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***THE METROPOLITAN ST. LOUIS  
SEWER DISTRICT  
COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
JUNE 30, 2012 AND 2011***

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Report prepared and submitted by the  
Department of Finance

Janice M. Zimmerman  
Director of Finance

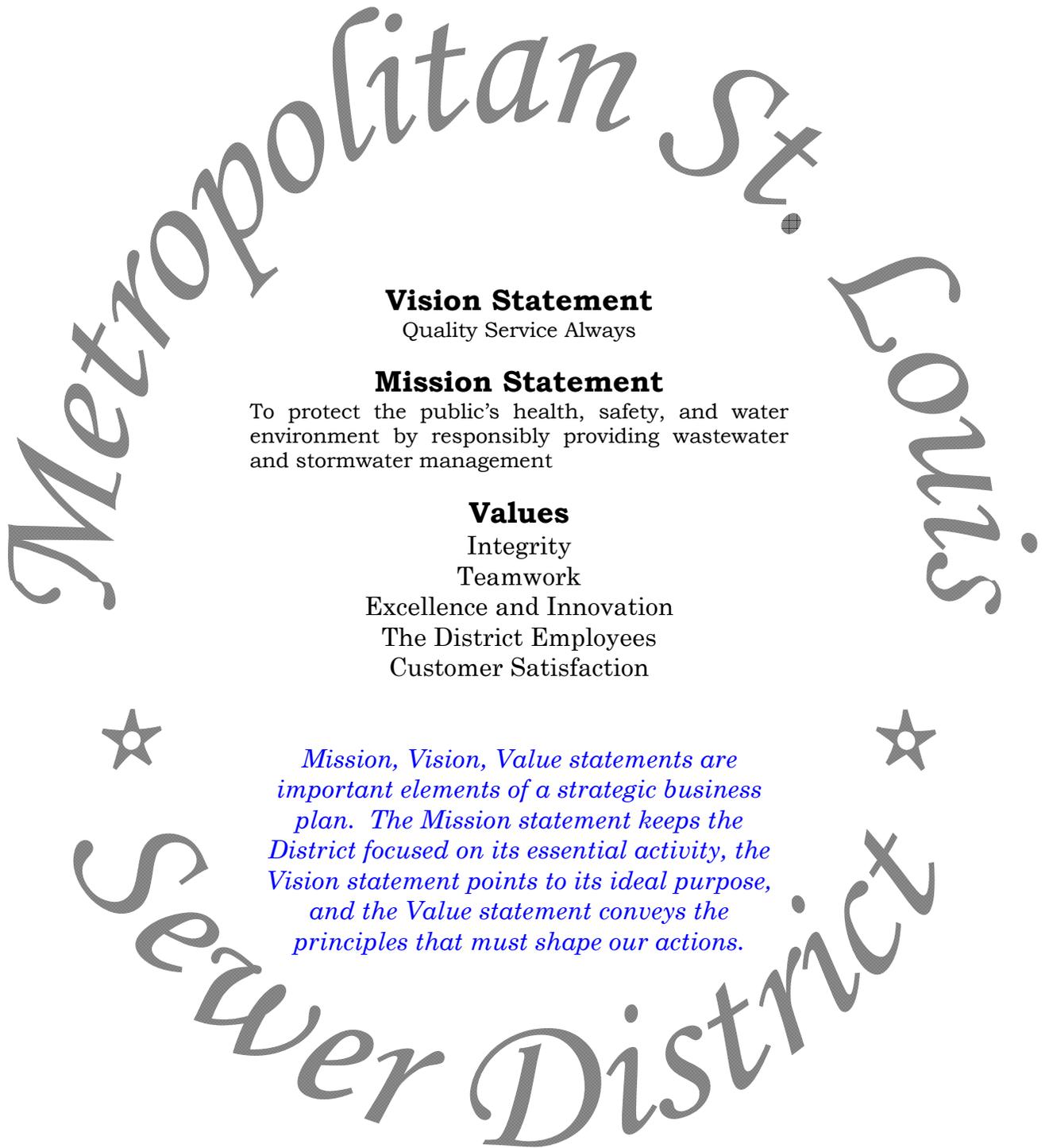
## Contents

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	Page	
<b>Part I - Introductory Section:</b>		
Letter Of Transmittal .....	i - xi	
Organizational Chart .....	vii	
Certificate Of Achievement For Excellence In Financial Reporting .....	viii	
<b>Part II - Financial Section:</b>		
<b>Independent Auditors' Report</b> .....	1 - 2	
<b>Management's Discussion And Analysis - Required Supplementary Information</b> .....	3 - 14	
<b>Basic Financial Statements</b>		
Statement Of Net Position .....	15 - 16	
Statement Of Revenues, Expense And changes In Net Position.....	17	
Statements Of Cash Flows .....	18 - 19	
Notes To Financial Statements.....	20 - 67	
<b>Required Supplementary Information – Schedule Of Funding Progress Employees' Pension Plan And Post-Employment Benefit Plan</b> .....		68
<b>Part III – Statistical Section:</b>		
Net Position By Component .....	69	
Change In Net Position .....	70	
Operating Revenues By Source.....	71	
Operating Expenses.....	72	
Non-Operating Revenues And Expenses.....	73	
User Charge Rates.....	74	
Sewer User Charges (Composite-Annual).....	75	
Number Of Customer By Type.....	76	
Ten Largest Customers .....	77	
Ratios Of Outstanding Debt By Type.....	78	
Computation Of Overlapping Debt.....	79	
Pledged Revenue Coverage .....	80	
Demographic And Economic Statistics.....	81	
Principal Employers (St. Louis Metropolitan Area) .....	82	
Employment Level .....	83	
Average Flow.....	84	
Operating And Capital Indicators .....	85	

## Introductory Section

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### **Vision Statement**

Quality Service Always

### **Mission Statement**

To protect the public's health, safety, and water environment by responsibly providing wastewater and stormwater management

### **Values**

Integrity

Teamwork

Excellence and Innovation

The District Employees

Customer Satisfaction

*Mission, Vision, Value statements are important elements of a strategic business plan. The Mission statement keeps the District focused on its essential activity, the Vision statement points to its ideal purpose, and the Value statement conveys the principles that must shape our actions.*



## Metropolitan St. Louis Sewer District

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November 1, 2012

The Board of Trustees  
The Metropolitan St. Louis Sewer District

The Comprehensive Annual Financial Report (CAFR) of The Metropolitan St. Louis Sewer District (MSD or the District) for the fiscal year ended June 30, 2012, is submitted herewith. The District's Finance Department prepared this report. The District is responsible for the accuracy of the data and the completeness and fairness of the presentation of the financial statements and other information presented herein. We believe the presentation is accurate in all material respects and includes all disclosures necessary to enable the reader to gain a reasonable understanding of the District's financial activities. In the CAFR, the District's financial activities are measured on a single enterprise fund basis where all funds of the District and its sub-districts are consolidated.

The District's CAFR includes an Introductory Section, a Financial Section, and a Statistical Section. The Introductory Section includes this transmittal letter, lists of the District's Board of Trustees, members of the Civil Service Commission, management staff, and an organization chart as of June 30, 2012. The Financial Section includes the independent auditors' report, management's discussion and analysis, and the District's basic financial statements. The Statistical Section includes financial, economic, and demographic information, generally presented on a multi-year basis.

The CAFR includes all funds of the District. The operations of these funds, as reflected in the financial statements, are under the control of the District's governing body. The District has determined there were no other agencies or entities that met the established criteria for inclusion in the reporting entity.

## **Organization**

MSD was created in 1954 to provide a metropolitan-wide sewer system to serve the City of St. Louis and most of the more heavily populated areas of St. Louis County. Before MSD's creation, the City of St. Louis, various municipalities, and private sewer companies provided sewer service that primarily included only collecting and transporting sewage from small geographic areas to nearby rivers and streams with little or no treatment. Most of the municipalities or private sewer companies serving the area did not have the jurisdictional authority or financial resources needed to eliminate health hazards from untreated sewage.

When the District began operations, it took over the publicly owned wastewater and stormwater drainage facilities within its jurisdiction and began the construction of an extensive system of collector and interceptor sewers and treatment facilities. In 1977, voters approved the District's annexation of a 270 square mile area of the lower Missouri River and lower Meramec River watersheds. The District purchased the Fee Fee Trunk Sewer Company and the Missouri Bottoms Sewer Company in 1978. MSD has since acquired other investor-owned or municipally operated systems.

The District's service area now encompasses 525 square miles including all 62 square miles of the City of St. Louis and 462 square miles of St. Louis County. The current population served by the District is approximately 1.4 million.

MSD is organized pursuant to Article VI, Section 30 of the Missouri State Constitution that empowers the people of St. Louis County and the City of St. Louis "to establish a metropolitan district for functional administration of services common to the area." MSD is the only district established pursuant to that section of the Missouri State Constitution.

The Proposed Plan of MSD (the Plan), approved by voters in 1954 and amended in 2000 and 2012, established the District. The Plan describes the District as "a body corporate, a municipal corporation, and a political subdivision of the state." As a political subdivision of the state, MSD is comparable to a county or city, such as St. Louis County or the City of St. Louis.

The Plan established the governing body of the District as a six-member Board of Trustees (the Board) with three members appointed by the Mayor of St. Louis and three members appointed by the St. Louis County Executive. No more than two trustees from each area can be of the same political affiliation.

Unlike a corporation's board of directors that is responsible solely to the stockholders who choose to invest in the corporation, MSD's Board members are trustees of public property and public funds. They are responsible to all citizens within the District.

According to the Plan, the Board enacts District ordinances, determines policies, and appoints the Executive Director, the Secretary-Treasurer, and the Internal Auditor. The Executive Director appoints all other District officials. Among its duties, the Board makes all appropriations, approves contracts for improvements, and engages an accounting firm to perform the annual independent audit of the District.

The Plan prescribes other duties of the Board and grants numerous broad powers, subject to federal and state laws, to the District and the Board of Trustees. Among other things, the Plan outlines the following requirements or provisions:

- Requires that MSD operate with a balanced budget;
- Details how MSD can tax property and requires an annual public hearing on all taxes levied by the District;
- Details how MSD can establish user charges;
- Requires MSD to establish civil service rules and regulations governed by a Civil Service Commission;
- Provides how the original boundaries of the District may be extended to include any area in St. Louis County; and
- Requires MSD to approve all plans and designs for proposed construction, alteration, or reconstruction of sewer or drainage facilities within the District's boundaries.

The District is also governed by the Missouri State Constitution and various federal and state laws that among other requirements mandate the following:

- MSD must hold permits for all sanitary discharges. These permits require a minimum of secondary treatment.
- MSD must provide wastewater treatment in an area-wide manner to qualify for federal and state grants.
- MSD must operate, maintain, and replace facilities to provide proper wastewater treatment or be subject to penalties and fines.
- MSD must set user charge rates in compliance with the Federal Clean Water Act. These rates must be approved by the Missouri Department of Natural Resources to receive future construction grants and to avoid the possibility of refunding past grants.

During fiscal 2012, the primary source of funding for the operation and maintenance of MSD's sewerage system was a user charge that is typically \$347.64 per year or \$28.97 per month for a single-family residence. The District's charges for residential wastewater service are tied to the amount of measured water usage during a winter quarter. For residential properties without water meters, the charges are based on housing attributes (such as the number of rooms, baths, and toilets) that correlate to water usage. That methodology is the same billing methodology used by the City of St. Louis Water Division for their non-metered properties. Multi-family residential and non-residential rates are proportionate to the single-family charge and are based on water consumption and the strength of the discharge.

Beginning in March 2008, the District implemented a new stormwater user charge of 12¢ per 100 square feet of impervious area. A second increase was implemented effective January 1, 2009. This increase resulted in a user charge of 14¢ per 100 square feet resulting in an average residential stormwater bill of \$3.50 per month or \$42 per year. The impervious area based stormwater service charge replaces the 24¢ flat fee and property tax assessment previously charged for stormwater services. In July 2010 a judge ruled impervious based stormwater billing unconstitutional. With that the District has suspended that method of billing and re-implemented the assessment of property taxes, along with flat fee billing of 24¢ for residential and commercial properties and 18¢ cents per unit for multi-unit properties.

These revenues will fund a portion of the District's stormwater operating expenses. MSD also receives some federal, state, and local grants to help defray the cost of constructing sewage treatment and drainage facilities and improvements. The District also charges fees for plan review, permits, construction inspection of new system development, and special discharges. The District charges a uniform connection fee in all service areas.

The District, itself, may issue general obligation bonds and revenue bonds to finance the cost of improvements and extensions to the sewer system. The District also may issue, on behalf of each of its sub-districts, general obligation bonds, revenue bonds, or special assessment bonds. The outstanding bond indebtedness of the District cannot exceed five percent of the assessed valuation of the area benefited.

### **Major Initiatives Affecting The Financial Resources Of The District**

In June 2007 the District was sued by the Department of Justice on behalf of the United States Environmental Protection Agency (“EPA”) and the Missouri Department of Natural Resources (“MDNR”) for various alleged violations of the Clean Water Act. The Missouri Coalition for the Environment joined the suit as an intervener in August 2007. After a lengthy mediation, a Consent Decree (“CD”) was entered by the Federal Court on April 27, 2012. This entry resolved all alleged violations. Compliance with the CD requires the District, over the next 23 years, to implement a multi-million dollar capital improvement program and rehabilitate significant portions of the existing wastewater sewer system. This effort will be funded by a combination of rate increases and issuance additional debt based on the completion of milestones defined in the CD.

The District’s Board of Trustees implemented an impervious based stormwater rate on March 1, 2008 replacing its prior funding mechanism of property taxes and user fees. The impervious based stormwater rate was again increased on January 1, 2009. On July 9, 2010, a circuit court of St. Louis County found this impervious rate to be unconstitutional under Missouri law. In response to this ruling, the Board suspended the impervious based stormwater rate and reinstated the District’s stormwater property taxes and user fees previously rolled back on a voluntary basis as part of the stormwater rate plan. The court decision resulted in the loss of \$41 million in stormwater revenue expected in fiscal year 2011 to support stormwater services and improvements to related infrastructure. The District appealed the ruling and on March 27, 2012 the Appellate Court upheld the Trial Court’s decision. The District applied for a transfer of the case to the Missouri Supreme Court which was accepted on October 30, 2012. A final decision is expected in 9 to 12 months. A subsequent court decision regarding a potential refund was received and indicated the District will not have to refund any monies collected under the impervious based rate. The court decision to stop the impervious based stormwater funding negates the culmination of a 20-year effort to adequately fund much needed stormwater services for District ratepayers. The impact of this court decision has resulted in a dramatic reduction in stormwater services across the District with many customers receiving little or no stormwater services until an alternative funding source is identified. In an effort to mitigate the large reduction in revenues and to provide for a minimal level of service, in fiscal year 2011, the District reinstated the assessment of property taxes, along with flat fee billing of 24¢ for residential and commercial properties and 18¢ cents per unit for multi-unit properties.

The District continues its use of debt to fund its multi-billion dollar, multi-decade wastewater capital improvement program. In February 2004, St. Louis voters approved a \$500 million authorization allowing the District to issue wastewater revenue bonds. Beginning in fiscal year 2004, the District issued \$336 million in bonds. An additional \$124 million was issued during fiscal year 2005 through 2007 with the remaining \$40 million issued in fiscal year 2009. On August 5, 2008, St. Louis voters authorized, by a margin of 3 to 1, the issuance of an additional \$275 million in wastewater revenue bonds. \$183 Million of these bonds were issued in fiscal years 2009 through 2011, with the remaining \$92 million issued during fiscal year 2012. As of June 30, 2012, the District had received voter authorization for an additional \$945 million of revenue bonds. In August 2012, the District issued \$225 million of this \$945 million. The District's long-term wastewater capital improvement program will continue to be funded through a combination of additional bonds and wastewater rate increases. In November 2012, the District took advantage of lower interest rates and issued \$142 million in revenue bonds to advance refund a portion of its 2004A series.

The District submitted a proposal to its Rate Commission on March 1, 2007. The Rate Commission delivered its final Recommendation Report to the Board on April 1, 2008 in accordance with Charter. Based on the Rate Commission recommendation, the Board approved a 5-year wastewater rate plan and a 7-year impervious based stormwater rate plan. The initial wastewater rate increase took effect January 1, 2008. Since that time subsequent wastewater rate increases have been implemented each July 1<sup>st</sup> for 2009 and 2010. Per the Board's approved plan, the last wastewater increase is scheduled to take effect July 1, 2012. In May 2011, MSD staff presented a proposal to our Rate Commission recommending customer wastewater rate increases to help fund more than \$1 billion in needed wastewater system improvements between Fiscal Years 2013 and 2016. This proposal was adopted on June 14, 2012 through Ordinance No. 13402. This ordinance is designed to provide funding to continue the District's comprehensive wastewater capital improvement program.

In addition to these major funding initiatives, the District implemented a comprehensive plan to increase the collection of outstanding sewer service charge delinquencies. This enhanced effort includes the use of additional collection agencies, law firms and pre-collection technology.

The District continues its comprehensive sewer cleaning program initiated in June 2008. This initial effort addressed 17 million feet of sewer pipe and inspection of 80,000 manholes. The sewer cleaning program is projected to clean 5 million feet of pipe and inspect 15,000 manholes each year. This effort continues to reduce basement backups and overland flooding throughout the St. Louis metropolitan region.

The District is in the final phase of the implementation of a comprehensive multi-year, multi-million dollar strategic technology plan. This plan is designed to dramatically improve connectivity and interaction between District Departments, increase overall District efficiency and enhance customer service for all District ratepayers. This plan is substantially complete; however, other business process improvements will continue to be focused on over the next several years.

### **Operations**

The Executive Director and his staff administer the operation and maintenance of the District's collection and treatment systems. The District's sanitary, stormwater, and combined sewer collection system includes more than 9,738 miles of pipe and channel and grows larger every year due to new development. The District's responsibilities for stormwater drainage range from cleaning and maintaining street inlets to operating and maintaining the floodwall pump stations along the Mississippi River.

MSD currently operates 7 wastewater treatment facilities. These facilities treated an average flow of 300.0 million gallons per day (MGD) in fiscal 2012 compared to 370.6 MGD in fiscal 2011. The design capacity and average flow, by watershed, in MGD was as follows in fiscal 2012:

MAJOR WATERSHED	LEVEL OF TREATMENT	NUMBER OF FACILITIES	DESIGN CAPACITY	AVERAGE FLOW FISCAL 2012
Mississippi River	Secondary	Two	417	220.77
Missouri River	Secondary	Two	68	50.54
Meramec River	Secondary	Three	42.75	28.74
Total		Seven	527.75	300.05

In addition to construction initiated by the District to protect the public's health and property from raw sewage and flooding, the District also provides various engineering-related design review and inspection services for the construction of sanitary and stormwater sewers by individuals, businesses, and municipalities in the community.

### **Economic Conditions In The St. Louis Metropolitan Area**

As a rule, the District's major revenue sources do not fluctuate with the local and national economy as much as local governments that depend on sales or income taxes for their major sources of revenue. The employment level in the City of St. Louis and St. Louis County was 622,629 in June 2012. The combined unemployment rate for the City of St. Louis and St. Louis County was 7.5 percent in June 2012 and that is lower than the national unemployment rate of 8.6 percent for the same time period.

MSD has its own internal barometers for measuring economic development within the District. These are listed below for fiscal 2012 and 2011:

	<u>2012</u>	<u>2011</u>
<u>Sewer Plan Reviews:</u>		
Number of Plans Approved	396	754
Number of Miles of Sewers	23	21
<u>Sewer construction Permits:</u>		
Number of Permits Issued	1,912	1,865
Number of Miles of Sewers	16	22
<u>Customer Connections:</u>		
Number of Connection Permits Issued	802	1,183
Connection Fee Revenue (in millions)	\$.6	\$.8
<u>Value of Sewers Dedicated to MSD by Developers (in millions)</u>		
	\$9.5	\$7.6

Over the years, the St. Louis economy has undergone a transformation from reliance on traditional manufacturing industries to those industries based on advanced technology and services. The St. Louis area is a center for health care, biotechnology, banking, finance, transportation, tourism, and education and has a strong and diverse manufacturing economy. The area has an abundance of energy, water, and sewerage facilities and can sustain future economic growth.

### **Financial Information**

Proprietary Operations. The current financial condition of MSD remains stable. The District realized a net income from operations of \$9.7 million compared to a net operating loss of \$25.1 million the prior year. The increase is explained by significant reductions in several operating expense categories in addition to an increase in sewer service revenues. The management discussion and analysis section that appears later in this report provides a more in depth analysis of the District's financial position and the magnitude of the capital improvement and replacement program (CIRP).

Budgetary Controls. The District's Plan requires MSD to maintain budgetary controls and to adopt a balanced budget. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the appropriation process approved by the Board. The annual appropriated budget includes activities of the District's operating and Debt Service Funds. The Board adopts ordinances to appropriate funds for capital improvement expenditures at the time of the contract award and acceptance of any grant offers.

Budgetary control is by division and major expenditure category within the General Fund, each Debt Service Fund, and each capital improvement contract. The District maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Certain encumbrances carry over from one year to the next.

Interim and year-end financial reports are prepared in accordance with U.S. generally accepted accounting principles for Enterprise Funds. Adjustments are made to the accounting records, where necessary, to reflect the full accrual method of accounting. Under the full accrual method of accounting, revenues are recognized when earned and expenses are recorded as liabilities when incurred. Encumbrances and unearned capital and operating grants are eliminated under the full accrual method of accounting. These amounts are disclosed as commitments in the footnotes to the financial statements.

Cash Management. In compliance with its Plan, the District invests temporarily idle funds in cash equivalents and investments such as collateralized certificates of deposit, collateralized repurchase agreements, and United States Treasury bills and notes. The District utilizes competitive bidding for investment purchases and monitors market conditions daily. MSD receives interest on certificates of deposit monthly and reinvests it to improve yields.

Risk Management. In-house staff and consultants jointly conduct risk management activities. MSD has a risk management program and retains certain risks related to officers' and directors' liability. The District maintains replacement cost property and casualty insurance with a policy limit of \$1.25 billion on certain facilities and equipment that have an estimated replacement cost of \$1.4 billion. The District assumes the risk of loss (including payment of water backup claims to its customers) on the majority of its underground pumping facilities and collection system. MSD is one of two sewer districts in the country known to provide water backup claim coverage to its customers. The underground pumping facility and collection system assets have an estimated replacement cost of \$9.9 billion. To minimize exposure to loss, the District inspects its facilities regularly, performs preventative maintenance, and maintains excess liability coverage for sewage backup damage to property.

MSD maintains automobile and general liability insurance. The District is self-insured for workers' compensation and funds those costs through annual appropriations from the District's general fund. The District maintains reinsurance for workers' compensation liabilities in excess of specified limits up to the statutory limit. Risk control activities include using a third-party claims administrator, maintaining a computerized claim tracking system, and reevaluating medical care provided to injured employees. The District also has programs to promote safety in the workplace.

The District provides group medical coverage for its employees and offers dependent medical coverage on a contributory basis through a self-insured plan. At January 31, 2011, the District maintained stop loss coverage for specific claims exceeding \$125,000 per year and for total annual claims greater than 125 percent of the annual claims estimate. As of February 1, 2010, the District increased this limit to \$150,000. The District provides its employees with contributory group dental insurance coverage and non-contributory life insurance and contributory optional life insurance coverage. The District also contributes \$100 annually to a vision care program for employees. The District reevaluates insurance coverage and providers annually.

For most construction projects, insurance is obtained by the individual contractor and included in the contract price.

Internal Controls. District management is responsible for designing, establishing, and maintaining an internal control system that protects District assets from loss, theft, or misuse and ensures that adequate accounting data is compiled to prepare financial statements in conformity with U.S. generally accepted accounting principles. Internal control systems are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the evaluation of costs and benefits requires estimates and judgments by management. The District's internal control system is subject to periodic evaluation by management, the internal audit department, and the District's independent accountants. For additional information regarding the districts financials, please refer to the Management's Discussion and Analysis section.

### **Other Information**

Audit Requirements. The District's Plan requires an annual audit by independent certified public accountants. The District's CAFR includes a report on the District's financial statements by the accounting firm of RubinBrown LLP.

Besides meeting the requirements set forth in the Plan, the annual audit is also designed to meet the requirements of the 1996 amendments to the Federal Single Audit Act and the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. A Single Audit Report was issued as of June 30, 2012.

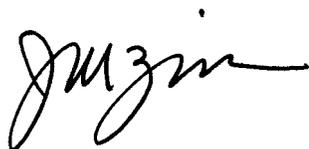
The financial statements of the Metropolitan St. Louis Sewer District's Employees' Pension Plan, Deferred Compensation Plan and Defined Contribution Plan are also audited annually. Those audited financial statements are also available to interested parties upon request.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to MSD for its CAFR for the fiscal year ended June 30, 2011. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

To be awarded the Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, the contents of which conform to program standards. The CAFR must satisfy both U.S. generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for one year only. The District has received a Certificate of Achievement for the last twenty-four consecutive years. We believe our current CAFR continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA again this year.

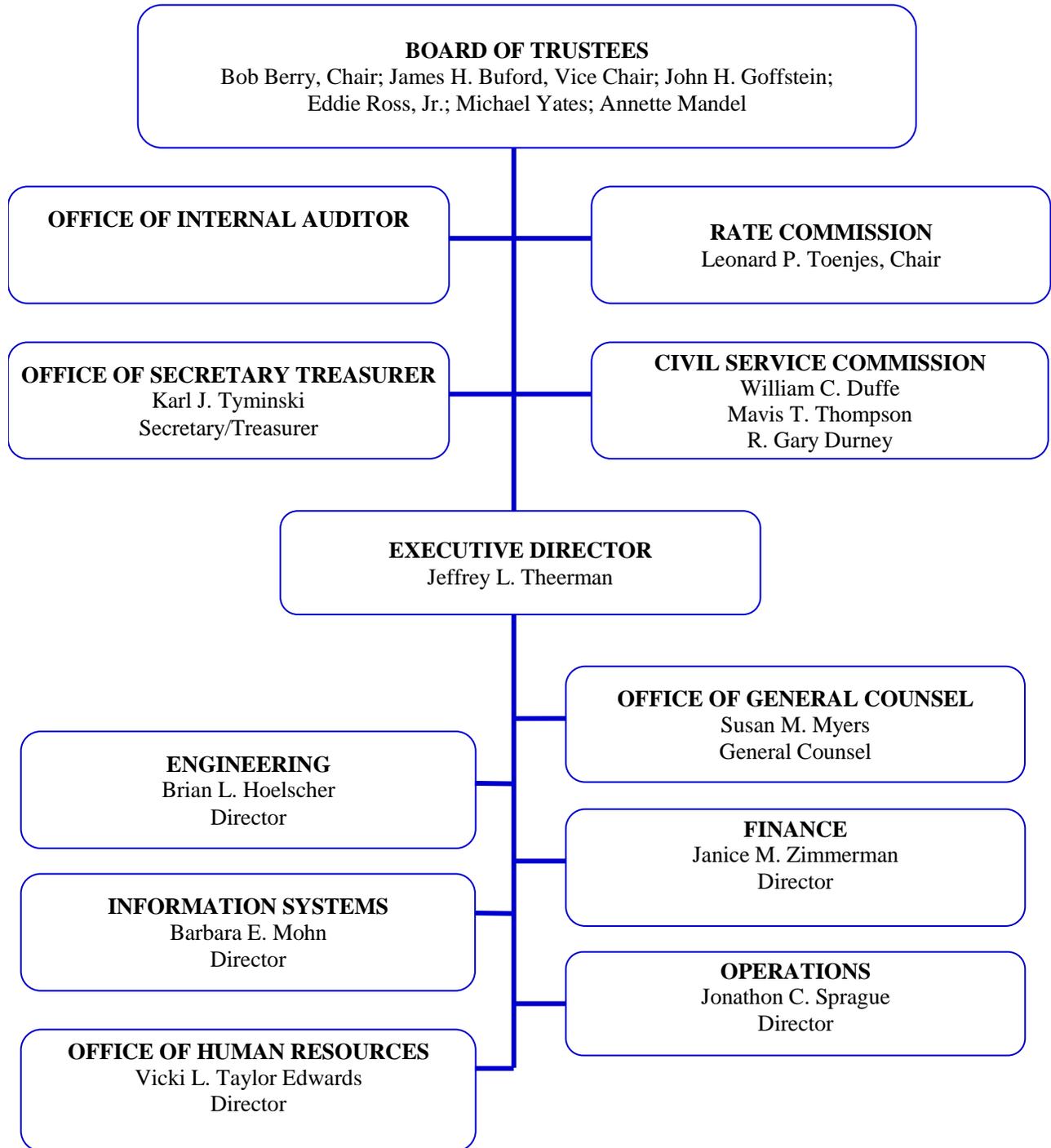
The District also received the GFOA's Distinguished Budget Presentation award for its fiscal 2012 annual budget. The District has received this award for twenty-five consecutive years. The District's fiscal budget document for 2012 was judged proficient in several categories including policy documentation, financial planning, and organization.

Acknowledgments. I wish to express my thanks and appreciation to the members of the Finance Department who diligently and faithfully contributed to the preparation of this report.



Janice M. Zimmerman  
Director of Finance

**ORGANIZATION**  
(As of June 30, 2012)



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Metropolitan St. Louis  
Sewer District, Missouri

For its Comprehensive Annual

Financial Report

for the Fiscal Year Ended

June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Davison*

President

*Jeffrey R. Emer*

Executive Director





## Independent Auditors' Report

Board of Trustees  
The Metropolitan St. Louis Sewer District

We have audited the accompanying financial statements of the business-type activities of The Metropolitan St. Louis Sewer District (the District) as of and for the year ended June 30, 2012. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the District, as of and for the year ended June 30, 2011, were audited by other auditors, whose report dated November 8, 2011, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of June 30, 2012, and the respective changes in financial position and cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the District adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in 2012.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule Of Funding Progress for the Employees' Pension Plan and Other Post-Employment Benefit Plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the business-type activities of the District. The introductory section and the statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. These sections have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*RubinBrown LLP*

November 1, 2012

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# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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## MANAGEMENT'S DISCUSSION OF ANALYSIS For The Years Ended June 30, 2012 And 2011

The annual report of The Metropolitan St. Louis Sewer District (the "District") includes the independent auditors' report, management's discussion and analysis ("MD&A"), and the financial statements accompanied by notes essential to the user's understanding of the financial statements.

Management of the District has provided this MD&A to be used in combination with the District's financial statements. This narrative is intended to provide the reader with more insight into management's knowledge of the transactions, events, and conditions reflected in the accompanying financial statements and the fiscal policies that govern the District's operations.

### 2012 Financial Highlights

- The District placed \$170.9 million of capital assets into service during fiscal year 2012. This high level of capitalization and construction is reflective of an accelerated building program to meet the needs of the District. These capitalized assets include:

Collection and pumping plant	\$112.1 million
Treatment and disposal plant and equipment	\$41.0 million
Land	\$9.1 million
General plant and equipment	\$8.7 million

In conjunction with the new assets, accumulated depreciation increased by \$55.7 million.

- Contracts and accounts payable decreased by \$18.2 million due to a decrease in water back-up claims, a decrease in litigation claims and a decrease in outstanding construction payables.
- Operating expenses declined by \$28.2 million as the result of declines in asset management costs as expenditures shifted to capital.

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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## Management's Discussion And Analysis (*Continued*)

### 2011 Financial Highlights

- The District placed \$300.9 million of capital assets into service during fiscal year 2011. This high level of capitalization occurred to more precisely reflect the timing of placement into service of the District's plants and systems. These capitalized assets include:

Treatment and disposal plant and equipment	\$236.9 million
Collection and pumping plant	\$34.8 million
General plant and equipment	\$17.9 million
Land	\$11.3 million

In conjunction with this capitalization of assets, the District increased accumulated depreciation by \$58.4 million.

- Cash and investments decreased by \$52.6 million since the District's new debt was issued as a line of credit requiring the District to spend down reserves. This line of credit structure reflects the State's change in the administration of its State Revolving Fund (SRF) program and does not impact the District's receipt of future State bond funding.
- Contracts and accounts payable increased \$23.7 million due to \$4.3 million in water backup claims from a failure of flood gates along the Mississippi River associated with a severe rain event in June. New construction expenses incurred late in the fiscal year also contributed to this increase.
- Operating revenue declined by \$27.1 million and non-operating revenue increased by \$23.2 million. This resulted from the District's rescinding of its impervious stormwater charge per a July 9, 2010 Court decision which declared the charge unconstitutional. Property taxes were reinstated to partially replace this stormwater funding.

### Required Financial Statements

The financial statements presented by the management of the District include the Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; and Statements of Cash Flows. These statements are prepared using the accrual basis of accounting. This method of accounting recognizes revenue at the time it is earned and expense when the related liability occurs. As a result of using this method of accounting, the District's performance over the time period being reported is more easily determinable.

## **THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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### Management's Discussion And Analysis (*Continued*)

The Statements of Net Position provide a report of the District's current, restricted, and other non-current assets such as cash, investments, receivables, and property. Also, the Statements of Net Position provide a summary of the District's current, restricted, and non-current liabilities, including contracts and accounts payable, deposits and accrued expenses, and bond and notes payable. Deferred outflows and inflows, where applicable, will also be included. The final section of the Statements of Net Position, the net position section, contains earnings retained for use by the District. Increases or decreases in the net position section may be indicative of an improving or declining financial position. This statement provides the basis for computing rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.

The Statements of Revenues, Expenses, and Changes in Net Position summarize all of the years' revenue and expense. These statements indicate how successful the District was at maintaining expenses below the level of revenue earned.

The Statements of Cash Flows account for the net change in cash and cash equivalents by summarizing cash receipts and cash disbursements resulting from operating activities, non-capital financing activities, capital and related financing activities, and investing activities. These statements assist the user in determining the sources of cash coming into the District, the items for which cash was expended, and the beginning and ending cash balance.

### **Financial Analysis**

The District's financial position improved in the current year, as evidenced by the increase in net position of \$21.2 million. The main reason for the improvement is the increase in capital assets of \$79.3 million. The District continues capacity expansion and updating of the District's plant and collection system. The District also incurred new debt, increasing liabilities by a net of \$62.4 million.

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## Management's Discussion And Analysis (Continued)

### Condensed Financial Statements and Analysis

	Condensed Statements of Net Position (000s)				
	2012	2011	Increase (Decrease) 2012-2011	2010	Increase (Decrease) 2011-2010
<b>Assets:</b>					
Current, restricted, and other assets	\$ 407,731	\$ 403,397	\$ 4,334	\$ 461,022	\$ (57,625)
Capital assets (net of accumulated depreciation)	2,548,816	2,469,496	79,320	2,411,877	57,619
<b>Total Assets</b>	<b>2,956,547</b>	<b>2,872,893</b>	<b>83,654</b>	<b>2,872,899</b>	<b>(6)</b>
<b>Liabilities:</b>					
Current liabilities	86,337	101,429	(15,092)	75,512	25,917
Non-current liabilities	651,916	574,445	77,471	589,737	(15,292)
<b>Total Liabilities</b>	<b>738,253</b>	<b>675,874</b>	<b>62,379</b>	<b>665,249</b>	<b>10,625</b>
<b>Net Position:</b>					
Net investment in capital assets	1,936,590	1,915,233	21,357	1,868,974	46,259
Restricted	106,694	94,926	11,768	80,782	14,144
Unrestricted	175,010	186,860	(11,849)	257,894	(71,034)
<b>Total Net Position</b>	<b>\$ 2,218,294</b>	<b>\$ 2,197,019</b>	<b>\$ 21,276</b>	<b>\$ 2,207,650</b>	<b>\$ (10,632)</b>

#### 2012 Analysis

Current restricted and other assets increased \$4.3 million or 1.1% in the current year. The increase is predominately due to the restricted cash and investments required as part of the issuance of debt in 2012.

Capital assets net of accumulated depreciation increased by \$79.3 million or 3.2% in the current year as the result of continued high levels of construction and acquisition of assets by the District.

Current liabilities decreased by \$15.1 million or 14.8%, as the result of decreases in contracts and accounts payable from the prior year water back-up claims payables and the stormwater litigation costs.

Noncurrent liabilities increased by \$77.5 million or 13.5% as the District issued \$93.3 million in new debt and paid down existing debt.

#### 2011 Analysis

Current restricted and other assets decreased by \$57.6 million or 12.5% in the current year. This change is due to the decrease in revenue from the suspension of the impervious fee.

## **THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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### Management's Discussion And Analysis (*Continued*)

Capital assets net of accumulated depreciation increased by \$57.6 million or 2.4% overall as the result of new projects in the current year.

Current liabilities increased by \$25.9 million or 34.3% in the current year. The increase is due to \$4.3 million in liabilities for overland flooding resulting from a power outage, \$4.8 million from stormwater litigation costs and the remainder from increased payables in connection with capital projects.

Noncurrent liabilities decreased by \$15.3 million or 2.6% over the prior year as the District paid down existing debt.

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## Management's Discussion And Analysis (Continued)

### Statements of Revenues, Expenses, and Changes in Net Position (000s)

	2012	2011	Increase (Decrease) 2012-2011	2010	Increase (Decrease) 2011-2010
<b>Operating Revenues:</b>					
Sewer service charges	\$ 227,677	\$ 223,276	\$ 4,401	\$ 251,683	\$ (28,407)
Provision for doubtful sewer service charge accounts	(6,911)	(6,249)	(662)	(10,188)	3,939
Provision for uncollected stormwater charge accounts	—	(2,374)	2,374	—	(2,374)
Licenses, permits, and other fees	2,684	2,976	(292)	3,085	(109)
Other	2,550	1,815	735	2,007	(192)
<b>Total Operating Revenues</b>	<b>226,000</b>	<b>219,444</b>	<b>6,555</b>	<b>246,587</b>	<b>(27,143)</b>
<b>Non-Operating Revenues:</b>					
Property taxes levied by the district	24,604	27,126	(2,522)	1,401	25,725
Investment income	2,407	3,847	(1,440)	6,554	(2,707)
Rent and other income	295	443	(148)	265	178
<b>Total Non-Operating Revenues</b>	<b>27,306</b>	<b>31,416</b>	<b>(4,110)</b>	<b>8,220</b>	<b>23,196</b>
<b>Total Revenues</b>	<b>253,306</b>	<b>250,860</b>	<b>2,445</b>	<b>254,807</b>	<b>(3,947)</b>
<b>Operating Expenses:</b>					
Pumping and treatment	49,005	50,532	(1,527)	47,266	3,266
Collection system maintenance	36,695	33,152	3,543	36,082	(2,930)
Engineering	8,544	12,486	(3,942)	15,773	(3,287)
General and administrative	33,180	36,075	(2,895)	39,237	(3,162)
Water backup claims	2,050	8,912	(6,862)	3,951	4,961
Depreciation	66,742	66,854	(112)	54,012	12,842
Asset management	20,092	36,492	(16,400)	32,458	4,034
<b>Total Operating Expenses</b>	<b>216,308</b>	<b>244,503</b>	<b>(28,196)</b>	<b>228,779</b>	<b>15,724</b>
<b>Non-operating Expenses:</b>					
Net (gain) loss on disposal and sale of capital assets	3,163	3,486	(323)	2,719	767
Non-recurring projects and studies	6,403	10,801	(4,398)	9,872	929
Legal claims	5	4,829	(4,824)	—	4,829
Interest expense	15,811	7,971	7,840	13,189	(5,218)
<b>Total Non-Operating Expenses</b>	<b>25,382</b>	<b>27,087</b>	<b>(1,704)</b>	<b>25,780</b>	<b>1,308</b>
<b>Total Expenses</b>	<b>241,690</b>	<b>271,590</b>	<b>(29,900)</b>	<b>254,559</b>	<b>17,031</b>
<b>Income Before Capital Grants And Contribution</b>	<b>11,616</b>	<b>(20,730)</b>	<b>32,346</b>	<b>248</b>	<b>(20,978)</b>
Capital Grants And Contributions	9,659	10,099	(440)	19,785	(9,686)
<b>Change In Net Position</b>	<b>21,275</b>	<b>(10,631)</b>	<b>31,906</b>	<b>20,033</b>	<b>(30,664)</b>
Net Position - Beginning Of Year	2,197,019	2,207,650	(10,631)	2,187,617	20,033
<b>Net Position - End Of Year</b>	<b>\$ 2,218,294</b>	<b>\$ 2,197,019</b>	<b>\$ 21,275</b>	<b>\$ 2,207,650</b>	<b>\$ (10,631)</b>

## **THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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### Management's Discussion And Analysis (*Continued*)

#### **2012 Analysis**

Net position increased by \$21.3 million or 1.0% over the prior year. While revenue increased slightly over the prior year, expenses decreased rapidly, as more District resources were targeted toward capital projects.

Total revenue increased by \$2.4 million or 1.0%. Sewer service charges increased \$4.4 million and the provision for uncollected stormwater charges was eliminated as part of the discontinuation of the stormwater impervious fee discussed below, increasing operating revenue by \$6.6 million. At the same time, property tax revenue decreased by \$2.5 million from decreases in property valuation. Investment income also declined by \$1.4 million as a result of low interest rates.

Total expenses decreased by \$29.9 million or 11.0%. Operating expenses decreased by \$28.2 million. Asset management decreased \$16.4 million as costs were eliminated and water back-up claims decreased \$6.9 million from the non-repetition of overland flooding in the prior year. Non-operating expenses decreased by \$1.7 million. Non-recurring projects and studies decreased by \$4.4 million and legal claims decreased by \$4.8 million from the prior year stormwater legal claim. Capital asset sale losses declined by \$0.3 million. Interest expenses increased by \$7.8 million in connection with new debt issuance.

#### **2011 Analysis**

Net position decreased by \$10.6 million or \$30.6% less than the prior year. While revenue remained relatively flat expenses grew, at a slower pace than the prior year.

Total revenue decreased by \$3.9 million or 1.5%. While the reinstatement of taxes offset the decline in operating revenue, investment income declined by \$2.7 million over the prior year. The decline in investment income is the result of low interest rates along with the decrease in funds available for investment.

Total expenses increased for the year by \$17.0 million or 6.7%. Total operating costs increased by 15.7 million or 6.9%, in large part due to claims for overland flooding and an increase of \$12.8 million or 23.8% in depreciation expense in connection with additional assets placed into service. Non-operating expenses increased by \$1.3 million or 5.1% due in part to a \$4.8 million legal claim cost in connection with the District's impervious fee case.

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## Management's Discussion And Analysis (Continued)

### Condensed Statements of Cash Flows (000s)

	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease) 2012-2011</u>	<u>2010</u>	<u>Increase (Decrease) 2011-2010</u>
Cash flows from operating activities	\$ 67,839	\$ 56,676	\$ 11,163	\$ 67,916	\$ (11,240)
Cash flows from non-capital financing activities	24,604	27,125	(2,521)	1,401	25,724
Cash flows from capital and related financing activities	(91,085)	(141,136)	50,051	(81,406)	(59,730)
Cash flows from investing activities	<u>12,903</u>	<u>51,887</u>	<u>(38,984)</u>	<u>17,399</u>	<u>34,488</u>
Net increase (decrease) in cash and cash equivalents	14,261	(5,448)	19,709	5,310	(10,758)
Cash and cash equivalents at beginning of year	<u>6,319</u>	<u>11,767</u>	<u>(5,448)</u>	<u>6,457</u>	<u>5,310</u>
<b>Cash And Cash Equivalents At End Of Year</b>	<u><u>\$ 20,580</u></u>	<u><u>\$ 6,319</u></u>	<u><u>\$ 14,261</u></u>	<u><u>\$ 11,767</u></u>	<u><u>\$ (5,448)</u></u>

### 2012 Analysis

The District ended the year with \$20.6 million in cash and cash equivalents or \$14.3 million more than the prior year. Cash flows from operating activities increased by \$11.2 million as the result of the decrease in litigation and water backup costs noted above. Cash flows from non-capital financing activities decreased by \$2.5 million or 9.3% from a decrease in tax revenue. The decrease stems from both a decrease in property values and also a decision by the District to eliminate some sub-district taxes because of sufficient fund balance. Cash flow from capital and related financing activities increased by \$50.0 million as the result of new bond proceeds offset by payments for capital improvement. Cash flows from investing activities declined by \$39.0 million or 75.1%. The decline mostly stems from less volume in the purchases and maturities of investments. In FY11, there were less bond proceeds available for reinvestment; instead maturities were used to fund capital expenditures. Finally, there was a \$0.9 million decline in investment income due to the economy's impact on interest rates.

## THE METROPOLITAN ST. LOUIS SEWER DISTRICT

### Management's Discussion And Analysis (*Continued*)

#### 2011 Analysis

The District ended the year with \$6.3 million in cash and cash equivalents or \$5.4 million lower than the prior year. This was due to a decline in cash received from customers of \$24.5 million or 9.9% with the elimination of the impervious fee; partially offset by a decrease in payments to suppliers of \$17.4 million or 17.4%. Cash flow from non-capital financing activities increased by \$25.7 million as the result of the reinstatement of taxes to fund stormwater activities. Cash flow from capital and related financing activities decreased by \$59.7 million or 73%, because the State of Missouri Direct Loan Series Bond issuance for 2010 provides reimbursement of expenditures, not loan proceeds. Investing activity proceeds provided \$34.5 million as investments were used to fund operating and capital activities.

#### Capital Assets

Condensed Statements of Capital Assets  
Net of Depreciation (000s)

	2012	2011	Increase (Decrease) 2012-2011	2010	Increase (Decrease) 2011-2010
Land	\$ 46,027	\$ 36,924	\$ 9,103	\$ 28,129	\$ 8,795
Construction in progress	379,119	400,756	(21,637)	570,602	(169,846)
Treatment and disposal plant and equipment	611,249	597,316	13,933	394,826	202,490
Collection and pumping plant	1,471,147	1,393,394	77,753	1,393,152	242
General plant and equipment	41,274	41,106	168	25,168	15,938
<b>Total</b>	<b>\$ 2,548,816</b>	<b>\$ 2,469,496</b>	<b>\$ 79,320</b>	<b>\$ 2,411,877</b>	<b>\$ 57,619</b>

#### 2012 Analysis

Total capital assets, net of depreciation, increased by \$79.3 million over the prior year. Collection and pumping plants contained the majority of the increase with \$77.8 million coming on-line this fiscal year. Construction in progress decreased by \$21.6 million as \$159.6 million in constructed assets were moved into service. Treatment and disposal plant and equipment increased by \$13.9 million. Land contributed \$9.1 million from acquisition of easements and other land.

## THE METROPOLITAN ST. LOUIS SEWER DISTRICT

### Management's Discussion And Analysis (Continued)

#### 2011 Analysis

Total capital assets, net of depreciation, increased by \$57.6 million over the prior year. Construction in progress decreased by \$169.8 million as \$287.0 million in constructed assets were placed into service. Treatment and disposal plant projects represented the majority of new assets, \$202.5 million. Land contributed \$8.8 million to the increase from the completion of grading projects. General plant and equipment also increased by \$15.9 million, partially as a result of the reclassification of office building assets from treatment and disposal plant to general plant.

#### Long-Term Debt

##### Condensed Statements of Long-Term Debt (000s)

	2012	2011	Increase (Decrease) 2012-2011	2010	Increase (Decrease) 2011-2010
<b>Senior Revenue Bonds:</b>					
Series 2004A	\$ 163,630	\$ 165,590	\$ (1,960)	\$ 167,370	\$ (1,780)
Series 2006C	60,000	60,000	—	60,000	—
Series 2008A	30,000	30,000	—	30,000	—
Series 2010B	85,000	85,000	—	85,000	—
Series 2011B	52,250	—	52,250	—	—
<b>Subordinate Revenue Bonds:</b>					
Series 2004B	115,960	123,055	(7,095)	130,110	(7,055)
Series 2005A	5,055	5,370	(315)	5,665	(295)
Series 2006A	34,225	36,335	(2,110)	38,420	(2,085)
Series 2006B	11,620	12,285	(665)	12,935	(650)
Series 2008AB	33,833	35,610	(1,777)	37,375	(1,765)
<b>Missouri DNR:</b>					
Series 2009A	21,085	22,053	(968)	23,000	(947)
Series 2010A	5,880	2,852	3,028	—	2,852
Series 2010C	35,519	329	35,190	—	329
Series 2011A	1,007	—	1,007	—	—
Energy Loan Program	237	25	212	37	(12)
Oracle/Blue Heron	3,096	6,096	(3,000)	7,264	(1,168)
<b>Total</b>	<b>\$ 658,397</b>	<b>\$ 584,600</b>	<b>\$ 73,797</b>	<b>\$ 597,176</b>	<b>\$ (12,576)</b>

#### 2012 Analysis

The District ended fiscal year 2012 with \$658.4 million in long-term debt outstanding. The District had two bond additions this year, a senior revenue bond (Series 2011B) for \$52.3 million and an SRF Bond (2011A) for \$1.0 million and added to SRF bonds 2010C (\$35.2M) and 2010A (\$3.0M).

## **THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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### Management's Discussion And Analysis (*Continued*)

#### **2011 Analysis**

The District ended fiscal year 2011 with \$584.6 million in long-term debt outstanding, consisting mainly of revenue bonds. The District had one bond addition this year (Series 2010C) resulting in a minimal increase in long-term debt.

#### **Decisions Impacting The Future**

On July 7, 2011, the District entered into a Consent Decree (CD) with the U.S. Environment Protection Agency and the Coalition for the Environment settling a lawsuit for alleged violations of the Clean Water Act. Along with providing a schedule for implementation of various system improvements and programs, the Consent Decree also addressed all allegations made by the Plaintiffs in this action. The public comment period ended October 10, 2011. The Court extended the stay of litigation until November 18, 2011, with a joint status report due on November 25, 2011. The CD did not become final until it was entered by the Federal Court on April 27, 2012. See note 12 for additional information regarding this litigation.

The District continued to implement the second phase of its multi decade wastewater capital improvement replacement program (CIRP) utilizing the proceeds of a \$275.0 million bond authorization granted by St. Louis voters in August 2008. The remainder of this phase of the CIRP included the design and construction of \$131.0 million of capital improvements through 2012. These regulatory required projects included completion of the Lemay Treatment Plant expansion, pump station improvements, and sewage collection system replacement and rehabilitation. The next phase of the capital program is reflected in the \$1 billion of projects through FY16 in order to comply with the CD.

At an election held on June 5, 2012, voters within the District approved the issuance by the District of \$945,000,000 in sewer system revenue bonds to enable the District to comply with federal and state clean water requirements. The District may use the proceeds of such revenue bonds for the purpose of constructing, repairing, replacing and equipping new and existing District wastewater facilities. In August of 2012 the District issued the first \$225,000,000 in bonds under this authorization, which will fund capital expenditures for the next two years.

## **THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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### Management's Discussion And Analysis (*Continued*)

The District implemented an impervious area based stormwater rate in March 2008. In conjunction, the District elected to discontinue the assessment of approximately \$24.4 million per year in property taxes and flat fees previously used for stormwater funding. The impervious stormwater rate structure in place throughout the 2010 fiscal year generated \$90.9 million in revenue for stormwater services across the St. Louis region. On July 9, 2010, the Circuit Court of St. Louis County of Missouri ruled the impervious rate unconstitutional. As a result, the District's Board of Trustees rescinded the impervious based rate effective August 1, 2010. The elimination of the rate resulted in an estimated \$48.3 million loss in revenue anticipated to address stormwater issues throughout the St. Louis region. The District reinstated the property taxes and flat fees previously discontinued in order to provide a base level of stormwater services as required by the District's Charter. Stormwater services were drastically reduced in fiscal year 2011 and continued at reduced levels in fiscal year 2012. On May 29, 2012, the District filed its Application directly to the Missouri Supreme Court requesting a transfer. On June 1, 2012, the National Association of Clean Water Agencies was allowed to file suggestions in support of the Application for Transfer. A decision is pending as to whether the Supreme Court will hear this case. The potential reinstatement of the stormwater impervious based rate is contingent upon the District's current appeal.

### **Requests For Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed or e-mailed to:

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The Metropolitan St. Louis Sewer District  
2350 Market Street  
St. Louis, MO 63103-2555  
314-768-6200  
jzimmer@stlmsd.com

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## STATEMENTS OF NET POSITION

		For The Years	
		Ended June 30,	
		2012	2011
<b>Assets</b>			
<b>Current Assets</b>			
Cash	\$	15,322,804	\$ 6,229,447
Pooled cash and investments		162,269,011	190,353,186
Investments		42,931,034	31,200,375
Sewer service charges receivable, less allowance of \$4,038,932 in 2012 and \$4,087,758 in 2011		34,608,839	35,300,022
Unbilled sewer service charges receivable, less allowance of \$362,806 in 2011 and \$326,780 in 2011		18,140,324	16,338,975
Accrued income on investments		436,251	759,812
Other receivables		928,832	757,176
Supplies inventory		6,301,034	6,961,285
<b>Total Current Assets</b>		<b>280,938,129</b>	<b>287,900,278</b>
<b>Non-Current Assets</b>			
<b>Restricted Assets</b>			
Cash		5,256,795	89,487
Pooled cash and investments		72,357,560	69,042,313
Investments		34,495,472	31,133,772
Accrued income on investments		266,592	466,800
		<b>112,376,419</b>	<b>100,732,372</b>
<b>Other Assets</b>			
Notes receivable		14,417,074	14,764,507
<b>Capital Assets</b>			
Depreciable:			
Treatment and disposal plant and equipment		1,011,798,185	979,444,620
Collection and pumping plant		2,050,326,859	1,941,575,848
General plant and equipment		91,264,888	84,858,812
		<b>3,153,389,932</b>	<b>3,005,879,280</b>
Less: Accumulated depreciation		1,029,720,453	974,063,867
Net depreciable assets		<b>2,123,669,479</b>	<b>2,031,815,413</b>
Non-depreciable:			
Land		46,026,763	36,924,144
Construction in progress		379,119,335	400,756,348
Net capital assets		<b>2,548,815,577</b>	<b>2,469,495,905</b>
<b>Total Non-Current Assets</b>		<b>2,675,609,070</b>	<b>2,584,992,784</b>
<b>Total Assets</b>		<b>2,956,547,199</b>	<b>2,872,893,062</b>

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**THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

**STATEMENTS OF NET POSITION (Continued)**

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	<b>For The Years Ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Contracts and accounts payable	\$ 27,152,656	\$ 45,410,443
Deposits and accrued expenses	22,949,200	24,629,171
Retainage payable	8,694,165	6,199,009
Current portion of bonds and notes payable	21,857,997	19,383,825
	<u>80,654,018</u>	<u>95,622,448</u>
<b>Current Liabilities-Payable From Restricted Assets</b>		
Contracts and accounts payable	5,399,672	5,602,225
Retainage payable	283,053	204,166
	<u>5,682,725</u>	<u>5,806,391</u>
<b>Total Current Liabilities</b>	<u>86,336,743</u>	<u>101,428,839</u>
<b>Non-Current Liabilities</b>		
Deposits and accrued expenses	9,572,545	8,365,378
Bonds and notes payable	642,343,570	566,079,709
<b>Total Non-Current Liabilities</b>	<u>651,916,115</u>	<u>574,445,087</u>
<b>Total Liabilities</b>	<u>738,252,858</u>	<u>675,873,926</u>
<b>Net Position</b>		
Net investment in capital assets	1,936,590,862	1,915,232,838
Restricted for:		
Debt service	39,892,760	34,395,643
Subdistrict construction and improvement	66,800,934	60,530,338
Unrestricted	175,009,785	186,860,317
<b>Total Net Position</b>	<u>\$ 2,218,294,341</u>	<u>\$ 2,197,019,136</u>

**THE METROPOLITAN ST. LOUIS SEWER DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSE AND CHANGES IN NET POSITION**

	For The Years Ended June 30,	
	2012	2011
<b>Operating Revenues</b>		
Sewer service charges	\$ 227,677,430	\$ 223,275,722
Provision for doubtful sewer service charge accounts	(6,911,849)	(6,248,681)
Provision for uncollected stormwater charge accounts	—	(2,373,731)
Licenses, permits, and other fees	2,683,823	2,976,253
Other	2,550,316	1,814,694
<b>Total Operating Revenues</b>	<b>225,999,720</b>	<b>219,444,257</b>
<b>Operating Expenses</b>		
Pumping and treatment	49,005,251	50,532,451
Collection system maintenance	36,695,192	33,152,223
Engineering	8,543,316	12,485,664
General and administrative	33,180,189	36,075,000
Water backup claims	2,049,901	8,911,970
Depreciation	66,742,064	66,854,265
Asset management	20,092,052	36,491,526
<b>Total Operating Expenses</b>	<b>216,307,965</b>	<b>244,503,099</b>
<b>Operating Income (Loss)</b>	<b>9,691,755</b>	<b>(25,058,842)</b>
<b>Non-Operating Revenues</b>		
Property taxes levied by the District	24,604,173	27,125,451
Investment income	2,407,485	3,847,324
Rent and other income	294,591	442,968
<b>Total Non-Operating Revenues</b>	<b>27,306,249</b>	<b>31,415,743</b>
<b>Non-Operating Expenses</b>		
Net loss on disposal and sale of capital assets	3,162,723	3,485,952
Non-recurring projects and studies	6,402,888	10,800,843
Legal claims	5,000	4,828,828
Interest expense	15,811,045	7,971,088
<b>Total Non-Operating Expenses</b>	<b>25,381,656</b>	<b>27,086,711</b>
<b>Income (Loss) Before Capital Grants And Contributions</b>	<b>11,616,348</b>	<b>(20,729,810)</b>
<b>Capital Grants And Contributions</b>		
Utility plant contributed	9,495,264	7,571,714
Grant revenue	163,593	2,526,838
<b>Total Capital Grants And Contributions</b>	<b>9,658,857</b>	<b>10,098,552</b>
<b>Change In Net Position</b>	<b>21,275,205</b>	<b>(10,631,258)</b>
<b>Net Position - Beginning Of Year</b>	<b>2,197,019,136</b>	<b>2,207,650,394</b>
<b>Net Position - End Of Year</b>	<b>\$ 2,218,294,341</b>	<b>\$ 2,197,019,136</b>

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## STATEMENTS OF CASH FLOWS

	For The Years Ended June 30,	
	2012	2011
<b>Cash Flows From Operating Activities</b>		
Received from customers	\$ 225,182,816	\$ 224,167,793
Paid to employees for services	(85,434,376)	(85,069,139)
Paid to suppliers for goods and services	(71,909,584)	(82,422,992)
<b>Net Cash Provided By Operating Activities</b>	<b>67,838,856</b>	<b>56,675,662</b>
<b>Cash Flows Provided By Non-Capital Financing Activities</b>		
Taxes levied and collected	24,604,173	27,125,451
<b>Cash Flows From Capital And Related Financing Activities</b>		
Proceeds from capital grants	164,164	2,533,168
Proceeds from issuance of debt	93,347,308	4,539,018
Premium and (discounts) on sale of bonds	6,104,835	—
Interest received on bond proceeds to be used for capital improvements	141,569	666,548
Principal paid on debt	(19,551,825)	(17,515,733)
Interest and fees paid on debt	(25,391,770)	(22,386,543)
Payments for capital assets	(147,723,685)	(110,811,121)
Proceeds from sale of capital assets	82,464	96,658
Build America bond tax credit	1,742,160	1,742,160
<b>Net Cash Used In Capital And Related Financing Activities</b>	<b>(91,084,780)</b>	<b>(141,135,845)</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of investments	(521,656,494)	(691,222,800)
Proceeds from sale and maturity of investments	529,712,780	737,182,632
Investment income	4,551,539	5,484,057
Proceeds from rents	294,591	442,968
<b>Net Cash Provided By Investing Activities</b>	<b>12,902,416</b>	<b>51,886,857</b>
<b>Net Increase (Decrease) In Cash And Cash Equivalents</b>	<b>14,260,665</b>	<b>(5,447,875)</b>
<b>Cash And Cash Equivalents At Beginning Of Year</b>	<b>6,318,934</b>	<b>11,766,809</b>
<b>Cash And Cash Equivalents At End Of Year</b>	<b>\$ 20,579,599</b>	<b>\$ 6,318,934</b>
<b>Non-Cash Capital And Investing Activities</b>		
Capital asset additions included in accounts payable	\$ 13,744,285	\$ 25,234,187
Utility plant contributed by other governments and developers	9,495,264	7,571,714
Fair value investment adjustment gain (loss)	(778,235)	267,028

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**THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

**STATEMENTS OF CASH FLOWS (Continued)**

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	<b>For The Years</b>	
	<b>Ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
<b>Reconciliation Of Operating Income (Loss) To Net Cash Flows Provided By Operating Activities</b>		
<b>Operating Income (Loss)</b>	\$ 9,691,755	\$ (25,058,842)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	66,742,064	66,854,265
Change in operating assets and liabilities:		
(Increase) decrease in billed and unbilled sewer service charges receivable	(1,110,166)	4,074,425
(Increase) decrease in other receivables	(172,227)	74,063
(Increase) decrease in supplies inventory	660,251	(128,783)
Increase (decrease) in contracts and accounts payable	(7,408,601)	7,562,465
Increase (decrease) in deposits and accrued expenses	(564,220)	3,298,069
<b>Net Cash Provided By Operating Activities</b>	<b>\$ 67,838,856</b>	<b>\$ 56,675,662</b>

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# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### 1. **Organization And Summary Of Significant Accounting Policies**

#### **Organization**

The Metropolitan St. Louis Sewer District (the District) was authorized by the voters, established and chartered under the provisions of the Constitution of Missouri, as a municipal corporation and a political subdivision of the State of Missouri. Upon creation in 1954, the District assumed responsibilities to provide for the construction, operation, and maintenance of the sewer facilities within its defined boundaries. The District's service area now comprises all of the City of St. Louis and most of St. Louis County. Subdistricts within the District's total service area represent separate geographic areas within which specific taxes are levied for the retirement of indebtedness issued to finance construction of sanitary or stormwater facilities within the area or to operate, maintain, or construct improvements within the subdistrict. The District also maintains all of the publicly owned stormwater sewers within its original boundaries and is continuing to accept maintenance of the stormwater sewers in the remainder of its service area.

Pursuant to provisions of its charter and subject to limitations imposed by the Constitution of Missouri, all powers of the District are vested in a six-member Board of Trustees (the Board), three of whom are appointed by the Mayor of the City of St. Louis and three of whom are appointed by the County Executive of St. Louis County.

#### **Reporting Entity**

The District defines its financial reporting entity to include all component units for which the District's governing body is financially accountable. To be considered financially accountable, the component unit must be fiscally dependent on the District and the District must either 1) be able to impose its will on the component unit or 2) the relationship must have the potential for creating a financial benefit or imposing a financial burden on the District.

Based on the foregoing, the District's financial statements include all funds that are established under the authority of the District's charter. There are no agencies, boards, commissions, or authorities that are controlled by or dependent on the District.

## **THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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### Notes To Financial Statements (*Continued*)

#### **Measurement Focus, Basis Of Accounting, And Financial Statement Presentation**

Throughout the year, the District maintains its detailed accounting records on the modified accrual basis of accounting. In order to account for the transactions related to certain subdistricts and restricted resources, separate fund accounting records are maintained. For financial reporting purposes, the District reports its operations as a single enterprise fund. Accordingly, the accounting records are converted to the accrual basis of accounting and all interfund transactions are eliminated. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the related liability is incurred. The District's measurement focus is on the flow of economic resources. Unbilled sewer service charge revenues are accrued by the District based on estimated billings for services provided through the end of the current fiscal year.

Revenues and expenses are divided into operating and non-operating items. Operating revenues generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues of the District are user fees, licenses, and permits for wastewater treatment services. Operating expenses include the costs associated with the conveyance and treatment of wastewater, stormwater, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

The District follows GASB Statement No. 33, Accounting and Financial Reporting for Non-Exchange Transactions (GASB 33), which establishes accounting and financial reporting standards for non-exchange transactions involving financial or capital resources.

GASB 33 groups non-exchange transactions into the following four classes, based upon their principal characteristics: derived tax revenues, imposed non-exchange revenues, government mandated non-exchange transactions, and voluntary non-exchange transactions.

The District recognizes assets from imposed non-exchange revenue transactions in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. Revenues are recognized in the period when the resources are required to be used for the first period that use is permitted. The District recognizes revenues from property taxes, net of estimated refunds and estimated uncollectible amounts, in the period for which the taxes are levied. Imposed non-exchange revenues also include licenses, permits, and other fees.

## **THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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### Notes To Financial Statements (*Continued*)

Intergovernmental revenues, representing grants and assistance received from other governmental units, are generally recognized as revenues in the period when all eligibility requirements, as defined by GASB 33, have been met. Any resources received before eligibility requirements are met are reported as unearned revenues.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

The District follows all Governmental Accounting Standards Board (GASB) pronouncements as well as all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principle Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. In addition, the District also applies all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

The District early adopted GASB Statement No. 63, *Financial Reporting of Deferred Outlaws of Resources, Deferred Inflows of Resources, and Net Position* during fiscal year 2012.

### **Cash And Cash Equivalents And Investments**

For purposes of the Statements of Cash Flows, the District's "cash and cash equivalents" consist of all highly liquid investments (including restricted assets) with maturity dates of 89 days or less from the date acquired by the District. "Investments" consist of those investments with maturity dates 90 days or greater at the time of purchase by the District. Investments are stated at fair value based upon quoted market prices.

Investments are reported at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair value is determined based on quoted market prices. Adjustments necessary to record investments at fair value are recorded in the statements of revenues, expense, and changes in net position as increases or decreases in investment income.

### **Accounts Receivable**

Accounts receivable is composed primarily of charges to customers for wastewater and stormwater services. Receivables are reported at their gross values net of an allowance for uncollectible amounts.

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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## Notes To Financial Statements (Continued)

### Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified.

### Capital Assets

Capital assets are valued at historical cost or estimated historical cost based in part upon a study performed in 1981. Donated capital assets are recorded at fair value at the time of the contribution to the District. Interest cost is capitalized as part of the historical cost of acquiring certain assets when the effect of such capitalization is material to the financial statements. Interest is not capitalized on assets constructed with contributions from other governmental sources. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Treatment and disposal plant and equipment	10 to 70 years
Collection and pumping plant	10 to 100 years
General plant and equipment	3 to 50 years

When designing user charge rates, the District includes funding for replacement cost of assets, which may differ from depreciation expense recorded for financial reporting purposes.

Normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Betterments are capitalized and depreciated over the remaining useful lives of the related assets, as applicable. Previously, the District defined capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of three years. In April of 2010 the District updated this policy and as a result, an asset must now have an individual cost of more than \$5,000 to be considered a capital asset. This change in policy does not have a retroactive effect on capital assets put in place before April 2010.

## **THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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### Notes To Financial Statements *(Continued)*

#### **Capitalization Of Interest**

Interest costs are capitalized as part of the costs of capital assets during the period of construction based on the related weighted average net borrowing costs incurred. Interest earned on temporary investments acquired with the proceeds of such borrowed funds from the date of the borrowing until the assets are ready for their intended use is used to reduce the interest costs capitalized on the constructed assets. Interest is not capitalized for outlays financed by capital grants (or other outside parties) externally restricted for the acquisition of specified assets. In 2012 and 2011, the District capitalized \$7,412,451 and \$11,738,283 of net interest expense, respectively.

#### **Supplies Inventory**

Supplies inventory consists of parts and supplies to be used to operate and maintain treatment facilities and various treatment-related equipment at the District. This inventory is stated at the lower of cost or market, determined on the average cost method. Expenses are recognized when the inventory is consumed.

#### **Net Position**

The District's net position is calculated as follows: the net investment in capital assets component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding debt that is attributable to the acquisition, construction, or improvement of those assets.

The restricted component of net position consists of constraints placed on net position through external constraints imposed by creditors, grantors, contributors, laws, or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Property taxes levied by the various subdistricts and other revenues received for construction in those sub-districts have also been restricted for that use. Sewer extension and connection fees, grants, and other revenues received for construction within certain sub-districts have been restricted for that use. In addition, a portion of sanitary sewer charges have been restricted for the payment of principal and interest on certain debt of the District.

The unrestricted net position component of net assets consists of net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

## **THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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### Notes To Financial Statements *(Continued)*

#### **Capital Contributions**

Capital contributions to the District represent government grants and other aid used to fund capital projects. In accordance with GASB 33, capital contributions are recognized as revenue when the expenditure is made and the amount becomes subject to claim for reimbursement.

#### **Bond Issuance Costs/Bond Premiums And Discounts**

Bond issuance costs incurred, as well as bond premiums and discounts, are paid from the proceeds of revenue bond issues and are deferred and amortized using the straight-line method over the term of the bonds.

#### **Compensated Absences**

##### **Vacation**

Under the terms of the District's personnel policies, employees are allowed to carry a maximum of 30 to 45 days of vacation (depending on length of service) from one calendar year to the next. Since vacation accrued at year-end is expected to be used by the employee during the following fiscal year, the accrual is reported as a component of current deposits and accrued expenses payable.

##### **Sick Leave**

Employees earn sick pay benefits at accrual rates ranging from 10 days per year to 12 days per year (depending on length of service). Unused sick leave can be carried over at year-end without limitation. An employee retiring from the District with five or more years of service, who has unused accrued sick leave remaining, will be compensated for that portion of unused accrued sick leave at the rate of 1-1/4% for each year of District service. The District has recorded a liability, which has been actuarially determined to be equal to the accumulated expense charge that will amortize the employees' benefits over their period of District service. The liability, included in current deposits and accrued expenses payable, includes vested accumulated rights to receive sick leave benefits estimated to be paid within one year. The portion of sick leave expected to be paid after one year is recorded as a component of non-current deposits and accrued expenses payable.

##### **Use Of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements. Actual results could differ from those estimates.

# **THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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## Notes To Financial Statements *(Continued)*

### **Reclassification**

Certain amounts in prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

## **2. Deposits And Investments**

### **Deposits**

At June 30, 2012 the reported amount of the District's deposits was \$56,122,489 and bank balance was \$54,926,226. Of the bank balance, \$45,540,519 was covered by federal depository insurance and \$9,385,707 was collateralized with securities held by a third party financial institution in the District's name.

At June 30, 2011, the reported amount of the District's deposits was \$38,979,076 and the bank balance was \$42,310,339. Of the bank balance, \$42,220,762 was covered by federal depository insurance and \$89,577 was collateralized with securities held by a third party financial institution in the District's name.

Custodial credit risk for deposits is the risk that, in the event of bank failure, the District's deposits may not be returned to the District. The District's investment policy complies with the provisions of state laws and requires collateralization on repurchase agreements, time certificates of deposit and deposits with banking institutions with a market value of 103 percent.

Deposits in each bank are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for interest bearing accounts and unlimited coverage for noninterest bearing accounts. The FDIC created the Temporary Liquidity Guarantee Program. One element of that program provides for an unlimited guarantee by the FDIC of funds held in an insured depository institution in non-interest-bearing transaction deposit accounts through December 31, 2012. This guarantee is over and above the \$250,000 coverage on all interest bearing deposit accounts.

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## Notes To Financial Statements (Continued)

### Investments

With the approval of the District's Board of Trustees, the Secretary-Treasurer is authorized to invest excess cash in any investment authorized by the District's charter. The District's investment policy conforms to the investment policy guidelines for the State of Missouri. The District's investment policy authorizes the District to invest in the following instruments: U.S. Treasury obligations, certificates of deposit, obligations of any agency or instrumentality of the U.S., repurchase agreements, bankers' acceptances, and commercial paper rated in the three highest classifications, for terms specified in the policy. At June 30, 2012 and 2011, all of the District's investments were in compliance with the District's investment policy and charter.

A summary of deposits and investments as of June 30, 2012 and 2011 is as follows:

Investment Type	2012		2011	
	Cost	Fair Value	Cost	Fair Value
Deposits	\$ 56,122,489	\$ 56,122,489	\$ 38,979,076	\$ 38,979,076
Money Market Mutual Funds	4,851,168	4,851,168	—	—
Certificates of deposit	900,000	900,000	900,000	900,000
U.S. Treasury and agency obligations	180,442,248	181,714,022	211,886,113	213,968,746
Commercial paper	81,436,568	81,485,196	67,890,245	67,909,740
Bankers' acceptance notes	7,554,253	7,559,801	6,288,960	6,291,018
<b>Total</b>	<b>\$ 331,306,726</b>	<b>\$ 332,632,676</b>	<b>\$ 325,944,394</b>	<b>\$ 328,048,580</b>

Reconciliation to the financial statements:

	2012	2011
Cash		
Unrestricted	\$ 15,322,804	\$ 6,229,447
Restricted	5,256,795	89,487
Pooled cash and investments		
Unrestricted	162,269,011	190,353,186
Restricted	72,357,560	69,042,313
Investments		
Unrestricted	42,931,034	31,200,375
Restricted	34,495,472	31,133,772
	<b>\$ 332,632,676</b>	<b>\$ 328,048,580</b>

## THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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### Notes To Financial Statements (Continued)

#### Interest Rate Risk

As of June 30, 2012 and 2011, the District had the following investments and maturities:

Investment Type	2012		2011	
	Fair Value	Weighted Average Maturity (Years)	Fair Value	Weighted Average Maturity (Years)
Certificates of deposit	\$ 900,000	1.11	\$ 900,000	0.60
U.S. Treasury obligations	50,229,767	0.78	36,390,289	0.91
U.S. agency obligations	131,484,255	2.25	177,578,457	2.24
Commercial paper	81,485,196	0.11	67,909,740	0.10
Bankers' acceptance notes	<u>7,559,801</u>	0.16	<u>6,291,018</u>	0.10
<b>Total</b>	<u>\$ 271,659,019</u>	1.28	<u>\$ 289,069,504</u>	1.51

In accordance with the District's investment policy, the District will minimize the risk that the fair value of debt securities in the portfolio will fall due to increases in general interest rates by:

1. Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
2. Investing operating funds primarily in short-term securities.
3. State law limits the maximum stated maturities to five years on any investment from the date of purchase.

#### Custodial/Credit Risk

The District will minimize credit risk for investments, the risk of loss due to failure of the security issuer or backer, by:

1. Prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the District will do business.
2. Diversifying the portfolio so that potential losses on individual securities will be minimized.

## THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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### Notes To Financial Statements (Continued)

In accordance with its investment policy, the District limits its investments in these investment types to the top rating issued by Nationally Recognized Statistical Rating Organizations. As of June 30, 2012 and 2011, the District's investments in commercial paper were rated A1 by Standard & Poor's and P-1 by Moody's Investors Service. The District's investments in repurchase agreements carry the explicit guarantee of the U.S. Government. The District's investments in U.S. agency obligations that do not carry the explicit guarantee of the U.S. Government all carry a rating assigned by Standard & Poor's of "AA+."

#### Concentration Of Credit Risk

The District places no limit on the amount the District may invest in any one issuer with respect to U.S. Treasury obligations and collateralized time and demand deposits. U.S. agency obligations and government-sponsored enterprises are limited to 60% of the portfolio; and collateralized repurchase agreements are limited to 50% of the portfolio. U.S. agency obligations are limited to 30% of the portfolio, and commercial paper and bankers' acceptances are limited to 25% each. The following table lists investments in issuers that represent 5% or more of total investments at June 30, 2012 and 2011:

Issuer	Percent Of Total Investments	
	2012	2011
Federal Home Loan Bank	8.0	19.0
Federal National Mortgage Association	21.1	18.9
Federal Home Loan Mortgage Corporation	6.4	11.3

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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## Notes To Financial Statements (Continued)

### 3. Note Receivable

The District has a note receivable with the City of Arnold, Missouri (the "City") bearing interest at 4.35% for its portion of the capital costs related to the Lower Meramec Wastewater Treatment Plant. The current portion of this note is contained in the other receivables line on the balance sheet. The note receivable will be paid over 30 years. At June 30, 2012, future payments are as follows:

2013	\$ 1,100,499
2014	1,100,499
2015	1,100,499
2016	1,100,499
2017	1,100,499
2018-2022	5,502,494
2023-2027	5,502,494
2028-2032	5,502,494
2033	<u>550,249</u>
	22,560,226
Less: Amount representing interest	<u>7,682,391</u>
	<u>\$ 14,877,835</u>
Classification in Statement of Net Position:	
Current	\$ 460,761
Non-current	<u>14,417,074</u>
<b>Total</b>	<u><u>\$ 14,877,835</u></u>

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## Notes To Financial Statements (Continued)

### 4. Capital Assets

The following is a summary of capital assets changes for the fiscal years ended June 30, 2012 and 2011:

	Balance June 30, 2011	Additions	Reclass	Deletions	Balance June 30, 2012
Capital assets not being depreciated:					
Land	\$ 36,924,144	\$ 9,102,619	\$ —	\$ —	\$ 46,026,763
Construction in progress	400,756,348	137,925,986	—	159,562,999	379,119,335
Total capital assets not being depreciated	<u>437,680,492</u>	<u>147,028,605</u>	<u>—</u>	<u>159,562,999</u>	<u>425,146,098</u>
Capital assets being depreciated:					
Treatment and disposal plant and equipment	979,444,620	41,013,831	—	8,660,266	1,011,798,185
Collection and pumping plant	1,941,575,848	112,106,178	—	3,355,167	2,050,326,859
General plant and equipment	84,858,812	8,721,309	—	2,315,233	91,264,888
Total capital assets being depreciated	<u>3,005,879,280</u>	<u>161,841,318</u>	<u>—</u>	<u>14,330,666</u>	<u>3,153,389,932</u>
Less: Accumulated depreciation:					
Treatment and disposal plant and equipment	(382,129,043)	(26,025,377)	—	(7,605,416)	(400,549,004)
Collection and pumping plant	(548,181,682)	(32,259,885)	—	(1,261,130)	(579,180,437)
General plant and equipment	(43,753,142)	(8,456,802)	—	(2,218,932)	(49,991,012)
Total accumulated depreciation	<u>(974,063,867)</u>	<u>(66,742,064)</u>	<u>—</u>	<u>(11,085,478)</u>	<u>(1,029,720,453)</u>
Total capital assets being depreciated, net	<u>2,031,815,413</u>	<u>95,099,254</u>	<u>—</u>	<u>3,245,188</u>	<u>2,123,669,479</u>
<b>Total Capital Assets</b>	<u>\$ 2,469,495,905</u>	<u>\$ 242,127,859</u>	<u>\$ —</u>	<u>\$ 162,808,187</u>	<u>\$ 2,548,815,577</u>
	Balance June 30, 2010	Additions	Reclass	Deletions	Balance June 30, 2011
Capital assets not being depreciated:					
Land	\$ 28,128,701	\$ 11,342,554	\$ —	\$ 2,547,111	\$ 36,924,144
Construction in progress	570,602,108	117,135,980	—	286,981,740	400,756,348
Total capital assets not being depreciated	<u>598,730,809</u>	<u>128,478,534</u>	<u>—</u>	<u>289,528,851</u>	<u>437,680,492</u>
Capital assets being depreciated:					
Treatment and disposal plant and equipment	750,240,748	236,903,865	(6,851,394)	848,599	979,444,620
Collection and pumping plant	1,914,386,404	34,816,152	—	7,626,708	1,941,575,848
General plant and equipment	64,195,139	17,922,435	6,851,394	4,110,156	84,858,812
Total capital assets being depreciated	<u>2,728,822,291</u>	<u>289,642,452</u>	<u>—</u>	<u>12,585,463</u>	<u>3,005,879,280</u>
Less: Accumulated depreciation:					
Treatment and disposal plant and equipment	(355,414,815)	(28,782,937)	1,679,361	(389,348)	(382,129,043)
Collection and pumping plant	(521,233,972)	(31,129,153)	—	(4,181,443)	(548,181,682)
General plant and equipment	(39,027,424)	(6,942,175)	(1,679,361)	(3,895,818)	(43,753,142)
Total accumulated depreciation	<u>(915,676,211)</u>	<u>(66,854,265)</u>	<u>—</u>	<u>(8,466,609)</u>	<u>(974,063,867)</u>
Total capital assets being depreciated, net	<u>1,813,146,080</u>	<u>222,788,187</u>	<u>—</u>	<u>4,118,854</u>	<u>2,031,815,413</u>
<b>Total Capital Assets</b>	<u>\$ 2,411,876,889</u>	<u>\$ 351,266,721</u>	<u>\$ —</u>	<u>\$ 293,647,705</u>	<u>\$ 2,469,495,905</u>

## **THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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### Notes To Financial Statements *(Continued)*

#### **5. Property Tax**

On or before October 1 of each year, the District levies ad valorem taxes on all taxable tangible property, real and personal, within its boundaries based on assessed valuations established by the City of St. Louis and St. Louis County Assessors. Tax rates vary by sub-district and purpose. Taxes levied are used for operations and stormwater maintenance, debt service, and construction. Taxes are recorded as non-operating revenues. Property tax bills are mailed in October. They become delinquent and represent a lien on the related property if not paid by December 31. All property taxes are billed and collected by the City of St. Louis and St. Louis County Collectors' of Revenue and are distributed to the District monthly.

On June 12, 2008, pursuant to Ordinance 12661, the District set the property tax rate at zero and began charging a stormwater service charge on March 1, 2008 based on the property's impervious area.

Only July 9, 2010, the St. Louis County Circuit Court declared that the stormwater user charge was a tax that requires voter approval under the Hancock Amendment I. In July, the District ceased charging customers for stormwater usage and reenacted the property tax that was previously charged. In fiscal years 2012 and 2011, the District recorded revenue from property taxes in the amount of \$24,604,173 and \$27,125,451, respectively.

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## Notes To Financial Statements (Continued)

### 6. Long-Term Liabilities

The following is a summary of changes in the District's long-term liabilities for the year ended June 30, 2012:

	Original Issuance Amounts	Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012	Current Portion
<b>Bonds and notes payable:</b>						
Wasterwater System Senior revenue bonds:						
Series 2004A	\$ 175,000,000	\$ 165,590,000	\$ —	\$ 1,960,000	\$ 163,630,000	\$ 2,165,000
Series 2006C	60,000,000	60,000,000	—	—	60,000,000	—
Series 2008A	30,000,000	30,000,000	—	—	30,000,000	—
Series 2010B	85,000,000	85,000,000	—	—	85,000,000	—
Series 2011B	52,250,000	—	52,250,000	—	52,250,000	1,640,000
Water Pollution Control And Drinking Water Subordinate Revenue Bonds (State Revolving Loans Program):						
Series 2004B	161,280,000	123,055,000	—	7,095,000	115,960,000	7,180,000
Series 2005A	6,800,000	5,370,000	—	315,000	5,055,000	305,000
Series 2006A	42,715,000	36,335,000	—	2,110,000	34,225,000	2,140,000
Series 2006B	14,205,000	12,285,000	—	665,000	11,620,000	675,000
Series 2008A/B	40,000,000	35,610,000	—	1,777,500	33,832,500	1,792,500
Missouri Department of Natural Resources:						
Energy Loan Program	98,595	25,251	—	11,783	13,468	12,157
Energy Loan Program	223,793	—	223,793	—	223,793	—
Series 2009A	23,000,000	22,053,200	—	968,700	21,084,500	991,100
Series 2010A	7,980,700	2,852,447	3,195,942	168,000	5,880,389	341,100
Series 2010C	37,000,000	329,000	36,671,000	1,481,000	35,519,000	1,520,000
Series 2011A	39,769,300	—	1,006,572	—	1,006,572	—
Capital Lease:						
Oracle/Blue Heron	12,000,000	6,095,982	—	2,999,842	3,096,140	3,096,140
	<u>\$ 787,322,388</u>	<u>\$ 584,600,880</u>	<u>\$ 93,347,308</u>	<u>\$ 19,551,825</u>	658,396,362	<u>\$ 21,857,998</u>
Add: Unamortized premium, net					14,196,464	
Less: Bond issue costs, net					<u>(8,391,259)</u>	
<b>Total</b>					<u>\$ 664,201,567</u>	
Deposits and accrued expenses:						
Landfill closure and postclosure costs		\$ 709,120	\$ 11,946	\$ —	\$ 721,066	\$ —
Compensated absences		6,601,946	851,568	184,283	7,269,231	1,817,307
Net OPEB obligation		2,704,799	2,090,556	1,395,800	3,399,555	—
<b>Total</b>		<u>\$ 10,015,865</u>	<u>\$ 2,954,070</u>	<u>\$ 1,580,083</u>	<u>\$ 11,389,852</u>	<u>\$ 1,817,307</u>

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## Notes To Financial Statements (Continued)

The following is a summary of changes in the District's long-term liabilities for the year ended June 30, 2011:

	Original Issuance Amounts	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011	Current Portion
<b>Bonds and notes payable:</b>						
Wasterwater System Senior revenue bonds:						
Series 2004A	\$ 175,000,000	\$ 167,370,000	\$ —	\$ 1,780,000	\$ 165,590,000	\$ 1,960,000
Series 2006C	60,000,000	60,000,000	—	—	60,000,000	—
Series 2008A	30,000,000	30,000,000	—	—	30,000,000	—
Series 2010B	85,000,000	85,000,000	—	—	85,000,000	—
Water Pollution Control And Drinking Water Subordiante Revenue Bonds (State Revolving Loans Program):						
Series 2004B	161,280,000	130,110,000	—	7,055,000	123,055,000	7,095,000
Series 2005A	6,800,000	5,665,000	—	295,000	5,370,000	315,000
Series 2006A	42,715,000	38,420,000	—	2,085,000	36,335,000	2,110,000
Series 2006B	14,205,000	12,935,000	—	650,000	12,285,000	665,000
Series 2008A/B	40,000,000	37,375,000	—	1,765,000	35,610,000	1,777,500
Missouri Department of Natural Resources:						
Energy Loan Program	98,595	36,671	—	11,420	25,251	11,783
Series 2009A	23,000,000	23,000,000	—	946,800	22,053,200	968,700
Series 2010A	7,980,700	2,852,447	—	—	2,852,447	—
Series 2010C	37,000,000	—	329,000	—	329,000	1,481,000
Capital Lease:						
Oracle/Blue Heron	12,000,000	7,263,687	1,759,808	2,927,513	6,095,982	2,999,842
	<u>\$ 695,079,295</u>	<u>\$ 600,027,805</u>	<u>\$ 2,088,809</u>	<u>\$ 17,515,733</u>	584,600,880	<u>\$ 19,383,825</u>
Add: Unamortized premium, net					8,699,649	
Less: Bond issue costs, net					(7,836,995)	
<b>Total</b>					<u>\$ 585,463,534</u>	
Deposits and accrued expenses:						
Landfill closure and postclosure costs		\$ 662,016	\$ 47,104	\$ —	\$ 709,120	\$ —
Compensated absences		6,279,402	860,880	538,336	6,601,946	1,650,487
Net OPEB obligation		1,924,162	2,162,237	1,381,600	2,704,799	—
<b>Total</b>		<u>\$ 8,865,580</u>	<u>\$ 3,070,221</u>	<u>\$ 1,919,936</u>	<u>\$ 10,015,865</u>	<u>\$ 1,650,487</u>

### Wastewater System Revenue Bonds Payable

In February 2004, the District received voter authorization for \$500,000,000 of revenue bonds. In August 2008, the District received voter authorization for an additional \$275,000,000 of revenue bonds. In June 2012, the District received voter authorization for \$945,000,000 of revenue bonds. From the total voter authorization of \$1,720,000,000, \$945,000,000 has not been issued as of June 30, 2012. These funds were sought to enable the District to comply with federal and state clean water requirements.

## **THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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### Notes To Financial Statements *(Continued)*

In December 2011, the District issued \$52,250,000 of Wastewater System Revenue Bonds Series 2011B (Series 2011B). These bonds were issued pursuant to the August 2008 authorization; in this case for the purpose of constructing, repairing, replacing, and equipping new and existing District wastewater facilities. These senior bonds have interest rates ranging from 3.0% to 5.0% and are payable in semiannual installments at varying amounts through May 1, 2032. As Build America Bonds under The American Recovery and Reinvestment Act of 2009, the District will receive a subsidy payment from the Federal government equal to 35% of the interest paid.

In January 2010, the District issued \$85,000,000 of Wastewater System Revenue Bonds Series 2010B (Series 2010B). These bonds were issued pursuant to the August 2008 authorization; in this case for the purpose of constructing, repairing, replacing, and equipping new and existing District wastewater facilities. These senior bonds have an interest rate of 5.9% and are payable in semiannual installments at varying amounts through May 1, 2039.

In November 2008, the District issued \$30,000,000 of Wastewater System Revenue Bonds Series 2008A (Series 2008A) from the authorization for the purpose of providing funds to finance the capital improvements and replacement program. These senior bonds have interest rates ranging from 5.1% to 5.3% and are payable in semiannual installments at varying amounts through May 1, 2038.

In November 2006, the District authorized and issued \$60,000,000 of Wastewater System Revenue Bonds Series 2006C (Series 2006C) for the purpose of providing funds to finance the initial phase of its capital improvements and replacement program, including constructing, repairing, and replacing new wastewater facilities. These senior bonds have interest rates ranging from 4.1% to 5.0% and are payable in semiannual installments at varying amounts through May 1, 2036.

In May 2004, the District authorized and issued \$175,000,000 of Wastewater System Revenue Bonds Series 2004A (Series 2004A) for the purpose of providing funds to finance the initial phase of its capital improvements and replacement program, including constructing, repairing, and replacing new wastewater facilities. These senior bonds have interest rates ranging from 2.0% to 5.0% and are payable in semiannual installments at varying amounts through May 1, 2034.

## **THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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### Notes To Financial Statements (*Continued*)

The revenue bonds do not constitute a legal debt or liability for the District, the State of Missouri, or for any political subdivision thereof and do not constitute indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. Revenue derived from the operations of the Wastewater System is pledged for the retirement of the outstanding Wastewater System Revenue Bonds listed below. Under the provisions of the bond indentures, the District covenants to establish rates for the services of the Wastewater System sufficient to fund operations, maintain reserves, and provide revenues to apply principal and interest on these bonds.

The issuance of the revenue bonds does not obligate the District to levy any form of taxation therefore or to make any appropriation for their payments in any fiscal year. The principal and interest on the bonds are expected to be paid from future wastewater revenues. The scheduled payment of the principal of and interest on the Series 2006C and 2004A Bonds are guaranteed under a financial guaranty insurance policy.

#### **Water Pollution Control And Drinking Water Revenue Bonds Payable**

In October 2008, the State Environmental Improvement and Energy Resources Authority (the Authority) authorized and issued \$69,435,000 of Water Pollution Control and Drinking Water Revenue Bonds (State Revolving Funds Programs) Series 2008A (Series 2008A/B). The Series 2008A/B bonds provided funds to make loans to fourteen Missouri political subdivisions that will be used to finance water pollution control and drinking water projects. A portion of the proceeds of the Series 2008A/B bonds issued by the Authority were used to purchase subordinate Participant Revenue Bonds (Participant Bonds) authorized and issued by the District in the aggregate principal amount of \$40,000,000, the proceeds of which will be used for constructing, repairing, and equipping new and existing wastewater facilities. The District's Participant Bonds have interest rates ranging from 4.0% to 5.7% and are payable in semiannual installments at varying amounts through January 1, 2029.

## **THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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### Notes To Financial Statements (*Continued*)

In November 2006, the Authority authorized and issued \$22,105,000 of State Revolving Funds Programs Series 2006B (Series 2006B). The Series 2006B bonds provided funds to make loans to seven Missouri political subdivisions that will be used to finance water pollution control and drinking water projects. A portion of the proceeds of the Series 2006B bonds issued by the Authority were used to purchase Participant Bonds authorized and issued by the District in the aggregate principal amount of \$14,205,000, the proceeds of which will be used for constructing, repairing, and equipping new and existing wastewater facilities. The District's Participant Bonds have interest rates ranging from 4.0% to 5.0% and are payable in semiannual installments at varying amounts through July 1, 2027.

In May 2006, the Authority authorized and issued \$87,505,000 of State Revolving Funds Programs Series 2006A (Series 2006A). The Series 2006A bonds provided funds to make loans to thirteen Missouri political subdivisions that will be used to finance water pollution control and drinking water projects. A portion of the proceeds of the Series 2006A bonds issued by the Authority were used to purchase subordinate Participant Bonds authorized and issued by the District in the aggregate principal amount of \$42,715,000, the proceeds of which will be used for constructing, repairing, and equipping new and existing wastewater facilities. The District's Participant Bonds have interest rates ranging from 3.5% to 4.5% and are payable in semiannual installments at varying amounts through July 1, 2026.

In May 2005, the Authority authorized and issued \$53,060,000 of State Revolving Funds Programs Series 2005A (Series 2005A). The Series 2005A bonds provided funds to make loans to ten Missouri political subdivisions and one Missouri non-profit corporation that will be used to finance water pollution control and drinking water projects. A portion of the proceeds of the Series 2005A bonds issued by the Authority were used to purchase subordinate Participant Bonds authorized and issued by the District in the aggregate principal amount of \$6,800,000, the proceeds of which will be used for constructing, repairing, and equipping new and existing wastewater facilities. The District's Participant Bonds have interest rates ranging from 3.0% to 5.0% and are payable in semiannual installments at varying amounts through July 1, 2026.

## **THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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### Notes To Financial Statements (*Continued*)

In May 2004, the Authority authorized and issued \$179,780,000 of State Revolving Funds Programs Series 2004B (Series 2004B). The Series 2004B bonds provided funds to make loans to seven Missouri political subdivisions that will be used to finance water pollution control projects. A portion of the proceeds of the Series 2004B bonds issued by the Authority were used to purchase subordinate Participant Bonds authorized and issued by the District in the aggregate principal amount of \$161,280,000, the proceeds of which will be used to finance the District's three water pollution control construction projects outlined in the agreement. The District's Participant Bonds have interest rates ranging from 2.0% to 5.3% and are payable in semiannual installments at varying amounts through January 1, 2027.

The Series 2004B, 2005A, 2006A, 2006B, and 2008A/B bonds do not constitute a legal debt or liability for the District, the State of Missouri, or for any political subdivision thereof and do not constitute indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The issuance of the Series 2004B, 2005A, 2006A, 2006B, and 2008A/B bonds and the Series 2009A, 2010A, 2010C, and 2010C direct loans do not obligate the District to levy any form of taxation therefore or to make any appropriation for their payments in any fiscal year. The principal and interest on the bonds are expected to be paid from future wastewater revenues.

In connection with the District's issuance of the Participant Bonds, which were purchased with the proceeds of the Series 2004B, 2005A, 2006A, 2006B, 2008A/B bonds, the District participates in the State Revolving Loan Program established by the Missouri Department of Natural Resources (the DNR). Monies from federal capitalization grants and state matching funds are used to fund a reserve account for each participant.

As the District incurs approved capital expenses, the DNR reimburses the District for the expenses from the bond proceeds account and deposits in a bond reserve fund in the District's name an additional 60% of the expenditure amount for the Series 2004B bonds or 70% for the Series 2005A, 2006A, 2006B bonds or 100% for the Series 2008A/B bonds. Interest earned from this reserve fund can be used by the District to fund interest payments on the bonds.

On the date of each payment of the principal amount of the District's Participant Bonds, the trustee transfers from this reserve account to the master trustee an amount equal to 60% of the principal payment for the Series 2004B bonds or 70% for the Series 2005A, 2006A, 2006B bonds or 100% for the series 2008A/B bonds. The costs of operation and maintenance of the wastewater treatment and sewerage facilities and the debt service is payable from wastewater revenues.

## THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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### Notes To Financial Statements (Continued)

In accordance with the Series 2004A, 2004B, 2005A, 2006A, 2006B, 2008A/B bonds, the District's annual net operating revenues from wastewater activities, as defined in the agreement, coupled with investments earnings must be at least 125% of the current portion of principal and interest due on all senior bonds and at least 115% of the current portion of principal and interest due on all bonds. At June 30, 2012 and 2011, the District was in compliance with this covenant.

#### Principal And Interest Requirements On Revenue Bonds Payable

The annual principal and interest requirements to maturity on revenue bonds payable outstanding as of June 30, 2012 are as follows:

Wastewater System Revenue Bonds Payable/ Water Pollution Control And Drinking Water Revenue Bonds Payable			
Years Ending June 30,	Principal	Interest	Total
2013	\$ 15,897,500	\$ 29,831,871	\$ 45,729,371
2014	16,477,500	29,160,856	45,638,356
2015	16,930,000	28,444,299	45,374,299
2016	17,925,000	27,649,424	45,574,424
2017	18,497,500	26,801,361	45,298,861
2018-2022	104,732,500	119,506,114	224,238,614
2023-2027	115,795,000	91,677,999	207,472,999
2028-2032	117,127,500	63,766,475	180,893,975
2033-2037	123,385,000	33,798,013	157,183,013
2038-2041	44,805,000	3,789,888	48,594,888
<b>Total</b>	<b>\$ 591,572,500</b>	<b>\$ 454,426,300</b>	<b>\$ 1,045,998,800</b>

#### Energy Efficiency Leveraged Note Payable

In April 2004, the DNR loaned \$98,595 to the District. The Energy Efficiency Leveraged Note Payable bears interest at a rate of 3.2% per annum and is payable through August 1, 2013. The purpose of this note is to finance the design, acquisition, installation, and implementation of energy conservation measures. The principal and interest on this note is paid from the energy savings from the projects or avoided costs resulting from the projects.

## THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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### Notes To Financial Statements (Continued)

#### Principal And Interest Requirements On Energy Efficiency Leveraged Note Payable

The annual principal and interest requirements to maturity on the Energy Efficiency Leveraged Note Payable outstanding as of June 30, 2012 are as follows:

<b>Energy Efficiency Leveraged Note Payable</b>			
<b>Years Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2013	\$ 12,157	\$ 329	\$ 12,486
2014	1,311	21	1,332
<b>Total</b>	<b>\$ 13,468</b>	<b>\$ 350</b>	<b>\$ 13,818</b>

#### Energy Efficiency Leveraged Note Payable

In February 2012, the DNR loaned \$223,793 to the District. The Energy Efficiency Leveraged Note Payable bears interest at a rate of 2.5% per annum and is payable through February 1, 2020. The purpose of this note is to finance the design, acquisition, installation, and implementation of energy conservation measures. The principal and interest on this note will be paid from the energy savings from the projects or avoided costs resulting from the projects.

#### Principal And Interest Requirements On Energy Efficiency Leveraged Note Payable

The annual principal and interest requirements to maturity on the Energy Efficiency Leveraged Note Payable outstanding as of June 30, 2012 are as follows:

<b>Energy Efficiency Leveraged Note Payable</b>			
<b>Years Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2013	\$ —	\$ —	\$ —
2014	32,402	3,520	35,922
2015	31,332	4,590	35,922
2016	32,120	3,802	35,922
2017	32,928	2,994	35,922
2018-2020	95,011	3,928	98,939
<b>Total</b>	<b>\$ 223,793</b>	<b>\$ 18,834</b>	<b>\$ 242,627</b>

## THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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### Notes To Financial Statements (Continued)

#### State Of Missouri Direct Loan Series 2009A

In October 2009, the DNR loaned \$23,000,000 to the District. The State of Missouri Direct Loan Series 2009A bears interest at a rate of 1.5% per annum and is payable through January 1, 2030. The purpose of this note is to finance the designing, constructing, improving, renovating, repairing, replacing and equipping new and existing sewer facilities within the District. The principal and interest on the bonds are expected to be paid from future wastewater revenues. All funds have been drawn on this loan as of June 30, 2011.

In accordance with the Direct Loan Series 2009A, the District's annual net operating revenues from wastewater activities, as defined in the agreement, coupled with investments earnings must be at least 115% of the current portion of principal and interest due on all bonds. At June 30, 2012 and 2011, the District was in compliance with this covenant.

#### Principal And Interest Requirements On State Of Missouri Direct Loan Series 2009A

As the District incurred approved capital expenses, the DNR reimbursed the District for the expenses from the bond proceeds account and deposited the approved amount in a bond reserve fund. The District repaid the bond at an interest rate of 1.5% based on the amount that has been reimbursed. As of June 30, 2010, the full \$23,000,000 had been reimbursed.

The annual principal and interest requirements to maturity on the State of Missouri Direct Loan Series 2009A outstanding as of June 30, 2012 are as follows:

State Of Missouri Direct Loan Series 2009A			
<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 991,100	\$ 304,236	\$ 1,295,336
2014	1,014,000	289,684	1,303,684
2015	1,037,500	274,794	1,312,294
2016	1,061,500	259,560	1,321,060
2017	1,086,000	243,973	1,329,973
2018-2022	5,818,700	973,154	6,791,854
2023-2027	6,523,400	525,723	7,049,123
2028-2031	3,552,300	78,387	3,630,687
<b>Total</b>	<b>\$ 21,084,500</b>	<b>\$ 2,949,511</b>	<b>\$ 24,034,011</b>

## **THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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### Notes To Financial Statements (*Continued*)

#### **State Of Missouri Direct Loan Series 2010A**

In January 2010, the State of Missouri's Direct Loan Program – ARRA issued to the District an amount totaling \$7,980,700 for the construction, improvement, renovation, repair, replacement and equipping of its wastewater system, under the authority of and in full compliance with the District's Charter (Plan). The District's interest rate is 1.5% and is payable in semiannual installments at varying amounts through July 1, 2031. Amounts drawn and outstanding at June 30, 2012 and 2011 are \$5,880,389 and \$2,852,447, respectively.

In accordance with the Direct Loan Series 2010A, the District's annual net operating revenues from wastewater activities, as defined in the agreement, coupled with investments earnings must be at least 115% of the current portion of principal and interest due on all bonds. At June 30, 2012 and 2011, the District was in compliance with this covenant.

#### **Principal And Interest Requirements On State Of Missouri Direct Loan Series 2010A**

As the District incurs approved capital expenses, the DNR reimburses the District for the expenses from the bond proceeds account and deposits the approved amount in a bond reserve fund. The District repays the bond at an interest rate of 1.5% based on the amount that has been reimbursed. The payment requirements to maturity will be determined after the debt is fully issued.

#### **State Of Missouri Direct Loan Series 2010C**

In December 2010, the State of Missouri Direct Loan Program - ARRA issued to the District an amount totaling \$37,000,000 for the purpose of improving, renovating, repairing, replacing and equipping the District's Wastewater System. The principal and interest on the bonds are expected to be paid from future wastewater revenues. The District's interest rate is 1.7% and is payable in semiannual installments at varying amounts through January 1, 2031. Amounts drawn and outstanding at June 30, 2012 and 2011 are \$35,519,000 and \$329,000, respectively.

In accordance with the Direct Loan Series 2010C, the District's annual net operating revenues from wastewater activities, as defined in the agreement, coupled with investments earnings must be at least 115% of the current portion of principal and interest due on all bonds. At June 30, 2011 and 2010, the District was in compliance with this covenant.

## THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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### Notes To Financial Statements (Continued)

#### Principal And Interest Requirements On State Of Missouri Direct Loan Series 2010C

As the District incurred approved capital expenses, the DNR reimbursed the District for the expenses from the bond proceeds account and deposited the approved amount in a bond reserve fund. The District repaid the bond at an interest rate of 1.7% based on the amount that has been reimbursed. As of June 30, 2012, the full \$37,000,000 had been reimbursed.

The annual principal and interest requirements to maturity on the State of Missouri Direct Loan Series 2010C outstanding as of June 30, 2012 are as follows:

State Of Missouri Direct Loan Series 2010C			
<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,520,000	\$ 579,835	\$ 2,099,835
2014	1,560,000	554,590	2,114,590
2015	1,600,000	528,685	2,128,685
2016	1,641,000	502,120	2,143,120
2017	1,684,000	474,862	2,158,862
2018-2022	9,098,000	1,940,086	11,038,086
2023-2027	10,343,000	1,144,349	11,487,349
2028-2032	8,073,000	269,890	8,342,890
<b>Total</b>	<u><u>\$ 35,519,000</u></u>	<u><u>\$ 5,994,417</u></u>	<u><u>\$ 41,513,417</u></u>

#### State Of Missouri Direct Loan Series 2011A

In November 2011, the State of Missouri Direct Loan Program - ARRA issued to the District an amount totaling \$39,769,300 for the purpose of improving, renovating, repairing, replacing and equipping the District's Wastewater System. The principal and interest on the bonds are expected to be paid from future wastewater revenues. The District's interest rate is 1.5% and is payable in semiannual installments at varying amounts through January 1, 2034.

In accordance with the Direct Loan Series 2011A, the District's annual net operating revenues from wastewater activities, as defined in the agreement, coupled with investments earnings must be at least 115% of the current portion of principal and interest due on all bonds. At June 30, 2012 the District was in compliance with this covenant.

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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## Notes To Financial Statements (Continued)

### Principal And Interest Requirements On State Of Missouri Direct Loan Series 2011A

As the District incurs approved capital expenses, the DNR reimburses the District for the expenses from the bond proceeds account and deposits the approved amount in a bond reserve fund. The District repays the bond at an interest rate of 1.5% based on the amount that has been reimbursed. As of June 30, 2012 the outstanding loan balance was \$1,006,572. The payment requirements to maturity will be determined after the debt is fully issued.

### Master Equipment Lease / Purchase Agreement

In June 2009, the District entered into a lease purchase agreement in which the District has received proceeds in the total amount of \$12,000,000 in varying installments. These proceeds were used to lease technology related to the District's upgrade to a new enterprise system. The lease bears interest at a rate of 3.2% and is payable through June 19, 2013, at which time the District has the option to purchase the leased equipment.

### Principal And Interest Requirements On Master Equipment Lease/Purchase Agreement

Master Equipment Lease / Purchase Agreement			
<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	<u>\$ 3,096,140</u>	<u>\$ 53,316</u>	<u>\$ 3,149,456</u>

### Restricted Cash And Investments

The following trustee held accounts have been established in accordance with bond ordinances and financing agreements that require receipts generated from operations be segregated and certain reserve accounts be established:

### Revenue Fund

The Revenue Fund will be used for the purpose of depositing wastewater operating revenues, providing funds to pay for expenses related to the operation and maintenance of the District, and fulfilling Sinking Fund requirements in accordance with the bond ordinances.

### Sinking Fund

The bond ordinances provide for deposits to and the use of monies in the Sinking Fund to be used for the sole purpose of principal and interest payments on the bonds. Sufficient monies shall be paid in periodic installments from the Revenue Fund.

## **THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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### Notes To Financial Statements *(Continued)*

#### **Debt Service Fund**

The Debt Service Fund shall be used by the Trustee for the sole purpose of paying the principal and interest on the bonds, as and when the same become due.

#### **Debt Service Reserve Fund**

After initial deposit of the amount required pursuant to the bond ordinances and financing agreements of the Series 2004A, 2006C, 2008A, 2010B, and 2011B bonds, monies in the Debt Service Reserve Fund shall be disbursed and expensed by the District solely for the payment of the principal and interest on the bonds and notes to the extent of any deficiency in the Debt Service Fund for such purpose. The District may disburse and expend monies from the Debt Service Reserve Fund for such purpose immediately. As of June 30, 2012 and 2011, cash and investments in the Debt Service Reserve Fund totaled \$34,861,380 and \$31,223,261, respectively.

#### **Special Participant Bond Reserve Account**

For the Series 2004B, 2005A, 2006A, 2006B, and 2008A/B bonds, the District shall deposit into the Special Participant Bond Reserve Account amounts in accordance with the bond ordinance, which shall be disbursed and expensed by the District solely for the payment of the principal and interest on the Participant Bonds to the extent of any deficiency in the Sinking Fund for such purpose. At June 30, 2012 and 2011, cash and investments in the Special Participant Bond Reserve Account held on behalf of the District totaled \$137,354,308 and \$148,274,220, respectively. Monies in this account are not considered to be District funds. However, interest earnings on this account may be used by the District to reduce interest payments on the bonds outstanding.

#### **Renewal And Extension Fund**

All sums accumulated and retained in the Renewal and Extension Fund shall be first used to prevent default in the payment of principal and interest on the bonds when due and shall then be applied by the District for purposes pursuant to the trust indenture. No monies have been deposited into this account at June 30, 2012 or 2011.

## **THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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### Notes To Financial Statements *(Continued)*

#### **Project Fund**

The Project Fund for all bond issuances outstanding will be used for the purpose of providing monies to pay project costs. The proceeds from the bonds and notes, after a deposit into the Debt Service Reserve Fund for the amounts required pursuant to the bond ordinances and note agreements of Series 2004A, 2006C, 2008A, 2010B, and 2011B bonds, shall be deposited into the Project Fund. At June 30, 2012 and 2011, cash and investments in the Project Fund totaled \$51,976,851 and \$31,200,465, respectively.

#### **Rebate Fund**

The bond ordinances provide for the creation of a Rebate Fund into which shall be deposited such amounts as are required to be deposited therein pursuant to the arbitrage instructions regarding the calculation and payment of rebate amounts due. The District does not have any rights in or claims to such money; provided, however, any funds remaining in the Rebate Fund after redemption and payment of all bonds and payment of any rebatable arbitrage amount, or provision having been made therefore, shall be remitted to the District. At June 30, 2012 and 2011, cash and investments in the Rebate Fund totaled \$234,216 and \$236,676, respectively.

#### **Administrative Fee Fund**

The Administrative Fee Fund will be used for the payment of the Trustee's fees and other administrative fees pursuant to the note agreement. The Trustee shall immediately withdraw the fee amounts when due. Monies held in this account shall not be invested.

#### **Fair Value Of Financial Instruments**

The value of the District's long-term debt is estimated based on the current rates offered to the District for debt of the same remaining maturities. The carrying amount and estimated fair value of the District's long-term debt as of June 30, 2012 was \$658,396,362 and \$718,482,758, respectively. The carrying amount and estimated fair value of the District's long-term debt as of June 30, 2011 was \$584,600,880 and \$616,167,775, respectively.

## **7. Pension Plan**

### **Plan Description**

The Metropolitan St. Louis Sewer District Employees' Pension Plan (the Plan) is a noncontributory single employer defined benefit plan providing retirement benefits as well as death and disability benefits. As a condition of employment, all full-time employees of the District commencing service prior to December 31, 2010, were eligible to be covered by the Plan. As of January 1, 2011 the Plan was frozen to new employees. Instead, new employees of the District may participate in the defined contribution plan. Current employees with less than ten years of service on this date could also voluntarily elect to transfer from the Plan and enter the defined contribution plan. Of the 404 District employees with less than ten years of service, twenty-three elected to leave the Plan.

The District's Board of Trustees, primarily to improve benefits to members, amends the Plan, established on November 1, 1967. A Pension Committee consisting of two members of the District's Board of Trustees, two elected employee members and four members of the District's management staff administer the Plan. A committee of the District's Board of Trustees, with the aid of an investment advisor, reviews and evaluates the Plan's investments and the related rates of return on a periodic basis. The Plan is exempt from the requirements of the Employee Retirement Income Security Act of 1974 and, as such, is not subject to the Act's reporting requirements.

All benefits vest after five years of credited service. Members retiring at or after age 65 with five or more years credited service are entitled to a pension benefit. The Plan permits early retirement with reduced benefits beginning at age 55 if the member has completed five years of employment. Ordinance No. 10664 provides for unreduced retirement benefits to any member whose combined age and term of service is equal to 75. Effective January 1, 1999, Ordinance No. 10491 amended the Plan benefits formula. The annual benefit payable became 1.7% of final average earnings plus 0.4% of final average earnings that are in excess of covered earnings multiplied by the period of years and months of credited service not to exceed 35 years. Also, the annual reduction for early retirement was revised from 5% to 2% prior to age 60 and from 2.5% to 1% after age 60.

## **THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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### Notes To Financial Statements (*Continued*)

Ordinance No. 10664, effective January 1, 2000, amended the Plan benefits formula to 1.45% of final average earnings plus 0.4% of final average earnings that are in excess of covered earnings multiplied by the period of years and months of credited service not to exceed 35 years. This ordinance also provided for a survivor's benefit for vested members who have not yet reached their normal retirement date or earned 75 points. The survivor's benefit is equal to the greater of 50% of the member's monthly accrued retirement benefit as of the date of death, or 15% of the monthly earnings and the member's monthly accrued retirement benefit actuarially reduced under the 100% joint and survivor annuity option. Members are also able to select a Contingent Annuity Pop-Up option. This option allows the member to elect a survivor annuity for life, with the provision that if the beneficiary should predecease the member, the benefit shall increase to the amount payable had the survivor option not been selected.

Ordinance Number 10872, effective January 1, 2001, further amended the Plan to extend the cost of living increases for retirees from a maximum of 30% to 45% of the original benefit.

Effective August 1, 2004, Ordinance No. 11781 amended the Plan to change the benefit formula to 1.7% of final average earnings plus 0.4% of final average earnings that are in excess of covered earnings multiplied by the period of years and months of credited service not to exceed 35 years without including accrued sick leave. Sick leave is paid out at 1.25% per year of service times the amount of leave accrued. Also, the Plan was amended to provide the retiring member with a 10% partial lump sum payment option. The balance of the distribution will be paid in accordance with any one of the other payment options available under the Plan.

The retirement benefit payable to a member who retires after the normal retirement date is the greater of a) the benefit that would have been payable on the normal retirement date plus a special annual retirement benefit provided by the accumulated value, at 4% per annum interest, of the monthly benefit that would have been received prior to the postponed retirement date or b) the benefit determined as of the postponed retirement date under the normal formula.

Effective August 27, 2011, Ordinance No. 13288 amended the Plan to include the following: "Upon termination or complete discontinuance of contributions under the Plan, the rights of all Members to benefits accrued to the date of such termination or discontinuance shall be non-forfeitable, to the extent then funded."

## **THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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### Notes To Financial Statements (*Continued*)

Amounts in participants' accounts are distributed upon retirement, death, disability, or termination of employment. The normal form of retirement benefit is either a lump sum payment or equal monthly installments.

The Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing: The Metropolitan St. Louis Sewer District, 2350 Market Street, St. Louis, MO 63103-2555.

#### **Funding Policy**

The District's employees do not contribute to the Plan. Ordinances establishing the Plan provide for actuarially determined annual contributions, paid solely by the District, that are sufficient to pay benefits when due. The Entry Age Normal actuarial funding method is used to determine contributions.

#### **Annual Pension Cost**

Contributions of \$10,719,154 and \$10,500,769, excluding certain professional fees paid by the District, were made to the Plan during the District's fiscal years ended June 30, 2012 and 2011, respectively. These contributions were made in accordance with actuarially determined contribution requirements based on actuarial valuations performed at December 31, 2011 and 2010, respectively, and for 2011 consisted of a) \$6,150,879 normal cost plus b) \$4,052,985 amortization of the actuarial accrued assets in excess of the unfunded actuarial accrued liability and prior changes c) multiplied by an interest factor of 1.075.

The District provides certain professional fees, office space, utilities, and other services to the Plan at no cost. Other costs of administering the Plan are financed from plan net assets.

Significant actuarial assumptions used in the valuations are as follows:

Latest valuation date	December 31, 2011
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar closed
Amortization period	20-year period
Asset valuation method	Three-year average of adjusted market values
Post-retirement benefit increases	CPI with maximum 3% of current benefit or \$50/month, and benefit increases lifetime maximum 45% in the original benefit or \$750/month
Investment rate of return	7.5% per annum (1)
Projected salary increases	4.5% - 10.0% per annum (1)
Social Security wage base	4.0% per annum increase (1)

Includes inflation component of 3.0%

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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## Notes To Financial Statements (Continued)

### Trend Information

Certain actuarial assumption changes were made and went into effect January 1, 2012. They are as follows:

- The assumed interest rate was decreased from 7.5% to 7.25%.
- A five-year projection was added to the healthy mortality assumption to reflect expected future mortality improvements.
- The amount of assumed investment related expenses paid from the Trust was decreased to reflect a more conservative interest rate assumption.

Historical trend information about the District's participation in the Plan is presented below to help readers assess the Plan's funding status on a going-concern basis and assess progress being made in accumulating assets to pay benefits when due.

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
2012	\$ 10,719,154	100%	—
2011	10,500,769	100%	—
2010	9,583,137	100%	—

### Funded Status And Funding Progress

As of January 1, 2012, the Plan was 80.7% funded. The actuarial accrued liability for benefits was approximately \$254,997,000, and the actuarial value of assets was approximately \$205,792,000, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$49,205,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$49,432,000, and the ratio of the UAAL to covered payroll was 99.5%.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

## **8. Other Pension Plans**

### **Deferred Compensation Plan**

The District offers its employees a Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. The Deferred Compensation Plan, available to all District employees, permits them to defer a portion of their salary. The deferred compensation is not available to employees until termination, retirement, death, disability or due to financial hardship as defined by the Deferred Compensation Plan.

The Deferred Compensation Plan was amended and restated to comply with the Economic Growth and tax Relief Reconciliation Act of 2001 (the Act). The Act made significant changes to Section 457(b) of the Internal Revenue Code of 1986, as previously amended. The Deferred Compensation Plan assets are held in trust for the exclusive benefit of participants and their beneficiaries under Section 1448 of the Small Business Job Protection Act of 1996. As a result, the assets and liabilities of the Deferred Compensation Plan are not included in the accompanying financial statements.

The Deferred Compensation Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing: The Metropolitan St. Louis Sewer District, 2350 Market Street, St. Louis, MO 63103-2555.

### **Defined Contribution Plan**

The Plan is a defined contribution benefit plan established by the District's Board of Trustees through Ordinance 13180 and became effective January 1, 2011. The following employees are eligible to participate in the Plan: (i) employees first hired on or after January 1, 2011, and (ii) employees hired prior to January 1, 2011 who elect to terminate participation in the Plan, effective as of April 1, 2011, in accordance with the provisions of such Pension Plan, and (iii) employees rehired on or after January 1, 2011 who are not eligible to accrue benefits under the Plan. An employee shall become a participant in the Plan on the first day on which he performs an hour of service for the District.

The District's Board of Trustees, primarily to improve benefits to members, amends the Plan in all its respects. A pension committee consisting of two members of the District's Board of Trustees, two elected employee members and four members of the District's management staff administer the Plan. A committee of the District's Board of Trustees, with the aid of an investment advisor, reviews and evaluates the Plan's investments and the related rates of return on a periodic basis.

## **THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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### Notes To Financial Statements (*Continued*)

This Plan is intended to provide a means whereby the District may provide retirement benefits to eligible employees and encourage such employees to establish a regular method of savings, thereby providing a measure of financial security for such employees and their beneficiaries upon retirement or in the event of death or disability.

The Defined Contribution Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing: The Metropolitan St. Louis Sewer District, 2350 Market Street, St. Louis, MO 63103-2555.

**Employer Basic Contributions:** For each payroll period, the District contributes an amount equal to 7% of the covered compensation earned during such period by each participant entitled to an allocation of such contribution.

**Employer Matching Contributions:** For each payroll period, the District contributes an amount equal to 50% of the covered compensation of such participant withheld as an annual deferral (as defined in the Deferred Compensation Plan); provided that, before-tax contributions in excess of 4% of the covered compensation of the participant for the payroll period shall not be considered for purposes of Employer Matching Contributions. Employer Matching Contributions shall be up to the maximum amount of compensation that may be taken into account for the Plan year.

In no event shall the sum of the employer contributions and employee contributions allocated to the account of a participant for the Plan year exceed the lesser of:

- (a) The amount specified in the applicable Internal Revenue Code, as adjusted annually for any applicable increases in the cost of living.
- (b) 100% of the participant's compensation for such year.

The compensation limit referred to in (b) shall not apply to any contribution from medical benefits after separation from service.

The District's contributions to the plan amounted to \$254,433 and \$100,946 for the years ended June 30, 2012 and 2011, respectively.

## **THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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### Notes To Financial Statements (*Continued*)

Vesting: As of any time before the normal retirement age of a participant, the first day of the month coinciding with or next following a person's sixty-fifth birthday and completion of sixty months of continuous service (other than upon death or permanent disability), the vested percentage of the amounts credited to the participant's employer basic contributions account shall be determined in accordance with the following schedule:

<b>Months Of Continuous Service</b>	<b>Vested (Non-Forfeitable) Percentage</b>
Less than 12	0%
12 but less than 24	20%
24 but less than 36	40%
36 but less than 48	60%
48 but less than 60	80%
60	100%

## **9. Post-Employment Benefits Other Than Pensions**

### **Plan Description**

As part of a total compensation package effective August 1, 2004 for general employees and, with respect for union members, the later of August 1, 2004 or the date of union ratification of a Memorandum of Understanding with respect to this Plan modification, the District provides a single-employer defined benefit health care plan to employees who retire from the District on or after age 62 and with five years of service or whose age plus years of service equal 75 points ("Rule of 75"). The District pays the monthly group health insurance premium for the individual until the retiree becomes eligible for Medicare at age 65. In addition, there is a closed group of disabled former employees who receive life insurance coverage from the District.

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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## Notes To Financial Statements (Continued)

Contributions for retirees are as follows:

Coverage Tier	Monthly Premium
Retiree*	\$434.03
Retiree + Spouse	\$924.60
Retiree + Child	\$840.09
Family (1 child)	\$1,281.45

\*The District pays the retiree's premium for a retiree who retires after age 62 or after attaining 75 points. Eventually, affected retirees will have to pay up to 10% of the above premium.

The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB 45 and in conjunction with Plan benefits currently in force. The actuarial valuations have been determined using estimated data provided by the District in combination with assumptions on the probability of future events, while also keeping an eye on long-term viability. These valuations are subject to continual revision as future actuarial measurements may differ significantly from current measurements due to the realization of new estimates and factors.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities. The District's annual OPEB cost for the current year and the related information are as follows:

Amortization of past service cost	\$ 803,400
Normal cost	1,166,900
Interest to end of fiscal year	<u>88,700</u>
Annual Required Contribution (ARC)	<u>\$ 2,059,000</u>
Interest on net OPEB obligation	\$ 121,716
Adjustment to ARC	<u>(90,160)</u>
Annual OPEB cost	<u>2,090,556</u>
Contributions made	<u>(1,395,800)</u>
Increase in net OPEB obligation	694,756
Net OPEB obligation - beginning of year	<u>2,704,799</u>
Net OPEB obligation - end of year	<u>\$ 3,399,555</u>

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## Notes To Financial Statements (Continued)

The Plan was established by District Ordinance, which assigned the authority to establish and amend plan benefit provisions to the District.

The contribution requirements of the District and plan members are established and may be amended by the District.

### Trend Information

<u>Fiscal Year</u>	<u>Annual Post-Employment Benefit Cost (APBC)</u>	<u>Percentage Of APBC Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 2,059,000	67.8	\$ 3,399,555
2011	2,142,000	64.5	2,704,799
2010	2,103,700	57.3	1,924,162

As of June 30, 2012, the Plan was not funded. The actuarial accrued liability for benefits as of July 1, 2011, the latest actuarial valuation was approximately \$24,103,000, and there were no assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$24,103,000. The covered payroll (annual payroll of active employees covered by the plan) in 2011 was approximately \$52,649,000, and the ratio of the UAAL to covered payroll was 45.8%.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents trend information about whether the actuarial accrued liability for benefits is increasing or decreasing over time.

Actuarial funding calculations of the plan reflect a long-term perspective. The plan's actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

Significant actuarial assumptions used in the valuation are as follows:

Latest valuation date	July 1, 2011
Actuarial cost method	Projected unit credit
Discount rate	4.5% per annum
Amortization method	Level Percentage of payroll amount, open
Amortization period	30-year period
Inflation rate	3.0%
Investment Rate of Return	4.5% annual returns net of both administrative and investment expenses
Health cost trend assumption	Getzen Trend Model – 7.6% graded to 4.7% over 70 years

**THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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Notes To Financial Statements *(Continued)*

**Medical Trend:**

<u>Year</u>	<u>Medical</u>	<u>Year</u>	<u>Medical</u>
2011	7.6%	2040	5.4%
2012	6.9	2045	5.3
2013	6.3	2050	5.3
2014	6.0	2055	5.3
2015	6.0	2060	5.3
2016	6.0	2065	5.2
2020	5.9	2070	5.2
2025	5.8	2075	5.0
2030	5.8	2080	4.8
2035	5.7	2081+	4.7

The healthcare trends used in this valuation are based on long term healthcare trends generated by the Getzen Trend Model (the Model). The Model is the result of research sponsored by the Society of Actuaries and completed by a committee of economists and actuaries. This model is the current industry standard for projecting long term medical trends. Inputs to the model are consistent with the assumptions used in deriving the discount rate used in the valuation.

Payroll inflation	4.5% per annum
Mortality	RP 2000 Mortality Table (employee and healthy annuitant tables)

**Termination Of Employment:**

<u>Select Rates</u> <u>(0 to 4 years of service)</u>		<u>Ultimate Rates</u> <u>(after 4 years of service)</u>	
<u>Years Of</u> <u>Service</u>	<u>Rate</u>	<u>Attained</u> <u>Age</u>	<u>Rate</u>
0	20.0%	20	5.5%
1	12.0	30	3.7
2	7.5	40	1.1
		50+	0.0

Select rates based on service.  
 Ultimate rates based on attained age.  
 Ultimate rates are from the Sarason T-1 Table above.

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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## Notes To Financial Statements (Continued)

Retirement - Rates Vary By Age		
Age	Before 75 Points	After 75 Points
55	1.0%	10.0%
56	2.0	10.0
57	2.0	10.0
58	2.0	10.0
59	3.0	10.0
60	4.0	15.0
61	5.0	15.0
62	20.0	35.0
63	10.0	25.0
64	20.0	25.0
65	100.0	100.0

Disability	
Age	Percent Becoming Disabled
20	0.056%
30	0.064
40	0.102
50	0.311

Future Retiree Coverage: 90.0% of eligible employees retiring prior to age 65 are assumed to elect medical coverage

Future Dependent Care: 25.0% elect spouse coverage 0.0% dependent children coverage

## 10. Self-Insurance Programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has established a risk management program and retains the risk related to its obligation to provide workers' compensation and medical and hospitalization benefits to its employees; and to pay water backup claims to its customers. The estimated liabilities for payment of incurred (both reported and unreported) but unpaid claims relating to these matters are included as a component of current deposits and accrued expenses, and as such are expected to be paid within one year of the date of the statement of net assets. At June 30, 2012 and 2011, these liabilities amounted to \$2,575,977 and \$5,557,000, respectively.

## THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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### Notes To Financial Statements (Continued)

The claims liabilities reported are based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting and Risk Financing and Related Insurance Issues*, which requires that a liability for claims be reported if information obtained prior to the issuance of the financial statements indicates it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. Changes in the balance of claims liabilities during fiscal 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Liability, beginning of year	\$ 5,557,000	\$ 4,713,013
Current year claims and changes in estimates	9,350,602	12,163,124
Claim payments	<u>(12,331,625)</u>	<u>(11,319,137)</u>
<b>Liability, End Of Year</b>	<b><u>\$ 2,575,977</u></b>	<b><u>\$ 5,557,000</u></b>

The District obtains periodic funding valuations from the third-party administrators managing the self-insurance programs and adjusts the charges as required to maintain the appropriate level of estimated claims liability. The District also maintains excess liability insurance coverage for workers' compensation and medical and hospitalization claims; general liability; and water backup damage to customers' property.

The District purchases commercial insurance for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three years.

## **11. Closure And Post-Closure Care Costs**

State and federal laws and regulations require the District to place a final cover on its Prospect Hill Reclamation Project landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the District reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of the end of the fiscal year. The \$721,066 and \$709,120 reported as landfill closure and post-closure care liabilities at June 30, 2012 and 2011, respectively, represent the cumulative amounts reported at fiscal year-end based on the use of 93.8% and 92.2% of the estimated capacity of the landfill for fiscal years ended 2012 and 2011, respectively. The District will recognize the remaining estimated cost of closure and post-closure care of \$59,731 at June 30, 2016 as the facility nears capacity. These amounts are based on what it would cost to perform all closure and post-closure care in 2012.

The District is required to demonstrate that it has the financial capability to close the landfill to the State of Missouri through the use of a financial test as specified in 10 CSR 80-2.030(4)(D)6 of the Missouri Solid Waste Management Rules. The District has complied with the State's requirement. The District recognizes that estimates of closure costs may change as a result of inflation, deflation, and/or changes in technology and applicable laws and regulations. If closure cost estimates change, the liability currently reported on the balance sheet will be adjusted accordingly.

## **12. Commitments And Contingencies**

### **United States And State Of Missouri V. Metropolitan St. Louis Sewer District; In The US District Court For The Eastern District Of Missouri; Case No. 07-1120**

A lawsuit was filed in June 2007 by the Department of Justice on behalf of the United States Environmental Protection Agency (“EPA”) for various alleged violations of the Clean Water Act. The suit is based on violations of the Clean Water Act as a result of overflows in the combined and sanitary sewer systems causing pollutants to reach waters of the United States. There are other counts involving violations of permit conditions. The District has been the subject of several investigatory actions by EPA since June 2007. Negotiations have been ongoing with the EPA and the Department of Natural Resources (“DNR”) regarding the sewer collection system, both the combined system and the sanitary system, for several years. The Missouri Coalition for the Environment (“MCE”) gave Notice of Intent to Sue the District under the citizen suit provisions of the Clean Water Act. EPA and the DNR then brought the suit in June 2007, and MCE moved to intervene. Intervention was granted in August 2007. In October 2007, the Court granted the District’s motion to dismiss all of the plaintiffs’ claims for civil penalties attributable to any and all of the District’s alleged violations of the Clean Water Act that occurred before June 11, 2002. Also, the suit alleges that the District does not have an approved Long-Term Control Program (“LTCP”) for the combined system. The District has been working on these issues for several decades and has asked voters to approve bonds and rate increases to rehabilitate and maintain the collection system. As required by its Charter, the District has increased rates which will continue to fund the improvements sought by the EPA and the DNR. In September 2008, the Judge put in place a Stay while the parties mediated the issues. Pursuant to MSD Ordinance No. 13277, the District executed the Consent Decree (“CD”) on July 15, 2011. The CD was lodged with the court on August 4, 2011. An extended public comment period ended October 10, 2011.

## **THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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### Notes To Financial Statements (*Continued*)

On January 23, 2011, the Plaintiff's, excluding the State of Missouri, filed a Motion to Enter the Proposed Consent Decree. That same day the State of Missouri filed a Motion to Dismiss their Claims without Prejudice. On January 17, 2012, the District filed a Motion to Support the State of Missouri's Motion only if conditions were imposed. On February 9, 2012, the State filed a Motion opposing the conditions proposed by the District. On April 27, 2012, the Court entered the decree, thus concluding the litigation of this lawsuit. On that same day the Court entered a Memorandum and Order regarding the State of Missouri's Motion to Dismiss its Claims. The Court realigned the State of Missouri as a defendant and reaffirmed the August 3, 2009, decision by the Eighth Circuit Court of Appeals that the State had waived its sovereign immunity. Although this litigation matter has concluded, the District is working diligently to implement the Consent Decree. The Consent Decree requires the District to spend approximately \$4.7 billion, in 2011 dollars, over a 23-year implementation period. Throughout this period improvements will be made the District's separate sewer system, combined sewer system and wastewater treatments plants. The District's first report was submitted on May 24, 2012.

On June 1, 2011, the State of Missouri approved Chapter 11, Chapter 12, and Appendix Q of the District's Combined Sewer Overflow Long-Term Control Plan Updated Report, dated February 2011.

#### **William Zweig et al. v. Metropolitan Sewer District**

This case was filed on July 18, 2008 and, as amended, contends that the Metropolitan Sewer District Ordinances No. 12560 and No. 12789, which enacted increases in the District's stormwater user charge based on the amount of impervious area on the customer's property, are unconstitutional. The lawsuit claims the ordinances violate the so-called Hancock Amendment, Mo. Const. art. X, § 22(a), because the stormwater user charge is in reality a tax that requires voter approval. The District's Board of Trustees passed the ordinances in December 2007 and December 2008, respectively, without submitting them to the voters. The District contends the stormwater user charge is not a tax and, thus, not subject to voter approval. The original plaintiff is a District stormwater customer who seeks to represent a class of all the District stormwater customers. In July 2009, two more plaintiff class representatives were added to the lawsuit. The lawsuit seeks (1) a declaration that the stormwater user charge is unconstitutional, (2) a refund of all stormwater user charges collected, and (3) payment of the plaintiffs' costs, including attorneys' fees.

## **THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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### Notes To Financial Statements (*Continued*)

Trial was held April 13, 2010 through April 16, 2010. On July 9, 2010, the court handed down Findings of Fact, Conclusions of Law, Judgment and Decree in the first phase of the bifurcated trial. The Court declared the Stormwater User Charge is a tax under the Hancock Amendment. The second phase of the trial was heard on October 6, 2010, to determine the amount, if any, to be refunded. The amount of a full refund would be approximately \$87 million; a partial refund for the additional amount collected under the user charge would amount to approximately \$35 million. The judge ruled on November 29, 2010, that no refund would be issued by the District. The third phase, to determine the amount of Plaintiffs' counsel's attorneys' fees, to be paid by the District, was heard on January 18, 2011. On February 4, 2011, the judge awarded Plaintiff's counsel \$4.8 million in attorney's fees and expenses. The record on appeal was filed July 20, 2011, with the Court of Appeals, Eastern District of Missouri. The attorney's fees and expenses were paid into escrow on September 9, 2011, and will remain in escrow pending finality of the litigation.

The Court of Appeals heard oral argument on March 6, 2012. On March 27, 2012, the Appellate Court Ruling upheld the Trial Court's decision that the stormwater fee is a tax and that no refund was due, and reversed the application of a multiplier on attorney's fees. On April 11, 2012, the District filed a Motion for Rehearing by the Appellate Court and an Application for Transfer to the Missouri Supreme Court. The Appellate Court denied both. On May 29, 2012, the District filed its Application directly to the Missouri Supreme Court requesting a transfer. On June 1, 2012, the National Association of Clean Water Agencies was allowed to file suggestions in support of our Application for Transfer. On October 30, 2012, the Missouri Supreme Court accepted transfer of the case. The Supreme Court will accept written briefs and hear oral arguments from the parties. A final decision is expected to be rendered in 9 to 12 months.

### **Flooding Cases**

The District is the defendant in five (5) different flooding cases related to the September 14, 2008, rain event precipitating from remnants of Hurricane Ike. These cases consist of three (3) property damage cases and two (2) wrongful death cases. The defense costs associated with these cases are expected to be covered by the District's insurance carrier. Of the five (5) cases, one (1) involves flooding of Maline Creek and the others involve flooding of the River Des Peres. These cases are in various stages of discovery. The estimated possible loss varies for each case and is dependent upon the value of the property. The property value losses have not been determined at this time and no written demands have been received at this time for the wrongful death cases. The first trial setting is scheduled for October 2012.

## **THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

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### Notes To Financial Statements (*Continued*)

#### **Contingencies**

The District has entered into construction and other contracts amounting to \$195,950,700 and \$212,296,069 at June 30, 2012 and 2011, respectively. Grants to be received from various governmental agencies and entities to partially offset the cost of the contract commitments amounted to \$6,113 and \$154,237 at June 30, 2012 and 2011, respectively.

As of June 30, 2012, the District had received voter authorization for \$945,000,000 of revenue bonds which have remained unissued and on August 23, 2012, \$225,000,000 of these bonds have been issued. These funds were sought to enable the District to comply with federal and state clean water requirements.

The District is a defendant in various other matters of litigation. Of these matters, management and District's legal counsel do not anticipate any material effect on the June 30, 2012 and 2011 financial statements.

#### **13. Restricted Net Position**

The government-wide Statements of Net Position reports \$106,693,694 and \$94,925,981 of restricted net position at June 30, 2012 and 2011, respectively, of which \$66,800,934 and \$60,530,338 are restricted due to enabling legislation, as of June 30, 2012 and 2011, respectively.

#### **14. Segment Information**

The District issued wastewater revenue bonds to finance wastewater infrastructure projects. The District accounts for both wastewater and stormwater activities in a single enterprise fund, but investors in those bonds rely solely on the revenue generated by the wastewater activities for repayment. Fiscal Year 2012 summary financial information for each business segment is presented below.

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## Notes To Financial Statements (Continued)

In 2011, the construction in progress account was segmented based on the information that was available at the time. In 2012, more accurate information became available regarding the segmentation of the projects in the construction in progress account. The result of this is a \$7,286,877 reallocation of net capital assets for fiscal year 2011 from wastewater to stormwater. Unrestricted pooled cash has also been restated due to a variation in segmenting procedures. The result of this is a \$1,526,201 reallocation of total current assets from wastewater to stormwater. These restatements have no impact on the enterprise wide statements.

A segment is an identifiable activity reported as a stand alone entity for which one or more revenue bonds are outstanding. A segment has a specifically identifiable revenue stream pledged in support of the revenue bonds and has related expenses, gains and losses and assets and liabilities that are required by external parties to be accounted for separately. The wastewater system is the only reportable segment that meets the requirements of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The stormwater system is reported on for informational purposes only.

Condensed financial information as of and for the years ended June 30, 2012 and 2011 of the District's Wastewater Segment is as follows:

	Wastewater Segment Condensed Statement Of Net Position	
	2012	2011 (As Restated)
Total current assets	\$ 277,304,683	\$ 280,134,902
Total restricted assets	53,080,013	46,036,519
Total other assets	14,417,074	14,764,507
Net capital assets (as restated)	<u>2,070,542,089</u>	<u>1,994,612,256</u>
<b>Total Assets</b>	<b><u>2,415,343,859</u></b>	<b><u>2,335,548,184</u></b>
Total current liabilities	79,066,606	95,574,254
Total current restricted liabilities	6,318	85,769
Total long-term liabilities	<u>651,916,115</u>	<u>574,445,087</u>
<b>Total Liabilities</b>	<b><u>730,989,039</u></b>	<b><u>670,105,110</u></b>
Net investment in capital assets	1,458,317,374	1,440,349,188
Restricted net position	53,073,695	45,950,750
Unrestricted net position	<u>172,963,751</u>	<u>179,143,136</u>
<b>Total Net Position</b>	<b><u>\$ 1,684,354,820</u></b>	<b><u>\$ 1,665,443,074</u></b>

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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## Notes To Financial Statements (Continued)

### Condensed Statement Of Revenues, Expenses, And Changes In Net Positions

	2012	2011 (As Restated)
Operating revenues	\$ 224,882,086	\$ 217,011,360
Depreciation expense	56,460,108	56,403,291
Other operating expenses	135,232,302	160,572,145
<b>Operating Income (Loss)</b>	<b>33,189,676</b>	<b>35,924</b>
Total nonoperating revenues	2,370,178	3,651,021
Total nonoperating expenses	20,231,541	20,035,529
<b>Non-Operating Income (Loss)</b>	<b>(17,861,363)</b>	<b>(16,384,508)</b>
Capital contributions	3,583,433	5,342,555
Change in net position	18,911,746	(11,006,029)
Net position - Beginning of year (as restated)	1,665,443,074	1,676,449,103
<b>Net Position - End Of Year</b>	<b>\$ 1,684,354,820</b>	<b>\$ 1,665,443,074</b>

### Condensed Statement Of Cash Flows

Operating activities	\$ 79,439,669	\$ 64,382,661
Noncapital financing activities	17,287	5,833
Capital and related financing activities	(78,270,837)	(130,523,071)
Investing	8,183,657	60,686,702
Increase in cash	9,369,776	(5,447,875)
<b>Cash And Cash Equivalents - Beginning Of Year</b>	<b>6,318,934</b>	<b>11,766,809</b>
<b>Cash And Cash Equivalents - End Of Year</b>	<b>\$ 15,688,710</b>	<b>\$ 6,318,934</b>

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## Notes To Financial Statements (Continued)

Condensed financial information as of and for the years ended June 30, 2012 and 2011 of the District's Stormwater Segment is as follows:

### Stormwater Segment Condensed Statement Of Net Position

	2012	2011 (As Restated)
Total current assets	\$ 3,633,446	\$ 7,765,376
Total restricted assets	59,296,406	54,695,853
Net capital assets (as restated)	478,273,488	474,883,649
<b>Total Assets</b>	<b>541,203,340</b>	<b>537,344,878</b>
Total current liabilities	1,587,412	48,194
Total current restricted liabilities	5,676,407	5,720,622
Total long-term liabilities	—	—
<b>Total Liabilities</b>	<b>7,263,819</b>	<b>5,768,816</b>
Net investment in capital assets	478,273,488	474,883,650
Restricted net position	53,619,999	48,975,231
Unrestricted net position	2,046,034	7,717,181
<b>Total Net Position</b>	<b>\$ 533,939,521</b>	<b>\$ 531,576,062</b>

### Condensed Statement Of Revenues, Expenses, And Changes In Net Positions

Operating revenues	\$ 1,117,634	\$ 2,432,897
Depreciation expense	10,281,956	10,450,974
Other operating expenses	14,333,599	17,076,689
<b>Operating Income (Loss)</b>	<b>(23,497,921)</b>	<b>(25,094,766)</b>
Total nonoperating revenues	24,936,071	27,764,722
Total nonoperating expenses	5,150,115	7,051,182
<b>Non-Operating Income (Loss)</b>	<b>19,785,956</b>	<b>20,713,540</b>
Capital contributions	6,075,424	4,755,997
Change in net position	2,363,459	374,771
Net position - Beginning of year (as restated)	531,576,062	531,201,291
<b>Net Position - End Of Year</b>	<b>\$ 533,939,521</b>	<b>\$ 531,576,062</b>

### Condensed Statement Of Cash Flows

Operating activities	\$ (11,600,813)	\$ (7,706,999)
Noncapital financing activities	24,586,886	27,119,618
Capital and related financing activities	(12,813,943)	(10,612,774)
Investing	4,718,759	(8,799,845)
Increase in cash	4,890,889	—
<b>Cash And Cash Equivalents - Beginning Of Year</b>	<b>—</b>	<b>—</b>
<b>Cash And Cash Equivalents - End Of Year</b>	<b>\$ 4,890,889</b>	<b>\$ —</b>

**15. Subsequent Events**

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through November 1, 2012, the date the financial statements were available to be issued.

As of June 30, 2012, the District had received voter authorization for \$945,000,000 of revenue bonds which have remained unissued and on August 23, 2012, \$225,000,000 of these bonds have been issued. These funds were sought to enable the District to comply with federal and state clean water requirements.

On October 23, 2012, the District's Board of Trustees approved the issuance of \$141,730,000 of Wastewater System Revenue Bonds, Series 2012B. The bond proceeds will be used to advance refund the Series 2004A Bonds maturing in the years 2015 and thereafter. The closing date for the bonds is scheduled for November 14, 2012.

**THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION  
EMPLOYEES' PENSION PLAN AND POST-EMPLOYMENT BENEFIT PLAN  
June 30, 2012**

**Employees' Pension Plan  
Schedule Of Funding Progress  
in (000s)**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value Of Assets (1)</b>	<b>Entry Age Actuarial Accrued Liability (2)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL) (1)-(2)</b>	<b>Funded Ratio (1)/(2)</b>	<b>Annual Covered Payroll (3)</b>	<b>UAAL As A Percentage Of Covered Payroll (1)-(2)/(3)</b>
12/31/2011	\$ 205,792	\$ 254,997	\$ (49,205)	80.7%	\$ 49,432	99.5%
12/31/2010	189,012	231,599	(42,587)	81.6	51,703	82.4
12/31/2009	185,753	223,063	(37,310)	83.3	52,267	71.4
12/31/2008	183,679	212,066	(28,387)	86.6	48,077	59.0
12/31/2007	185,356	195,834	(10,478)	94.6	43,640	24.0
12/31/2006	170,757	187,432	(16,675)	91.1	42,113	39.6

**Post-Employment Benefit Plan  
Schedule of Funding Progress  
in (000s)**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value Of Assets (1)</b>	<b>Actuarial Accrued Liability (2)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL) (1)-(2)</b>	<b>Funded Ratio (1)/(2)</b>	<b>Covered Payroll (3)</b>	<b>UAAL As A Percentage Of Covered Payroll (1)-(2)/(3)</b>
7/1/2011	—	\$ 24,103	\$ 24,103	0%	\$ 52,649	45.8%
7/1/2009	—	24,412	24,412	0%	50,230	48.6
7/1/2007	—	21,938	21,938	0%	43,640	50.3

**The Metropolitan St. Louis Sewer District  
Statistical Section**

This part of the District’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District’s overall financial health.

**Contents**

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	<b>Page</b>
<b>Financial Trends</b>	
These schedules contain trend information to help the reader understand how the District’s financial performance and well-being have changed over time.....	69 - 70
<b>Revenue Capacity</b>	
These schedules contain information to help the reader assess the District’s most significant local revenue sources, the user charge .....	71 - 77
<b>Debt Capacity</b>	
These schedules present information to help the reader assess the affordability of the District’s current levels of outstanding debt and the District’s ability to issue additional debt in the future. ....	78 - 81
<b>Demographic And Economic Information</b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District’s financial activities take place. ....	82 - 83
<b>Operating Information</b>	
These schedules contain service and infrastructure data to help the reader understand how the information in the District’s financial report relates to the services the City provides and the activities it performs .....	84 - 85

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## NET POSITION BY COMPONENT LAST TEN FISCAL YEARS

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Net Position</b>										
Net investment in										
capital assets	\$ 1,548,524	\$ 1,586,704	\$ 1,618,219	\$ 1,651,792	\$ 1,682,063	\$ 1,704,322	\$ 1,798,914	\$ 1,868,974	\$ 1,915,233	\$ 1,936,590
Restricted	34,723	44,329	47,584	66,973	85,447	97,422	94,769	80,782	94,926	106,694
Unrestricted	158,573	171,858	190,971	247,958	278,803	324,218	293,934	257,894	186,860	175,010
<b>Total Net Position</b>	<b>\$ 1,741,820</b>	<b>\$ 1,802,891</b>	<b>\$ 1,856,774</b>	<b>\$ 1,966,723</b>	<b>\$ 2,046,313</b>	<b>\$ 2,125,963</b>	<b>\$ 2,187,617</b>	<b>\$ 2,207,649</b>	<b>\$ 2,197,019</b>	<b>\$ 2,218,294</b>

**THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

**CHANGE IN NET POSITION  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Operating Revenues</b>	<b>Operating Expenses</b>	<b>Operating Income/(Loss)</b>	<b>Non-Operating Income/(Loss)</b>	<b>Income/(Loss) Before Capital Contributions</b>	<b>Capital Contributions</b>	<b>Change In Net Position</b>
2003	\$ 129,469,562	\$ 144,277,411	\$ (14,807,849)	\$ 28,392,581	\$ 13,584,732	\$ 28,410,813	\$ 41,995,545
2004	157,970,382	150,592,370	7,378,012	18,445,656	25,823,668	35,246,721	61,070,389
2005	188,993,673	162,373,895	26,619,778	4,678,347	31,298,125	22,585,702	53,883,827
2006	206,803,022	175,889,536	30,913,486	25,966,334	56,879,820	53,069,364	109,949,184
2007	202,205,532	183,810,507	18,395,025	36,885,268	55,280,293	24,309,430	79,589,723
2008	221,925,048	225,145,882	(3,220,834)	37,259,517	34,038,683	45,609,805	79,648,488
2009	249,725,358	212,177,779	37,547,579	(2,885,959)	34,661,620	26,993,385	61,655,005
2010	246,587,174	228,778,874	17,808,300	(17,560,670)	247,630	19,786,012	20,033,642
2011	219,444,257	244,503,099	(25,058,842)	4,329,032	(20,729,810)	10,098,552	(10,631,258)
2012	225,999,720	216,307,965	9,691,755	1,924,593	11,616,348	9,658,857	21,275,205

**THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

**OPERATING REVENUES BY SOURCE  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Sewer Service Charges, Net</b>	<b>Licenses, Permits, And Other Fees</b>	<b>Other</b>	<b>Total Operating Revenues</b>
2003	\$ 120,994,703	\$ 5,435,878	\$ 3,038,981	\$ 129,469,562
2004	150,903,248	6,297,166	769,968	157,970,382
2005	181,966,427	6,549,221	478,025	188,993,673
2006	200,719,348	5,210,321	873,353	206,803,022
2007	194,798,878	6,030,583	1,376,071	202,205,532
2008	216,618,417	4,345,961	960,670	221,925,048
2009	244,699,964	3,475,283	1,550,111	249,725,358
2010	241,495,357	3,084,552	2,007,265	246,587,174
2011	214,653,310	2,976,253	1,814,694	219,444,257
2012	220,765,581	2,683,823	2,550,316	225,999,720

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## OPERATING EXPENSES LAST TEN FISCAL YEARS

	Employment Costs	Utilities	Materials and Supplies	Contracted Services	Chemical Supplies	Insurance	Other	Subtotal, Expenses before Depreciation	Depreciation	Total Operating Expenses
2003	\$ 52,536,992	\$ 10,341,674	\$ 9,686,572	\$ 20,841,068	\$ 919,906	\$ 2,689,408	\$ 5,349,920	\$ 102,365,540	\$ 41,911,871	\$ 144,277,411
2004	54,259,559	10,321,708	9,453,919	21,148,553	843,259	2,837,587	9,135,915	108,000,500	42,591,870	150,592,370
2005	52,656,509	11,244,255	7,231,297	30,424,935	946,182	2,968,245	12,459,569	117,930,992	44,442,903	162,373,895
2006	56,817,238	11,963,002	11,602,773	38,472,414	1,089,564	2,816,795	9,147,931	131,909,717	43,979,819	175,889,536
2007	58,731,260	11,362,805	12,335,366	40,879,286	1,260,789	2,915,236	10,604,787	138,089,529	45,720,978	183,810,507
2008	60,787,548	12,837,998	14,081,785	64,192,143	1,387,122	2,939,390	13,986,037	170,212,023	54,933,859	225,145,882
2009	70,475,293	12,587,699	14,855,989	48,783,447	1,589,650	2,746,119	13,769,203	164,807,399	47,370,379	212,177,779
2010	85,030,456	12,355,232	13,297,892	39,561,050	1,478,605	3,062,439	1,981,424	156,767,098	54,011,776	210,778,874
2011	84,264,583	14,170,680	11,010,962	42,854,613	1,415,826	2,578,316	21,353,854	177,648,834	66,854,265	244,503,099
2012	87,148,397	12,612,858	13,942,690	29,585,028	1,355,113	2,470,343	2,451,472	149,565,901	66,742,064	216,307,965

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## NON-OPERATING REVENUES AND EXPENSES LAST TEN FISCAL YEARS

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<u>Non-operating revenues</u>										
Property taxes levied by the District	\$ 21,101,265	\$ 21,743,767	\$ 22,015,870	\$ 23,210,982	\$ 24,401,167	\$ 27,512,070	\$ 2,129,475	\$ 1,401,100	\$ 27,125,451	\$ 24,604,173
Investment income	6,790,455	2,060,259	5,501,708	7,610,461	16,946,145	17,476,621	13,115,519	6,553,760	3,847,324	2,407,485
Recovery of doubtful Clean Water Improvement Surcharge accounts	139,675	115,763	—	—	—	—	—	—	—	—
Rent and other income	1,124,569	1,010,125	1,038,074	1,026,547	878,319	529,983	214,674	265,004	442,968	294,591
<b>Total non-operating revenues</b>	<b>29,155,964</b>	<b>24,929,914</b>	<b>28,555,652</b>	<b>31,847,990</b>	<b>42,225,631</b>	<b>45,518,674</b>	<b>15,459,668</b>	<b>8,219,864</b>	<b>31,415,743</b>	<b>27,306,249</b>
<u>Non-operating expenses</u>										
Interest expense	—	—	—	—	—	4,313,973	9,079,269	13,189,283	7,971,088	15,811,045
Clean Water Capital Improvement refund	—	—	5,667,330	95,372	15,000	—	—	—	—	—
Net (gain) loss on disposal and sale of capital assets	(3,565,868)	548,133	3,138,531	95,064	96,630	686,459	2,161,862	2,719,163	3,485,952	3,162,723
Non-recurring projects and studies	4,328,951	6,935,332	8,837,532	5,563,301	5,228,733	3,258,725	7,104,496	9,872,088	10,800,843	6,402,888
Legal claims	—	—	—	—	—	—	—	—	4,828,828	5,000
Other	—	183,773	—	—	—	—	—	—	—	—
<b>Total non-operating expenses</b>	<b>763,083</b>	<b>7,667,238</b>	<b>17,643,393</b>	<b>5,753,737</b>	<b>5,340,363</b>	<b>8,259,157</b>	<b>18,345,627</b>	<b>25,780,534</b>	<b>27,086,711</b>	<b>25,381,656</b>
<b>Net non-operating revenue (expense)</b>	<b>\$ 28,392,881</b>	<b>\$ 17,262,676</b>	<b>\$ 10,912,259</b>	<b>\$ 26,094,253</b>	<b>\$ 36,885,268</b>	<b>\$ 37,259,517</b>	<b>\$ (2,885,959)</b>	<b>\$ (17,560,670)</b>	<b>\$ 4,329,032</b>	<b>\$ 1,924,593</b>

Note: A decision was made to include the Build America Bond (BAB) interest subsidy in with the interest expense line. This resulted in eliminating the figures in the BAB line. This occurred for the fiscal years 2012 and 2011.

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## USER CHARGE RATES As Of June 30, 2012

<u>Type of Monthly Charge</u>	<u>Unmetered <sup>c</sup></u>	<u>Metered</u>	
		<u>Residential <sup>c</sup></u>	<u>Non-Residential</u>
<u>Wastewater User Charge</u>			
Base Charge	11.85	11.85	11.85
Compliance Charge <sup>a</sup>	—	—	31.95
Volume Charges			
per Ccf <sup>b</sup>	—	2.11	2.11
per room	1.38	—	—
per water closet	5.15	—	—
per bath	4.30	—	—
per separate shower	4.30	—	—
Extra Strength Surcharges <sup>a</sup>			
SS over 300 ppm per ton	—	—	231.35
BOD over 300 ppm per ton	—	—	620.14
COD over 600 ppm per ton	—	—	310.07
<u>Stormwater Service Charge</u>			
per account: single residential unit	0.24	0.24	0.24
per account: multi-residential unit	0.18	0.18	0.18

**Notes:**

<sup>a</sup> Applicable only to non-residential customers.

<sup>b</sup> Ccf = Hundred cubic feet.

<sup>c</sup> User charges for certain low income residential users will be 50 percent of the regular user charge.

Source: Finance Department

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## SEWER USER CHARGES (COMPOSITE-ANNUAL) LAST TEN FISCAL YEARS

	Fiscal Year									
	2003	2004 <sup>b</sup>	2005 <sup>c</sup>	2006 <sup>d</sup>	2007	2008 <sup>e</sup>	2009	2010 <sup>f</sup>	2011 <sup>g</sup>	2012
Residential:										
Single Family/Unit a	\$ 170.52	\$ 205.32	\$ 249.84	\$ 271.44	\$ 271.44 <sup>1</sup>	\$ 344.88 <sup>1</sup>	\$ 344.88 <sup>1</sup>	\$ 351.12 <sup>1</sup>	\$ 333.60	\$ 347.96
Multi-Family/Unit a	145.32	173.16	210.00	228.00	228.00	299.76	299.76	305.04	285.12	296.28
Commercial/Industrial:										
Service Charge/Unit	172.44	218.28	236.28	248.28	248.28	457.20	457.20	486.60	507.00	525.60
Sanitary Sewer Usage Charge/100 CCF	1.05	1.34	1.66	1.81	1.81	1.88	1.88	1.92	2.02	2.11
Storm Sewer Usage Charge/100										
sq. feet of impervious area	—	—	—	—	—	0.12	0.12	0.14	—	—
Extra Strength Surcharges:										
Suspended Solids over 300										
parts per million/ton	87.20	162.88	200.15	218.90	218.90	218.90	218.90	218.90	222.62	231.35
Biological Oxygen Demand										
(BOD's) over 300										
parts per million/ton	217.90	319.24	412.58	461.44	461.44	529.90	529.56	551.52	596.72	620.14
Chemical Oxygen Demand										
(COD's) over 600										
parts per million/ton	108.95	159.62	206.29	230.72	230.72	264.85	264.78	275.76	298.36	310.07

**Notes:**

<sup>1</sup> Years 2008-2010 saw an impervious rate charge that averaged \$36 per year per customer. This was discontinued in 2011.

<sup>a</sup> The above rates are based on actual rates and budgeted units.

<sup>b</sup> Ordinance 11553, effective August 1, 2003, changed all rates. It also changed the level of suspended solids and chemical oxygen demand at which extra strength surcharges are incurred from 350 to 300 and 300 to 600 parts per million/ton, respectively.

<sup>c</sup> Ordinance 11692, effective July 1, 2004, changed wastewater rates.

<sup>d</sup> Ordinance 12019, effective July 1, 2005, changed wastewater rates.

<sup>e</sup> Ordinance 12561, effective January 1, 2008, changed wastewater rates. Ordinance 12560, effective March 1, 2008, changed stormwater rates.

<sup>f</sup> Ordinance 12754, effective July 1, 2009, changed wastewater rates.

<sup>g</sup> Ordinance 13021, effective July 1, 2010, changed wastewater rates through FY 2012.

<sup>h</sup> Ordinance 13402, effective July 1, 2012, changed wastewater rates through FY 2016.

Source: Finance Department

**THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

**NUMBER OF CUSTOMERS BY TYPE  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Single Family Residential</b>	<b>Multi-Family Residential</b>	<b>Non-Residential</b>	<b>Total Accounts</b>
2003	353,935	44,632	25,672	424,239
2004	356,069	44,969	25,806	426,844
2005	360,104	44,506	25,758	430,368
2006	362,043	44,700	25,700	432,443
2007	362,569	44,875	25,647	433,091
2008	391,181	54,862	32,336	478,379
2009	388,791	51,441	32,161	472,393 <sup>a</sup>
2010	387,670	50,867	31,939	470,476 <sup>a</sup>
2011	362,739	43,471	24,702	430,912 <sup>b</sup>
2012	360,354	41,648	24,568	426,570

Source: Finance Department

<sup>a</sup> Due to the implementation of the impervious area charge in 2008, approximately 46,000 additional stormwater only accounts are billed each month. This charge was challenged and a court decision was entered on 7/9/10. Based on that decision the 46,000 accounts will not be billed an impervious charge beginning in FY '11.

<sup>b</sup> The number of accounts were revised as stormwater accounts were underreported.

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## TEN LARGEST CUSTOMERS CURRENT YEAR AND NINE YEARS AGO

Customer	Fiscal Year 2012		User Charges		Fiscal Year 2003	
	Amount	%			Amount	%
Anheuser-Busch	\$ 4,142,554	1.88%	Anheuser-Busch		\$ 4,483,063	3.71%
Washington University	1,384,757	0.63%	Mallinckrodt, Inc		1,072,134	0.89%
Mallinckrodt	1,117,808	0.51%	Zoological Gardens		943,265	0.78%
City of St. Louis	811,729	0.37%	DaimlerChrysler Group		824,089	0.68%
Cott Beverages Inc.	744,933	0.34%	Washington University		688,804	0.57%
Zoological Gardens	727,895	0.33%	Sigma Chemical Company		508,210	0.42%
BJC Health Systems	528,696	0.24%	BJC Health Systems		479,612	0.40%
Boeing	693,364	0.31%	Boeing Company		306,783	0.25%
The Dial Corporation	546,024	0.25%	ASTARIS		291,350	0.24%
Sigma-Aldrich	540,757	0.24%	City of St. Louis		268,118	0.22%
<b>Subtotal (10 largest)</b>	<b>11,238,517</b>	<b>5.09%</b>	<b>Subtotal (10 largest)</b>		<b>9,865,428</b>	<b>8.15%</b>
Balance from other customers	209,527,064	94.91%	Balance from other customers		111,129,275	91.85%
<b>Grand totals</b>	<b>\$ 220,765,581</b>	<b>100.00%</b>	<b>Grand totals</b>		<b>\$120,994,703</b>	<b>100.00%</b>

Source: Finance Department

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## RATIOS OF OUTSTANDING DEBT BY TYPE LAST TEN FISCAL YEARS

Fiscal Year	Revenue Bonds				Capital Lease	Total		As A Share Of Personal Income
	Senior	Subordinate	Subordinate Direct Loans	Amount		Per Capita		
2003	\$ —	\$ —	\$ —	\$ —	\$ —	—	—	
2004	175,000,000	161,280,000	473,275	—	336,753,275	248	0.35	
2005	175,000,000	166,952,500	771,099	—	342,723,599	253	0.35	
2006	173,500,000	205,760,000	680,538	—	379,940,538	282	0.37	
2007	231,995,000	213,652,500	337,730	—	445,985,230	330	0.42	
2008	230,485,000	206,522,500	269,299	—	437,276,799	324	0.67	
2009	258,965,000	235,932,500	215,790	4,130,000	499,243,290	373	0.81	
2010	342,370,000	224,505,000	31,017,371	7,263,687	605,156,058	446	1.00	
2011 As Restated	340,590,000	212,655,000	25,259,899	6,095,981	584,600,880	431	0.97	
2012	390,880,000	200,692,500	63,727,722	3,096,139	658,396,362	484	1.09	

**Notes:**

Calculation of "Per Capita" for 2012 is based on estimated population levels.

Calculation of "As a Share of Personal Income" for 2012 is based on estimated income levels.

In fiscal year 2012, a decision was made to discontinue considering SRF receivable amounts as liabilities.

The liability is now recorded when the funds are received.

Sources: Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce,

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## COMPUTATION OF OVERLAPPING DEBT

As Of June 30, 2012

Governmental Unit	Debt Outstanding	Amount Of Debt Within District Boundary	Percentage Of Debt Within District Boundary
City of St. Louis	\$ 38,955,000	\$ 38,955,000	100.0%
St. Louis County	13,425,000	13,317,600	99.2%
Municipalities	105,418,406	105,418,406	100.0%
City of St. Louis School District	306,354,000	306,354,000	100.0%
St. Louis County School Districts	1,344,194,659	1,324,569,339	98.5%
Fire Districts	87,974,865	84,067,740	95.6%
	<u>\$ 1,896,321,930</u>	<u>\$ 1,872,682,085</u>	<u>98.8%</u>

Sources:

City of St. Louis, Office of Comptroller  
 St. Louis County, Department of Revenue  
 Missouri Department of Education, School Finance  
 Polled Governments  
 Polled Fire Districts

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## PLEDGE REVENUE COVERAGE LAST TEN FISCAL YEARS

Fiscal Year	Operating Revenues	Non-operating Revenues	Gross Revenues	Less:		
				Operating Expenses (Excluding Depreciation)	Agency Fees	Net Available Revenues
2003	\$ 128,243,045	\$ 5,657,225	\$ 133,900,270	\$ 102,570,323	\$ —	\$ 31,329,947
2004	156,739,527	1,745,978	158,485,505	108,000,500	—	50,485,005
2005	187,759,272	4,356,643	192,115,915	117,930,992	—	74,184,923
2006	205,554,460	6,135,347	211,689,807	131,909,717	220,139	79,559,951
2007	200,963,085	13,501,751	214,464,836	138,089,529	777,387	75,597,920
2008	208,981,377	13,281,919	222,263,296	142,725,186	916,483	78,621,627
2009	209,972,662	10,283,104	220,255,766	138,971,881	1,248,647	80,035,238
2010	204,697,929	5,358,354	210,056,283	145,598,505	1,012,477	63,445,301
2011	217,011,360	5,225,219	222,236,579	160,572,145	1,718,885	59,945,549
2012	224,882,086	2,058,300	226,940,386	135,232,302	1,809,308	89,898,776

Fiscal Year	Subordinate and Senior Debt Service			Coverage Ratio	Senior Debt Service			Coverage Ratio
	Principal	Interest	Total		Principal	Interest	Total	
2003	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2004	\$ —	\$ 924,164	\$ 924,164	54.6	N/A	N/A	N/A	N/A
2005	6,800,000	14,799,402	21,599,402	3.4	\$ —	\$ 8,052,321	\$ 8,052,321	9.2
2006	5,407,500	13,615,193	19,022,693	4.2	1,500,000	8,165,734	9,665,734	8.2
2007	7,817,500	15,735,042	23,552,542	3.2	1,505,000	9,369,084	10,874,084	7.0
2008	8,640,000	16,778,308	25,418,308	3.1	1,510,000	11,067,634	12,577,634	6.3
2009	12,110,000	16,255,245	28,365,245	2.8	1,520,000	11,677,272	13,197,272	6.1
2010	13,022,500	19,174,674	32,197,174	2.0	1,595,000	13,396,341	14,991,341	4.2
2011	14,576,800	18,421,136	32,997,936	1.8	1,780,000	15,467,269	17,247,269	3.5
2012	16,540,200	21,147,058	37,687,258	2.4	1,960,000	16,486,509	18,446,509	4.9

Note: The methodology used to calculate the net available revenues and the coverage ratio was adjusted during fiscal years 2011 and 2012 then all previous years were restated for comparative purposes. The 2011 changes in methodology consisted of removing agency fees, previously combined with interest, from the debt service section and more appropriately reflecting those fees as a reduction to net available revenues. In fiscal year 2012, the change in methodology consisted of removing the Build America Bond Tax Credit from the pledged revenue section and reapplying the credit to interest expense in the debt service section.

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN FISCAL YEARS

Fiscal Year	Population	Personal Income (Millions)	Per Capita Personal Income	Unemployment Rate			Labor Force	Total Number Of Households (1)
				Saint Louis City	County	State		
2003	1,359,820	\$ 53,070	\$ 39,027	10.0	6.0	6.4	732,905	551,388
2004	1,358,428	54,886	40,404	9.6	5.9	6.3	728,014	551,388
2005	1,354,830	55,841	41,216	8.8	5.5	5.7	726,390	551,388
2006	1,347,691	57,660	42,784	7.5	5.1	5.0	723,627	551,388
2007	1,349,778	59,200	43,859	7.5	5.1	5.0	723,627	551,388
2008	1,348,462	62,135	46,079	7.9	5.9	6.0	690,006	551,388
2009	1,339,011	61,947	46,263	11.5	9.7	9.5	681,801	551,388
2010	1,356,289	60,792	44,822	12.3	9.4	9.3	682,165	551,388
2011	1,357,035	60,420	44,523	11.8	8.9	9.0	692,071	546,744
2012	1,360,085	60,283	44,323	9.7	6.9	7.0	672,945	546,744

**Notes:**

(1) The number of households was taken from <http://quickfacts.census.gov/qfd/states/29000.html>. The 2011 & 2012 figures are based on the on the 2010 census. Information for other years are unavailable; therefore, the 2000 census information is used for the other years in this table.

Sources: Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce, and Missouri Economic Resource and Information Center (MERIC)

Footnotes-- <http://www.bea.gov/regional/reis/scb.cfm>  
<http://www.missourieconomy.org/indicators/LAUS/default.aspx>

**THE METROPOLITAN ST. LOUIS SEWER DISTRICT**  
**PRINCIPAL EMPLOYERS (ST. LOUIS METROPOLITAN AREA)**  
**CURRENT YEAR AND NINE YEARS AGO**

Employer	Fiscal Year 2012			Fiscal Year 2003		
	Employees <sup>(1)</sup>	Percentage of Total	Rank	Employees <sup>(1)</sup>	Percentage of Total	Rank
BJC HealthCare	24,882	4%	1	22,416	3%	1
Boeing, Integrated Defense Systems	15,600	3%	2	15,300	2%	2
Washington University in St. Louis	13,483	2%	3	10,438	2%	8
SSM Healthcare	12,548	2%	4	9,730	1%	10
Scott Air Force Base	12,344	2%	5	13,024	2%	4
Schnuck Markets, Inc.	10,951	2%	6	12,250	2%	5
Wal-Mart Stores Inc.	10,800	2%	7	11,400	2%	6
Mercy Health	8,926	1%	8			
AT&T	8,900	1%	9			
United Postal Service	7,872	1%	10			
The May Department Stores Co.				14,500	2%	3
SBC Southwestern Bell Missouri				9,800	1%	9
McDonald's Restaurants of St. Louis				10,950	2%	7
	126,306	20%		129,808	19%	

Notes:

(1) Employees are for the St. Louis area which includes several counties not served by the District.

Sources:

St. Louis Business Journal's *Book of Lists 2012*

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# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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## EMPLOYMENT LEVEL LAST TEN FISCAL YEARS

	Fiscal Years									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Administrative	155	111	122	118	125	131	133	131	124	129
Office/Clerical	108	81	76	88	86	92	94	89	84	85
Plant Operation & Laboratory	221	231	231	233	234	239	237	249	241	244
Engineering & Technical	115	117	114	119	122	133	144	151	147	153
Sewer Construction & Maintenance	302	259	258	258	271	276	301	315	296	311
Total Employees	901	799	801	816	838	871	909	935	892	922

Source: Human Resources Department

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

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## AVERAGE FLOW LAST TEN FISCAL YEARS

<b>Fiscal Year</b>	<b>Average Sewage Treatment in Millions of Gallons per Day</b>
2003	302.8
2004	342.3
2005	348.7
2006	291.3
2007	313.4
2008	363.7
2009	394.7
2010	395.5
2011	370.6
2012	300.0

Source: Operations Department

# THE METROPOLITAN ST. LOUIS SEWER DISTRICT

## OPERATING AND CAPITAL INDICATORS LAST TEN FISCAL YEARS

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Miles of sewers	8,959	9,200	9,568	9,630	9,764	9,723	9,812	9,900	9,843	9,738
Number of treatment plants	8	8	8	8	8	7	7	7	7	7
Treatment capacity (MGD) <sup>a</sup>	413	413	413	413	426	428	423	423	528	528
Annual engineering maximum plant capacity (millions of gallons)	150,745	150,745	150,745	150,745	155,490	154,395	154,395	154,395	192,629	192,629
Amount treated annually (millions of gallons)	116,800	124,940	127,276	106,339	114,391	132,751	144,066	144,358	135,269	109,518
Unused capacity (millions of gallons)	33,945	25,805	23,469	44,406	41,099	21,644	10,329	10,037	57,360	83,111
Percentage of capacity utilized	77%	83%	84%	71%	74%	86%	93%	93%	70%	57%

Sources: Operations Department and Engineering Department

**Note:**

<sup>a</sup> Million gallons per day.