	N/A
2010	N/A
2011	N/A
2012	N/A
2013	N/A
2014	N/A
2015	5.56%
2016	(1.42)%
2017	11.11%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report and Notes to Required Supplementary Information.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

(1) Actuarial methods and significant assumptions

The following actuarial methods and assumptions were used in the April 1, 2016 funding valuation. Please see the valuation report dated November 2, 2016 for further information.

Valuation timing	Actuarially determined contribution rates are calculated as of the April 1 one year prior to the end of the fiscal year in which the contributions are reported
Actuarial cost method	Entry Age Normal (level dollar)
Amortization method	
Level percent or level dollar	Level dollar
Closed, open, or layered periods	Closed
Amortization period at 4/1/2016	19 years
Asset valuation method	
Smoothing period	5 years
Corridor	80%-120%
Inflation	2.50%
Salary increases	N/A
Mortality	Healthy Lives: RP-2014 Mortality for Employees, with Blue Collar adjustment, and Healthy Annuitants, with Blue Collar adjustment, male and female rates, with projection five years from the valuation date using Scale BB; Disabled Lives: RP-2014 Disabled Mortality, male and female rates
Investment rate of return	7.00%
Cost of living adjustments	none

Attachment 3

BI-STATE DEVELOPMENT AGENCY OF THE MISSOURI-ILLINOIS METROPOLITAN DISTRICT AND DIVISION 788 AMALGAMATED TRANSIT UNION, AFL-CIO, EMPLOYEES' PENSION PLAN

Financial Statements and Required Supplementary Information

Year Ended March 31, 2017

MHM

BI-STATE DEVELOPMENT AGENCY OF THE MISSOURI-ILLINOIS METROPOLITAN DISTRICT AND DIVISION 788 AMALGAMATED TRANSIT UNION, AFL-CIO, EMPLOYEES' PENSION PLAN

Year Ended March 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Pension Committee of the Bi-State Development Agency of the Missouri-Illinois Metropolitan District and Division 788 Amalgamated Transit Union, AFL-CIO, Employees' Pension Plan:

We have audited the accompanying financial statements of the Bi-State Development Agency of the Missouri-Illinois Metropolitan District and Division 788 Amalgamated Transit Union, AFL-CIO, Employees' Pension Plan (the Plan), which comprise the statement of fiduciary net position as of March 31, 2017, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of March 31, 2017, and the changes in fiduciary net position for the year then ended, in accordance with U.S. GAAP.

Other Matters

Required Supplementary Information

U.S. GAAP requires that the management's discussion and analysis (MD&A) on pages 3-7 and the required supplementary information (the schedules of changes in net pension liability and related ratios, employer contributions, and money-weighted rate of return) be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the U.S. Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Mayer Hoffman McCann P.C.

St. Louis, Missouri
August 31, 2017

MANAGEMENT’S DISCUSSION AND ANALYSIS

OVERVIEW

The management's discussion and analysis (MD&A) presented is for the Bi-State Development Agency of the Missouri-Illinois Metropolitan District and Division 788 Amalgamated Transit Union, AFL-CIO, Employees' Pension Plan (the Plan). The MD&A is intended to serve as an introduction to the Plan's financial statements which consists of (1) Financial Statements, (2) Notes to the Financial Statements and (3) Required Supplementary Information. The MD&A provides an overview for the fiscal year ended March 31, 2017 with limited information provided on the previous years.

HISTORY

The Plan is a defined benefit plan that began on January 1, 1976. The Plan provides for pension and disability benefits for any participant who satisfies the age and service requirements pursuant to the Memorandums of Agreement between the Bi-State Development Agency of the Missouri–Illinois Metropolitan District (Bi-State Development) and the Local 788 Amalgamated Transit Union, AFL-CIO (the Union). The Plan is that of a governmental unit and, therefore, is not subject to the provisions of the Employee Retirement Income Security Act (ERISA) of 1974.

In order to qualify for a normal retirement benefit, an employee can be of any age with 25 years of credited service, can be age 55 with more than 20 years but less than 25 years of credited service, or age 65.

To qualify for early retirement benefits, an employee must attain age 55 with at least 15 years of service.

Qualifications for disability retirement benefits require an employee to have at least ten years of credited service as of the date of the disability.

In addition to pension benefits paid at retirement, the Plan also provides death benefits under certain circumstances that would be paid to a retiree's designated beneficiary(ies).

The Plan includes a provision for the payment of Supplemental Benefits, as defined by the Plan. This option allows a retiree to receive the dollar value of his/her unused sick leave as of the termination date. The retiree could choose to have his/her Supplemental Benefits paid as either a lump sum payment or a series of monthly payments for a designated length of time (3, 5, 7, 10, 15 or 20 years).

Effective April 1, 2015, the Bi-State Development Agency of the Missouri-Illinois Metropolitan District and Division 788, Clerical Unit, Amalgamated Transit Union AFL-CIO, Employees Pension Plan (the Clerical Plan) merged with the Plan. As such, the net assets of the Clerical Plan transferred into the merged plan on April 30, 2015. In addition, the plan document was restated to reflect the merger and all previous amendments. In general, the provisions of the Clerical Plan for participants as of March 31, 2015 were carried over (grandfathered) into the provisions of the plan document of the Plan. Clerical employees hired after March 31, 2015, have the same benefits as existing participants of the Plan.

BI-STATE DEVELOPMENT AGENCY OF THE MISSOURI-ILLINOIS METROPOLITAN DISTRICT AND DIVISION 788 AMALGAMATED TRANSIT UNION, AFL-CIO, EMPLOYEES' PENSION PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
March 31, 2017

ORGANIZATION

The Plan is similar to a Taft Hartley Plan. Therefore, its Pension Committee is composed of an equal number of union and management members. The Pension Committee is responsible for establishing the investment policies, overseeing the activity of the investment manager, approving applications for pension benefits, and safeguarding the Plan's assets. The Pension Committee also has the authority to amend the Plan.

The Pension Committee is comprised of six members. By Bi-State Development's Board Policy, the Vice President of Human Resources is a standing member. The other two members of management are selected by the Chief Executive Officer and the Vice President of Human Resources.

FINANCIAL STATEMENTS

As described above, there is one year of data presented. The Plan follows Governmental Accounting Standards Board No. 67, *Financial Reporting for Pension Plans- An Amendment of GASB Statement No. 25* (GASB 67). The statement of fiduciary net position includes information about assets, deferred outflows of resources, liabilities, deferred inflows or resources and fiduciary net position, as applicable, as of the end of a pension plan's reporting period. The statement of changes in fiduciary net position summarizes the additions to, deductions from, and net increase in fiduciary net position for a pension plan's reporting period. The difference between assets and liabilities is one measure of a pension plan's financial position and the change in this measure over time is an indication of whether the Plan's financial health is improving or deteriorating.

The Notes to the Financial Statements and Required Supplementary Information provide additional information that is essential to a full understanding of the data provided in the Financial Statements.

Per GASB 67, the Plan is required to provide the following supplementary information for ten years:

1. Schedule of Changes in Net Pension Liability and Related Ratios
2. Schedule of Employer Contributions
3. Schedule of Money-Weighted Rate of Return

However, the Plan is permitted to disclose as many years as are available (3 years) of data and build on to the information in each subsequent period until ten full years are presented.

During the year ended March 31, 2017, the Plan adopted GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72) – This statement addresses accounting and financial reporting issues related to fair value measurements. See Note 4 to the financial statements for the impact of this adoption.

CONDENSED FINANCIAL INFORMATION
(In thousands)

	As of and for the Year Ended March 31, 2017
Assets	$ 128,494
Liabilities	68
Net Position	$ 128,426
Contributions	
Employer	$ 9,627
Participant	3,817
Investment Gain, net	14,936
Benefits Paid to Participants	(15,845)
Administrative Expenses	(213)
Net Increase	$ 12,322

FINANCIAL HIGHLIGHTS

Pension Plan

The Plan's net position increased by $12.3 million in 2017 and decreased by $1.1 million in 2016. Net plan position totaled $128.4 million at March 31, 2017. The net increase from fiscal 2016 to 2017 is primarily due to stronger market conditions.

Liabilities totaled $68 thousand and $132 thousand as of March 31, 2017 and 2016, respectively. These liabilities are driven by the timing of payment of certain plan expenses. Additional costs were incurred in fiscal 2016, as a result of the plan merger.

The Plan received participant contributions in the amounts of $3.8 million and $3.7 million for the years ended March 31, 2017 and 2016, respectively. The participant and employer contributions are determined by the Plan's actuary. The Plan received employer contributions from Bi-State Development in the amounts of $9.6 million and $9.3 million for the years ended March 31, 2017 and 2016, respectively.

The Plan paid $15.8 and $15.3 million in benefits for the years ended March 31, 2017 and 2016, respectively.

Bi-State Development
As of June 30, 2016, Bi-State Development had assets of approximately $1.5 billion and net assets of $561 million. Operating revenues for the twelve months ended June 30, 2016 were $73 million and operating expenses were $353 million. The main operating expenses were wages and benefits ($182 million), depreciation and amortization ($74 million), and materials and supplies ($38 million). This created an operating loss of $280 million. Non-operating revenues, net were $279 million and were primarily comprised of grants and assistance. The Change in Net Position was $(1) million for the year ended June 30, 2016. Comprehensive Annual Financial Report (CAFR) information for the current and prior years can be found at www.bistatedev.org or by contacting the Finance Division, Bi-State Development Agency, One Metropolitan Square, 211 North Broadway, Suite 700, Mail Stop 154, St. Louis, MO 63102. The telephone number to the Finance Division is 314-982-1547. The email address is Finance@BiStateDev.org.

CONDENSED CAFR DATA FOR BI-STATE DEVELOPMENT:
(In millions)

	As of and for the Year Ended June 30, 2016
Assets	$ 1,469
Liabilities	908
Net Position	$ 561
Operating Revenue	$ 73
Operating Expenses	353
Operating Loss	(280)
Non-Operating Revenue, net	279
Change in Net Position	$ (1)

CONTACT

The financial section is designed to provide users with a general overview of the Plan's financial activity. If you have questions about this report or need additional financial information regarding the Plan, contact the Bi-State Development Pension Department, One Metropolitan Square, 211 North Broadway, Suite 700, Mail Stop 125, St. Louis, MO 63102.

BI-STATE DEVELOPMENT AGENCY OF THE MISSOURI-ILLINOIS METROPOLITAN DISTRICT AND DIVISION 788 AMALGAMATED TRANSIT UNION, AFL-CIO, EMPLOYEES' PENSION PLAN

STATEMENT OF FIDUCIARY NET POSTION

March 31, 2017

ASSETS:		
Receivables:		
Employer Contributions	$	122,755
Participant Contributions		52,758
Accrued income		25,359
		200,872
Investments:		
Cash and cash equivalents		2,932,394
Investments		125,360,217
		128,292,611
TOTAL ASSETS		128,493,483
LIABILITIES:		
Accrued expenses		67,888
TOTAL LIABILITIES		67,888
NET POSITION RESTRICTED FOR PENSIONS	**$**	**128,425,595**

See notes to the financial statements.

BI-STATE DEVELOPMENT AGENCY OF THE MISSOURI-ILLINOIS METROPOLITAN DISTRICT AND DIVISION 788 AMALGAMATED TRANSIT UNION, AFL-CIO, EMPLOYEES' PENSION PLAN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended March 31, 2017

ADDITIONS:	
Contributions:	
Employer	$ 9,626,600
Participant	3,817,282
Total contributions	13,443,882
Investment income:	
Net appreciation in fair value of investments	13,581,793
Interest and dividends	1,537,679
Total investment income	15,119,472
Less: investment expense	(183,728)
Net investment income	14,935,744
Total additions	28,379,626
DEDUCTIONS:	
Benefits paid to participants	15,844,780
Administrative expenses	212,428
Total deductions	16,057,208
NET INCREASE IN NET POSITION	12,322,418
NET POSITION RESTRICTED FOR PENSIONS	
Beginning of year	**116,103,177**
End of year	**$ 128,425,595**

See notes to the financial statements.

(1) Description of plan

The following description of the Bi-State Development Agency of the Missouri-Illinois Metropolitan District and Division 788 Amalgamated Transit Union, AFL-CIO, Employees' Pension Plan (the Plan) provides only general information. Participants should refer to the Plan Document or Summary Plan Description for a more complete description of the Plan's provisions, which are available from the plan administrator.

General - The Plan, which is a single-employer defined benefit contributory plan, became effective January 1, 1976. The Plan provides for pension and disability benefits for any participant who satisfies the age and service requirements pursuant to Memorandums of Agreement between the Bi-State Development Agency of the Missouri-Illinois Metropolitan District (Bi-State Development) and the Local 788 Amalgamated Transit Union, AFL-CIO (the Union). The Plan is that of a governmental unit and, therefore, not subject to the provisions of the Employee Retirement Income Security Act (ERISA) of 1974.

The Pension Committee (the Committee) serves as the Plan Administrator and trustee. The Committee is composed of an equal number of union and management members. The Committee is responsible for establishing the investment policies, overseeing the activity of the investment manager, approving applications for pension benefits, and safeguarding of the Plan's assets. The Committee has the authority to amend the Plan.

The Committee is comprised of six members. By Bi-State Development's Board Policy, the Vice President of Human Resources is a standing member. The other two members of management are selected by the Chief Executive Officer and the Vice President of Human Resources.

Effective April 1, 2015, the Bi-State Development Agency of the Missouri-Illinois Metropolitan District and Division 788, Clerical Unit, Amalgamated Transit Union AFL-CIO, Employees Pension Plan (the Clerical Plan) merged with the Plan. A new custodial account was created for the merged plan, thus eliminating the Master Trust. In addition, the plan document was restated to reflect the merger and all previous amendments. In general, the provisions of the Clerical Plan for participants as of March 31, 2015, carried over (grandfathered) into the provisions of the plan document of the Plan. Clerical employees hired after March 31, 2015, have the same benefits as existing participants of the Plan. The information below describing plan provisions generally does not apply to these grandfathered Clerical Plan participants.

U.S. Bank, N.A. (U.S. Bank) serves as the Plan's asset custodian. Milliman, Inc. is the third party administrator of the Plan. Ellwood Associates serves as the Plan's investment advisor.

(1) Description of plan (continued)

The Plan's membership consisted of:

	As of April 1, 2016
Active participants	1,378
Disabled participants	2
Terminated vested participants	54
Terminated nonvested due refund	151
Participants receiving payments	1,102
Total participants	2,687

Funding policy - Bi-State Development is required to contribute a specified amount for each week in which credited service accrues to each participant as provided in the Plan. Contribution rates are determined by an actuary. The Plan Document requires that Bi-State Development and the Union negotiate a special additional contribution if the Plan's funded ratio falls below 60%. In addition, as a condition of participation, employees are required to contribute a specified amount to the Plan for each week such employee accrues credited service.

Normal retirement benefits - In order to qualify for normal, unreduced retirement benefits, a participant must satisfy the following age and service requirements:

Age	Credited Service
Any age	25 years
55	20 years
65	No minimum requirement

Early retirement - A participant may retire upon attaining the age of 55 with at least 15 years of credited service subject to a benefit reduction of ¼% for each month by which retirement precedes the age of 65.

Disability retirement - A participant with at least ten years of credited service who becomes disabled, as defined by the Plan, will be eligible for disability pension benefits. The monthly disability benefit will be equal to the amount of the normal retirement benefit as of the effective date of the participant's disability pension. Disability pension benefits will not be payable for any month in which a disability pensioner fails to comply with the medical and/or earnings limitation provision of the Plan.

Benefit formula - The maximum monthly benefit is $55 for each year of credited service, applicable when the participant has completed 25 years of service.

(1) <u>Description of plan</u> (continued)

Termination benefit - Participants who leave the service of Bi-State Development with less than ten years of credited service are entitled to a refund of their employee contributions.

Vested benefit - Participants who leave the service of Bi-State Development with at least ten years of credited service may elect to (i) accept a refund of their pension contributions or (ii) accept a vested pension.

If a vested pension is elected, benefit payments will be deferred to age 65 and will be based upon the participant's accrued credited service and the benefit formula which was in effect at the time the participant left service.

Death benefit - If a participant dies after earning ten years of credited service, the participant's designated beneficiary(ies) will receive benefits as if the participant retired the first day of the month of death. In such event, the beneficiary(ies) may elect any applicable payment option provided by the Plan.

Ten year certain option - In the event of the participant's death within the period of ten years after the commencement of benefits, the same benefits shall be payable for the remainder of such ten year period to a beneficiary designated by the participant or upon death of designated beneficiary, then the participant's estate. The participant's monthly pension benefit will be reduced by ten percent if the participant elects this option.

Fifteen year certain option - In the event of the participant's death within the period of 15 years after the commencement of benefits, the same benefits shall be payable for the remainder of such 15 year period to a beneficiary designated by the participant or upon death of designated beneficiary, then the participant's estate. The participant's monthly pension benefit will be reduced by 17 percent if the participant elects this option.

Contingent annuitant options - Under these options, a reduced monthly benefit is available to the participant for life and either fifty percent (50%) or one hundred percent (100%) of such reduced monthly benefit to the participant's surviving spouse for the spouse's lifetime if the participant predeceases the spouse. The monthly benefit reduction will be actuarially determined based upon the participant's and spouse's ages at the time of retirement.

Supplemental pension benefits - Upon retirement, a participant is entitled to receive a supplemental pension benefit for the participant's accumulated sick leave. The participant may elect a lump sum or monthly payments over 3, 5, 7, 10, 15 or 20 years.

(2) Summary of significant accounting policies

Basis of presentation - The accompanying financial statements are presented in accordance with accounting principles established by the Governmental Accounting Standards Board (GASB), which designates accounting principles and financial reporting standards applicable to state and local governmental units. The accompanying financial statements include solely the accounts of the Plan, which include all programs, activities and functions relating to the accumulation and investment of the net position and related income necessary to provide the benefits required under the terms of the governing Plan Document and amendments thereto.

Basis of accounting - The financial statements are prepared on the accrual basis of accounting. Under the accrual basis of accounting, contributions are recognized in the period in which the employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Use of estimates - The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and changes therein, and disclosures of contingent assets and liabilities. Accordingly, actual results may differ from those estimates.

Cash and cash equivalents - Cash and cash equivalents consist of demand deposits held in banks, overnight repurchase agreements with original maturities of three months or less, and money market funds.

Employer and participant contributions receivable - Contributions receivable represent contributions due to the Plan for hours worked prior to the end of the Plan year.

Investment valuation and income recognition - Investments are reported at fair value, which is the closing price reported in the active market as of the reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When quoted market prices are not available, investments are based on independent appraisals and recent financial results, or if no established market, then they are reported at their estimated fair values.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Payment of benefits - Benefits are recorded when paid.

(2) Summary of significant accounting policies (continued)

Implementation of GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72) - GASB 72 was implemented during the year ended March 31, 2017. GASB 72 addresses accounting and reporting issues related to fair value measurements. This statement requires disclosure to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The implementation of GASB 72 had no effect on the Plan's net position. See Note 4 for adoption of GASB 72.

Administrative expenses - Certain expenses of the Plan are paid by Bi-State Development and are not included in the statement of changes in fiduciary net position. Investment related expenses are included in net appreciation in fair value of investments.

(3) Investments

The following schedule presents the aggregate market value for the Plan's investments as of March 31:

	2017
Investments at fair value:	
Mutual funds - equity	$ 60,897,322
Domestic common stocks	22,409,427
Other	21,281,419
Mutual funds - fixed income	18,078,337
Cash and cash equivalents	2,932,394
Foreign stocks	2,693,712
Total investments	$ 128,292,611

The following presents investments that represent 5% or more of the Plan's net position, which represents a concentration risk at March 31:

	2017
Dodge & Cox Stock Fund	$ 17,388,169
American Euro Pac Growth Fdcl	12,259,414
Harbor International Fund #11	11,056,922
Principal Real Estate Separate Account	9,929,385
Dodge & Cox Income Fund	9,155,121
Metropolitan West Tr Bond I	8,923,215
Artisan Mid Cap Fd Instl	7,168,010
Natixis Vaughan Nelson Value Opp Y	6,753,423

(3) Investments (continued)

Custodial credit risk is when, in the event a financial institution or counterparty fails, the Plan would not be able to recover the value of deposits, investments or collateral securities that are in the possession of an outside party. All investments are held in the Plan's name and are not subject to creditors of the custodial financial institution. The Plan maintains its investments at one commercial trust company in St. Louis, Missouri.

Currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Plan's investments during the period under audit were all in U.S. dollars.

Credit risk is the risk that an issuer or other counterparty to a debt investment will not fulfill its obligations. The Plan's assets as of March 31, 2017 subject to credit risk are shown with their respective credit ratings below:

Dodge & Cox Income Fund	A	$ 9,155,121	44%
Metropolitan West Tr Bond I	AA	8,923,215	42%
First American Treasury Obligation (Class Y)	AA	2,932,394	14%
		$ 21,010,730	100%

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Plan does not have a direct investment in bonds.

The Plan's investment policy is based upon an asset allocation that considers the current and expected condition of the Plan, the expected long-term capital market outlook and the Plan's risk tolerance.

For the year ended March 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan expense, was 13.01 percent. The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period.

(4) Fair value measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

(4) Fair value measurements (continued)

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in inactive markets; inputs other than quoted market prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily Net Asset Value ("NAV") and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Equity securities: Valued using prices quoted in active markets for those securities.

The following table sets forth by level, within the fair value hierarchy, the Plan's investments at fair value as of March 31, 2017:

	Investments at Fair Value as of March 31, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Mutual funds - equity	$ 60,897,322	$ -	$ -	$ 60,897,322
Mutual funds - fixed income	18,078,337	-	-	18,078,337
Domestic common stocks	22,409,427	-	-	22,409,427
Foreign stocks	2,693,712	-	-	2,693,712
Total investments by fair value level	$ 104,078,798	$ -	$ -	$ 104,078,798
Investments measured at NAV [(a)]				21,281,419
Investments measured at amortized cost [(a)(b)]				2,932,394
Total investments measured at fair value				$ 128,292,611

(4) Fair value measurements (continued)

(a) Certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of fiduciary net position.

(b) The money market fund listed in the above chart is redeemed on a daily basis and does not have any redemption restrictions. Additionally, there are no unfunded commitments.

The valuation method for investments measured at the net asset value per share, or equivalent, is presented in the table below.

	Fair Value 3/31/2017	Unfunded Commitments at 3/31/2017	Redempton Frequency	Redemption Notice Period
Principal US Real Estate	$ 9,929,385	-	Daily [1]	-
HBK Master Fund II	6,093,378	-	Quarterly	90 days
OZ Overseas Fund II	5,181,530	-	N/A [2]	-
BlueCrest AllBlue Fund	77,126	-	N/A [3]	-
Investments measured at NAV	$ 21,281,419			

[1] Generally offers redemption the next business day, subject to cash availability.

[2] In the process of liquidation. Full redemption of the Plan's investments is expected by June 2018.

[3] In process of liquidation. Full redemption of the Plan's investments is expected by fiscal 2018.

(5) Tax status

The Internal Revenue Service has determined and informed the Committee by letter dated June 8, 2012 that the Plan and the related trust are designed in accordance with the applicable sections of the Internal Revenue Code (IRC). Although the Plan has been amended since receiving the determination letter, the plan administrator believes that the Plan and related trust are currently designed and being operated in compliance with the applicable requirements of the IRC. See Note 11.

(6) Funding policy

Bi-State Development is required to contribute a specified amount for each week in which credited service accrues to each participant as provided in the Plan. Contribution rates are determined by an actuary. As a condition of participation, employees are required to contribute a specified amount to the Plan for each week such employee accrues credited service. Bi-State Development deducts such contributions from the pay of the employee.

The weekly contribution rates for all participants, excluding Clerical Plan participants grandfathered as of March 31, 2015 are: Participant- $52.50 and Employer- $122.50. The weekly rates for grandfathered Clerical Plan participants are: Participant- $56.00 and Employer- $119.00.

Bi-State Development also funds supplemental pension benefits for participants' unused sick leave as they are paid by the Plan. These contributions are not included in the required weekly minimums above.

(7) Net pension liability

The following table presents the components of net pension liability at March 31, 2017:

Total pension liability	$ 199,458,674
Plan fiduciary net position	128,425,595
Net pension liability	$ 71,033,079
Plan fiduciary net position as a % of total pension liability	64.39%
Covered payroll	$ 64,453,123
Net pension liability as a % of covered payroll	110.21%

The total pension liability was determined by an actuarial valuation as of the valuation date (April 1, 2016) calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. There have been no significant changes between the valuation date and the fiscal year-end. Any significant changes during this period must be reflected as prescribed by GASB 67.

(7) Net pension liability (continued)

The following significant assumptions were used for the April 1, 2016 actuarial valuation:

Valuation date	April 1, 2016
Measurement date	March 31, 2017
Discount rate	7.00%
Long-term expected rate of return, net of investment expense	7.00%

The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Inflation	2.50%
Salary increases including inflation	3.50%
Mortality	Healthy Lives: RP-2014 Mortality for Employees, with Blue Collar adjustment, and Healthy Annuitants, with Blue Collar adjustment, male and female rates, with projection five years from the valuation date using Scale BB; Disabled Lives: RP-2014 Disabled Mortality, male and female rates
Actuarial cost method	Entry Age Normal (level percent of pay)

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are from the Plan's investment advisors as of June 20, 2017.

(7) Net pension liability (continued)

Asset Class	Target Allocation*	Long-Term Expected Arithmetic Real Rate of Return
Cash	2.00%	**
Intermediate-term fixed income	18.00%	0.40%
U.S. large cap equity	30.00%	5.20%
U.S. small/mid cap equity	10.00%	5.70%
Non-U.S. developed equity	20.00%	5.30%
Emerging market equities	5.00%	6.50%
Core real estate	5.00%	5.00%
Low volatility hedge funds	10.00%	2.50%
Assumed inflation- mean		2.50%
Long-term expected rate of return		7.00%

* As outlined in the Plan's investment policy dated August 2016
** Expected to earn less than inflation

The following presents the net pension liability of the Plan, calculated using the discount rate of 7.00%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) and 1 percentage point higher (8.00%) than the current rate.

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Total pension liability	$ 219,004,844	$ 199,458,674	$ 182,742,484
Fiduciary net position	128,425,595	128,425,595	128,425,595
Net pension liability	90,579,249	71,033,079	54,316,889

(8) Plan termination

In the event the Plan is terminated in the future, the Plan's administrator shall determine the assets of the Plan and shall allocate them pursuant to the priority described below and certified by the actuary employed by it based on such actuary's valuation made as of the date of such termination.

(8) Plan termination (continued)

The allocation shall be made in the following order:

(i) An amount shall be allocated to each participant equal to the participant's contributions to the Plan as of the date of termination less any benefits received under the Plan.

(ii) From the remaining balance an amount shall be allocated to retired participants and to participants eligible for normal retirement or disability retirement at the date of termination, sufficient to provide for the amount of their allowances not already provided under (i).

(iii) The remaining balance shall be allocated to the participants in proportion to the excess of the actuarial values of their accrued benefits under the Plan over the amounts allocated under (i).

Should there be insufficient funds to provide the amounts under either (i) or (ii) above, all allocations within the group affected will be reduced by the same proportion.

Upon termination, the Plan's administrator shall liquidate the Plan and the amounts allocated, as prescribed above, shall be apportioned to all such participants in cash, or in the form of insured paid-up annuities, or by transfer to another Plan, or otherwise, as the Plan administrator may determine.

(9) Commitments and contingencies

Certain participants in the Plan are entitled to refunds of their accumulated contributions plus interest thereon, calculated at a rate of 3% compounded annually, upon termination of employment with Bi-State Development, prior to being eligible for pension benefits.

(10) Risks and uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statement of fiduciary net position.

Plan contributions are made and the net pension liability is reported based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

(10) Risks and uncertainties (continued)

Changes in the discount rate and investment returns can have a significant effect on the funded status of the Plan. The Committee continues to monitor these changes and the potential impact on the future pension plan funding requirements and related expenses.

(11) Subsequent events

Management has evaluated subsequent events through August 31, 2017, which is the date that the financial statements were available for issuance and noted the following item for disclosure:

The Plan received a favorable determination letter dated May 10, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

BI-STATE DEVELOPMENT AGENCY OF THE MISSOURI-ILLINOIS METROPOLITAN DISTRICT AND DIVISION 788 AMALGAMATED TRANSIT UNION, AFL-CIO, EMPLOYEES' PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

	Years Ended March 31,									
(in '000's)	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total Pension Liability										
Service cost	$ 3,054	$ 2,988	$ 2,713	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	13,576	13,428	12,681	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic gains or losses	1,203	135	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	-	4,557	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(15,845)	(15,315)	(14,368)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Merger of Clerical Plan (as of April 1, 2015)	-	11,390	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	1,988	17,183	1,026	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning of year	197,471	180,288	179,262	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, end of year	$ 199,459	$ 197,471	$ 180,288	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary Net Position										
Employer contributions	$ 9,627	$ 9,342	$ 8,717	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Participant contributions	3,817	3,684	3,475	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net investment income (loss)	14,936	(4,172)	6,784	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(15,845)	(15,315)	(14,368)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expenses	(212)	(463)	(203)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Merger of Clerical Plan (as of April 1, 2015)	-	5,826	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in plan fiduciary net position	12,323	(1,098)	4,405	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total fiduciary net position, beginning of year	116,103	117,201	112,796	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total fiduciary net position, end of year	$ 128,426	$ 116,103	$ 117,201	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Pension Liability	$ 71,033	$ 81,368	$ 63,087	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a % of total pension liability	64.39%	58.79%	65.01%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered payroll	$ 64,453	$ 60,491	$ 54,978	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a % of covered payroll	110.21%	134.51%	114.75%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report and Notes to Required Supplementary Information.

BI-STATE DEVELOPMENT AGENCY OF THE MISSOURI-ILLINOIS METROPOLITAN DISTRICT AND DIVISION 788 AMALGAMATED TRANSIT UNION, AFL-CIO, EMPLOYEES' PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SCHEDULE OF EMPLOYER CONTRIBUTIONS*
Year Ended March 31, 2017

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll**	Contribution as a % of Covered Payroll
2008	$ 4,901,782	$ 4,901,782	$ -	$ 51,126,144	9.59%
2009	5,070,471	5,070,471	-	56,083,197	9.04%
2010	5,177,053	5,177,053	-	54,114,142	9.57%
2011	5,635,545	5,635,545	-	52,817,482	10.67%
2012	7,307,095	7,307,095	-	55,815,240	13.09%
2013	8,157,204	8,157,204	-	55,728,088	14.64%
2014	9,249,791	9,249,791	-	56,093,710	16.49%
2015	9,199,407	9,199,407	-	56,541,825	16.27%
2016	9,342,714	9,342,714	-	60,491,135	15.44%
2017	9,626,600	9,626,600	-	64,453,123	14.94%

* Amounts include Clerical Plan

** Covered payroll is as of April 1 one year prior to the fiscal year end.

BI-STATE DEVELOPMENT AGENCY OF THE MISSOURI-ILLINOIS METROPOLITAN DISTRICT AND DIVISION 788 AMALGAMATED TRANSIT UNION, AFL-CIO, EMPLOYEES' PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN

Plan Year Ending March 31,	Net Money-Weighted Rate of Return (Loss)
2008	N/A
2009	N/A
2010	N/A
2011	N/A
2012	N/A
2013	N/A
2014	N/A
2015	6.07%
2016	(3.44)%
2017	13.01%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report and Notes to Required Supplementary Information.

BI-STATE DEVELOPMENT AGENCY OF THE MISSOURI-ILLINOIS METROPOLITAN DISTRICT AND DIVISION 788 AMALGAMATED TRANSIT UNION, AFL-CIO, EMPLOYEES' PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

(1) Actuarial methods and significant assumptions

The following actuarial methods and assumptions were used in the April 1, 2016 funding valuation. Please see the valuation report dated November 3, 2016 for further information.

Valuation timing	Actuarially determined contribution rates are calculated as of the April 1 one year prior to the end of the fiscal year in which the contributions are reported
Actuarial cost method	Entry Age Normal (level dollar)
Amortization method	
Level percent or level dollar	Level dollar
Closed, open, or layered periods	Closed
Amortization period at 4/1/2016	17 years
Asset valuation method	
Smoothing period	5 years
Corridor	80%-120%
Inflation	2.50%
Salary increases	N/A
Mortality	Healthy Lives: RP-2014 Mortality for Employees, with Blue Collar adjustment, and Healthy Annuitants, with Blue Collar adjustment, male and female rates, with projection five years from the valuation date using Scale BB; Disabled Lives: RP-2014 Disabled Mortality, male and female rates
Investment rate of return	7.00%
Cost of living adjustments	none