



for a **MANAGING TODAY
BETTER TOMORROW**



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**Metropolitan St. Louis
Sewer District**

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November 12, 2009

**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, 2009, 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 subdistricts 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, 2009. 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 1.3 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, 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 2009, the primary source of funding for the operation and maintenance of MSD's sewerage system was a user charge that is typically \$344.88 per year or \$28.74 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 nonresidential 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 \$0.12 per 100 square feet of impervious area. A second increase was implemented effective January 1, 2009. This increase resulted in a user charge of \$0.14 per 100 square feet, resulting in an average residential stormwater bill of \$3.78 per month or \$45.36 a year. The impervious area based stormwater service charge replaces the \$0.24 flat fee and property tax assessment previously charged for stormwater services. Property tax assessments in 2009 yielded \$2.1 million. These revenues funded subdistrict debt, construction and a portion of the District's stormwater operating expenses. The District does not plan to assess property taxes in fiscal year 2010.

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 subdistricts, 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.

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 9,900 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 394.7 million gallons per day (MGD) in fiscal 2009 compared to 363.7 MGD in fiscal 2008. This increase in flow is due largely to heavy rainfall and inflow and infiltration amounts in 2009. The design capacity and average flow, by watershed, in MGD was as follows in fiscal 2009:

MAJOR WATERSHED	LEVEL OF TREATMENT	NUMBER OF FACILITIES	DESIGN CAPACITY	AVERAGE FLOW FISCAL 2007
Mississippi River	Secondary	Two	317	299.2
Missouri River	Secondary	Two	68	59.3
Meramec River	Secondary	Three	42.75	36.2
Total		Seven	427.75	394.7

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 612,841 in June 2009. The combined unemployment rate for the City of St. Louis and St. Louis County was 10.1 percent in June 2009, and that is higher than the national unemployment rate of 9.5 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 2009 and 2008:

	2009	2008
Sewer Plan Reviews:		
Number of Plans Approved	565	735
Number of Miles of Sewers	28	45
Sewer Construction Permits:		
Number of Permits Issued	2,434	1,865
Number of Miles of Sewers	31	29
Customer Connections:		
Number of Connection Permits Issued	848	1,185
Connection Fee Revenue (in millions)	\$ 1.7	\$ 0.7
Value of Sewers Dedicated to MSD by Developers (in millions)	\$ 26.3	\$ 44.9

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 achieved net income from operations of \$42.4 million compared to a net operating income of \$2.2 million the prior year. The increase is caused by the new stormwater user charge replacing the property taxes that were levied by the District in previous years. The stormwater user charge is classified as an operating revenue while the property taxes had been classified as nonoperating. The Management's 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 department 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 on certain facilities and equipment that have an estimated replacement cost of \$1.25 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 on specific facilities. 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 June 30, 2009, 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. 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 District's financials, please refer to the Management's Discussion and Analysis section.

MAJOR INITIATIVES AFFECTING THE FINANCIAL RESOURCES OF THE DISTRICT

The District continued 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. The remaining \$40 million was issued in fiscal year 2009. A request for additional bond authorization of \$275 million was approved by St. Louis voters on August 5, 2008, by a margin of 3 to 1; \$30 million of these bonds were issued in fiscal year 2009. Issuance of the remaining \$245 million bond authorization is planned through fiscal year 2012. The long-term wastewater capital improvement program is expected to be funded through a continued combination of additional bonds and rate increases.

As part of this funding effort, the District submitted a Proposal to its Rate Commission on March 1, 2007. The Rate Commission delivered its Recommendation Report to the District's Board of Trustees ("Board") on August 13, 2007, in accordance with Charter. The Board subsequently approved a one year wastewater rate increase on December 17, 2007, that took effect January 1, 2008. This action has also resulted in the approval of a 4-year series of annual wastewater rate increases effective July 1, 2009, through 2012.

The Board also approved the implementation of a new impervious based stormwater rate effective for one year beginning March 1, 2008. A second stormwater rate increase was implemented January 1, 2009. These increases represent the first two years of a proposed 7-year series of stormwater rate increases. Each year's proposed stormwater rate increase will be considered and potentially approved by the District's Board on a yearly basis. A stormwater rate increase is not planned for the 2010 fiscal year. This new stormwater rate replaces the District's long standing monthly stormwater charge of 24¢ per customer and previously assessed property taxes. This funding has been replaced by the newly implemented stormwater rate. The District expanded its low income assistance program in fiscal year 2008 to help eligible St. Louis residential customers with the anticipated rate hikes. Efforts to continue the expansion of this program is ongoing. These stormwater funding changes represent the successful culmination of a 20-year effort to adequately fund the much needed improved stormwater services for the District ratepayers. However, on July 18, 2008, a class action suit was filed against the District concerning its stormwater rates.

In addition to these major funding initiatives, in June 2008, the District embarked on a comprehensive sewer cleaning initiative. Since then the District has remained on schedule to clean 17 million feet of sewer pipe and inspect 80,000 manholes within the planned 18 month time period. During 2009, the District is in continued litigation with the U.S. Environmental Protection Agency and the State of Missouri concerning alleged Clean Water Act violations. The District continues to make substantial progress on 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. Completion of this plan is expected by September 2010.

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 Schmersahl Treloar & Co.

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, 2009.

The financial statements of the Metropolitan St. Louis Sewer District's Employees' Pension Plan and the District's Deferred Compensation 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, 2008. 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-one 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 2008 annual budget. The District has received this award for twenty-two consecutive years. The District's fiscal budget document for 2008 was judged proficient in several categories, including policy documentation, financial planning, and organization.

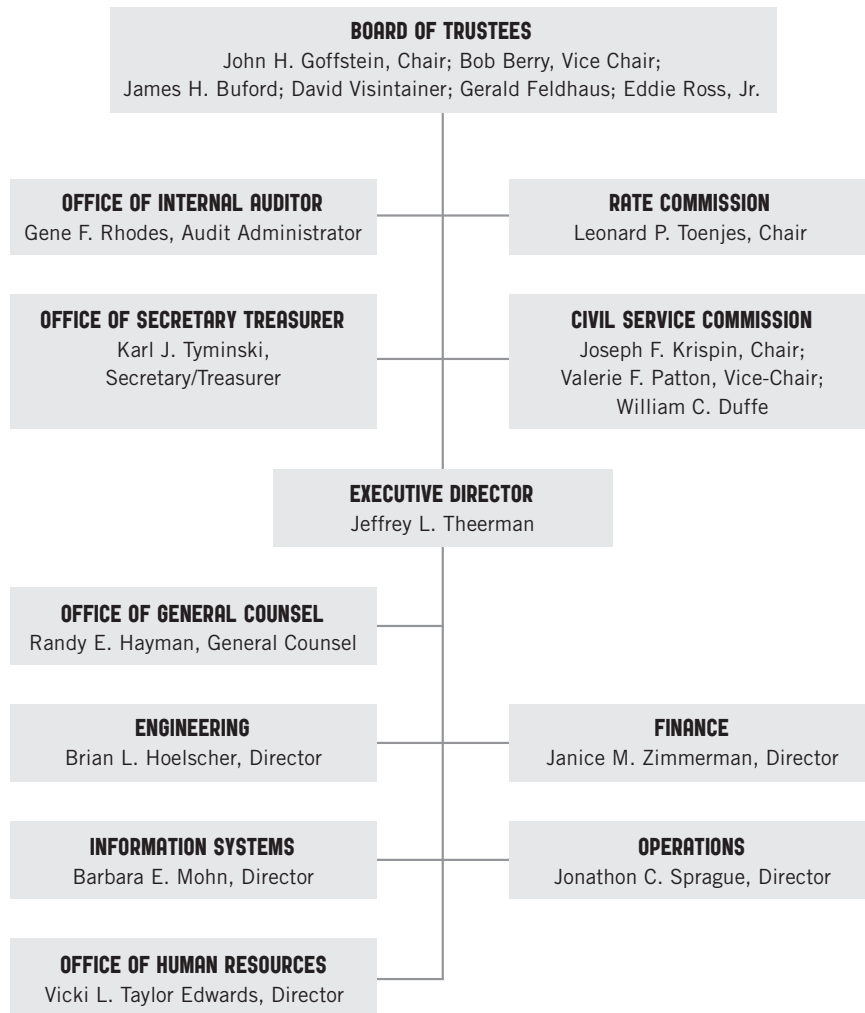
Acknowledgments. I wish to express my thanks and appreciation to the members of the Finance Department who diligently and faithfully contributed to the preparation of this report.



Janice M. Zimmerman
Director of Finance

ORGANIZATION CHART

(As of June 30, 2009)



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 , 2008

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.



President

Executive Director

To the Board of Trustees of
The Metropolitan St. Louis Sewer District

We have audited the accompanying financial statements of the Metropolitan St. Louis Sewer District (the "District") as of and for the year ended June 30, 2009, as listed in the table of contents. 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, 2008, were audited by other auditors whose report dated November 12, 2008, expressed an unqualified opinion on these financial 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2009, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2009, 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, and 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 assessing the results of our audit.

The management's discussion and analysis on pages 11 through 22 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Metropolitan St. Louis Sewer District. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

November 6, 2009
St. Louis, Missouri

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.

2009 FINANCIAL HIGHLIGHTS

- > The District placed \$98.4 million of capital assets into service during fiscal year 2009. This continued high level of expansion and updating of the District's plant and system is related to the regulatory required Capital Improvement and Replacement Program (CIRP).
 - Collection and pumping plant \$54.4 million
 - Treatment and disposal plant and equipment \$35.2 million
 - General plant and equipment \$ 8.8 million
- > In addition to these capital asset additions, the District has also shown an increase of \$143.1 million in construction in progress due to the large capital improvement and replacement program currently underway.
- > Cash and cash equivalents balances decreased by \$36.9 million. This can be partially attributed to the significant capital expenditures reflected by the increase in net capital assets. Investment balances were also increased by \$20.4 million, displaying a shift of assets from cash and cash equivalents to investments.
- > Both total revenues and expenses remained in line with prior year amounts, causing similar results of \$41.8 million in 2009 compared to \$41.7 million in 2008 for income before capital contributions.
- > The District had a stormwater rate increase in January 2009 from 12¢ to 14¢ per hundred square feet of impervious area. This is expected to generate a total of \$36.8 million to date for funding of stormwater projects.

2008 FINANCIAL HIGHLIGHTS

- > The District placed \$95.7 million of capital assets into service during fiscal year 2008. This continued high level of expansion and updating of the District's plant and system is related to the regulatory required Capital Improvement and Replacement Program (CIRP).
 - Collection and pumping plant \$ 79.9 million
 - Treatment and disposal plant and equipment \$ 11.7 million
 - General plant and equipment \$ 3.8 million
 - Land \$ 0.3 million
- > Cash and cash equivalents balances increased by \$28.2 million, while investment balances decreased by \$93.3 million from fiscal year 2007 to fiscal year 2008. The overall decrease is due to the significant capital expenditures reflected by the increase in net capital assets and no new long-term debt.
- > Total revenues increased \$23.0 million as a result of a wastewater rate increase effective January 1, 2008, and the stormwater rate change effective March 1, 2008.
- > Total expenses increased \$37.8 million compared to the prior year. Depreciation expense increased \$9.2 million and all other expenses increased \$28.6 million.

REQUIRED FINANCIAL STATEMENTS

The financial statements presented by the management of the District include the Statements of Net Assets; Statements of Revenues, Expenses, and Changes in Net Assets; and Statements of Cash Flows. These statements are prepared using the accrual basis of accounting. This method of accounting recognizes revenues at the time they are earned and expenses 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 Statements of Net Assets provide a report of the District's current, restricted, and other noncurrent assets such as cash, investments, receivables, and property. Also, the Statements of Net Assets provide a summary of the District's current, restricted, and noncurrent liabilities, including contracts and accounts payable, deposits and accrued expenses, and bond and notes payable. The final section of the Statements of Net Assets, the net assets section, contains earnings retained for use by the District. Increases or decreases in the net assets 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 Assets summarizes all of the year's revenues and expenses. This statement indicates how successful the District was at maintaining expenses below the level of revenues 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, noncapital financing activities, capital and related financing activities, and investing activities. This statement assists 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 over prior year, as evidenced by the increase in net assets of \$68.8 million. Income before contributions was \$41.8 million, while the District continues capacity expansion and updating of the District's plant and system. Plans for maintaining the District's ability to meet future spending needs are discussed in greater detail in the section of the MD&A entitled "Decisions Impacting the Future".

Condensed Financial Statements and Analysis

The Metropolitan St. Louis Sewer District – Condensed Statements of Net Assets (000s)

	2009	2008	Increase (Decrease) 2009-2008	2007	Increase (Decrease) 2008-2007
Assets:					
Current, Restricted, and Other Assets	\$ 469,124	\$ 531,030	\$(61,906)	\$ 566,700	\$(35,670)
Capital Assets (net of accumulated depreciation)	2,318,292	2,126,442	191,850	2,004,792	121,650
Total assets	2,787,416	2,657,472	129,944	2,571,492	85,980
Liabilities:					
Current Liabilities	82,961	77,031	5,931	67,751	9,280
Noncurrent Liabilities	491,142	435,944	55,198	446,557	(10,613)
Total liabilities	574,103	512,975	61,129	514,308	(1,333)
Net Assets:					
Invested in capital assets, net of related debt	1,852,182	1,722,857	129,325	1,692,934	29,923
Restricted	94,769	97,422	(2,653)	85,447	11,975
Unrestricted	266,362	324,218	(57,856)	278,803	45,415
Total Net Assets	\$2,213,313	\$2,144,497	\$ 68,816	\$2,057,184	\$ 87,313

2009 ANALYSIS

Total net assets increased \$68.8 million, or 3.2%, over prior year. This change is due to an increase in total assets of \$129.9 million countered by an increase in liabilities of \$61.1 million.

Current, restricted, and other assets decreased by \$61.9 million, while capital assets increased by \$191.8 million. The increase in capital assets can be attributed to an increase in construction in progress of \$143.1 million, collection and pumping plant of \$22.9 million, treatment and disposal plant and equipment of \$20.3 million, and general plant and equipment of \$5.5 million. The decrease in current, restricted, and other assets is mostly attributable to the net decrease in cash equivalents of \$36.9 million as a result of increased spending in the capital improvement and replacement program.

The change in total liabilities breaks down to an increase in current liabilities of \$5.9 million and an increase in noncurrent liabilities of \$55.2 million. The increase in noncurrent liabilities is due to a substantial increase in bonds and notes payable. The District did issue new long-term debt in the amount of \$74.1 million during the 2009 fiscal year. Current liabilities are up due to increases in contracts and accounts payable and current portion of bonds and notes payable of \$2.7 million and \$4.9 million respectively. These were partially offset by a decrease in the balance of deposits and accrued expenses and retainage payable of \$1.4 million and \$0.3 million.

2008 ANALYSIS

Total net assets increased \$87.3 million, or 4.2%, over prior year. This change is due to an increase in total assets of \$86.0 million and a decrease in liabilities of \$1.3 million.

Net capital assets increased by \$121.6 million, while current, restricted, and other assets decreased by \$35.7 million. The increase in capital assets can be attributed to an increase in construction in progress of \$83.9 million, collection and pumping plant of \$79.8 million, treatment and disposal plant and equipment of \$6.0 million, general plant and equipment of (\$0.7) million, land of \$0.1 million, and an offsetting increase in accumulated depreciation of \$47.5 million. The decrease in current, restricted, and other assets is mostly attributable to the net decrease in cash equivalents and investments of \$62.9 million as a result of spending in the capital improvement and replacement program. Additionally, the decline in investment balances led to a decrease in accrued investment income of \$1.5 million. The weakening in those assets is somewhat offset by a combined increase of \$11.5 million in billed and unbilled sewer service charge receivables as a result of rate increases in January and March 2008.

The change in total liabilities breaks down to a decrease in noncurrent liabilities of \$10.6 million and an increase in current liabilities of \$9.3 million. The decrease in noncurrent liabilities is the result of a decline in bonds and notes payable. The District did not issue any new long-term debt during the 2008 fiscal year. Current liabilities are up due to increases in contracts and accounts payable, deposits and accrued expenses, current portion of bonds and notes payable, and retainage payable of \$3.3 million, \$1.6 million, \$2.4 million, and \$2.0 million, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS for the years ended June 30, 2009 and 2008

The Metropolitan St. Louis Sewer District – Statements of Revenues, Expenses, and Changes in Net Assets (000s)

	2009	2008	Increase (Decrease) 2009-2008	2007	Increase (Decrease) 2008-2007
Operating Revenues:					
Sewer service charges	\$ 254,378	\$ 221,780	\$ 32,598	\$ 198,993	\$ 22,787
Recovery of (provision for) doubtful sewer service charge accounts	(9,678)	(5,162)	(4,516)	(4,194)	(968)
Licenses, permits, and other fees	3,475	4,346	(871)	6,031	(1,685)
Other	1,550	961	589	1,376	(415)
Total operating revenues	249,725	221,925	27,800	202,206	19,719
Nonoperating Revenues:					
Property taxes levied by the District	2,129	27,512	(25,383)	24,401	3,111
Investment income	13,116	17,477	(4,361)	16,946	531
Rent and other income	215	529	(314)	878	(349)
Total nonoperating revenues	15,460	45,518	(30,058)	42,225	3,293
Total revenues	265,185	267,443	(2,258)	244,431	23,012
Operating Expenses:					
Pumping and treatment	44,746	44,531	215	37,848	6,683
Collection system maintenance	32,918	30,807	2,111	27,718	3,089
Engineering	13,736	9,973	3,763	8,864	1,109
General and administrative	37,922	39,827	(1,905)	35,592	4,235
Water backup claims	6,817	7,439	(622)	3,608	3,831
Depreciation	47,370	54,934	(7,564)	45,721	9,213
Other	23,834	32,212	(8,378)	24,460	7,752
Total operating expenses	207,343	219,723	(12,380)	183,811	35,912
Nonoperating Expenses:					
Capital improvement surcharge refund	—	—	—	15	(15)
Net loss on disposal and sale of capital assets	2,162	686	1,476	97	589
Nonrecurring projects and studies	4,779	1,017	3,762	3,999	(2,982)
Interest expense	9,079	4,314	4,765	—	4,314
Total nonoperating expenses	16,020	6,017	10,003	4,111	1,906
Total expenses	223,363	225,740	(2,377)	187,922	37,818
Income before Capital Contributions	41,822	41,703	119	56,509	(14,806)
Capital Contributions	26,994	45,610	(18,616)	24,310	21,300
Change in Net Assets	68,816	87,313	(18,497)	80,819	6,494
Net Assets-Beginning of Year	2,144,497	2,057,184	87,313	1,976,365	80,819
Net Assets-End of Year	\$2,213,313	\$2,144,497	\$ 68,816	\$2,057,184	\$ 87,313

2009 ANALYSIS

Net assets increased \$68.8 million or \$18.5 million less than in the prior year. While total revenues were slightly lower compared to the prior year, this was offset by the reduction of net expenses.

Total revenues decreased by \$2.3 million due to offsetting changes in operating and nonoperating revenues. In December 2007, the District levied its final property tax. This loss in revenue has been partially offset by a newly implemented stormwater rate charge. As a result, property tax revenues decreased by \$25.4 million. The provision for doubtful sewer service charge accounts increased \$4.5 million while investment income was decreased by \$4.4 million. There was an increase in sewer service charges of \$32.6 million following a sanitary rate increase and a stormwater rate change in 2008.

Total expenses ended the year down \$2.3 million compared to 2008 due to offsetting balances in operating and nonoperating expenses. Total operating expenses for 2009 were reduced \$12.4 million

due overwhelmingly to a decrease in other operating expenses. Other operating expenses decreased by \$8.4 million, mostly due to extensive watershed facility planning that took place in 2008 and was not continued in 2009. Depreciation expense was decreased by \$7.5 million and general and administrative costs reduced by \$1.9 million. Nonoperating expenses experienced increases in the costs of net loss on sale of utility plant, nonrecurring projects as well as interest expense totaling \$10 million. There were also increases in engineering costs and collection system maintenance expenses of \$7.9 million and \$2.1 million, respectively.

2008 ANALYSIS

Net assets increased \$87.3 million or \$6.5 million more than in the prior year. While revenues increased due to the rate increases that took effect during the year, expenses grew at a faster pace.

Total revenues increased \$23.0 million largely due to an increase in sewer service charges of \$22.8 million following a January sanitary rate increase and a March stormwater rate change. Property tax revenues increased \$3.1 million following a rise in the assessed value of real estate within the District's boundaries. Licenses, permits, and other fees dropped \$1.7 million as a result of a dramatic slowdown in connection fees of \$1.3 million. Changes in other revenue categories were less noteworthy, and they netted to a decrease of \$1.2 million compared to prior year.

Operating expenses increased by \$35.9 million. Operating expenses increased in all areas. Other operating expenses showed the largest increase. The \$7.8 million increase in other operating expenses was the result of more spending on noncapital projects paid through special appropriations. Depreciation increased over last year by \$9.2 million due to the increasing value of the District's capital assets. The \$3.8 million rise in water backup and overcharged system claims expenses resulted from the large amounts of rain we incurred throughout the spring. Pumping and treatment expense was also up in part due to heavy rains and flooding. The \$6.7 million increase in pumping and treatment can be partially attributed to escalating personnel levels associated with new stormwater initiatives.

The Metropolitan St. Louis Sewer District – Condensed Statements of Cash Flows (000s)

	2009	2008	Increase (Decrease) 2009-2008	2007	Increase (Decrease) 2008-2007
Cash flows from operating activities	\$ 89,057	\$ 50,280	\$ 38,777	\$ 72,214	\$ (21,934)
Cash flows from noncapital financing activities	2,129	27,512	(25,383)	24,401	3,111
Cash flows from capital and related financing activities	(168,202)	(169,917)	1,715	(68,948)	(100,969)
Cash flows from investing activities	40,070	120,352	(80,282)	61,784	58,568
Net increase (decrease) in cash and cash equivalents	(36,946)	28,227	(65,173)	89,451	(61,224)
Cash and cash equivalents at beginning of year	43,403	15,176	28,227	103,089	(87,913)
Cash and Cash Equivalents at End of Year	\$ 6,457	\$ 43,403	\$(36,946)	\$192,540	\$(149,137)

2009 ANALYSIS

The District ended the year with \$6.5 million in cash and cash equivalents or \$36.9 million lower than the prior year. Cash outflows from capital and related financing activities were \$168.2 million or \$1.7 million more than in the previous year. Cash flows from operating activities ended at a positive \$89.1 million, which is a \$38.8 million increase to 2008. Cash flows from investing activities dropped to a \$40.1 million or an \$80.3 million decrease to the previous year. This change is due in part to the District purchasing \$432.6 million in investments compared to \$359.1 million in proceeds from sale and maturity of investments. In 2008 the District was able to close the year with positive cash flows from investing due to only \$266 million in purchases against \$370.8 million from the sale and maturity of investments. The initial investment of over \$70 million in bond proceeds drove this change. Cash flows from noncapital financing activities were reduced by \$25.4 million in 2009 due to the District suspending the collection of various taxes.

2008 ANALYSIS

Cash and cash equivalents ended the year \$149.13 million lower than the previous year. Cash outflows from capital and related financing activities were \$169.9 million or \$101.0 million more than in the previous year. The large decline is due to the absence of any new bond proceeds in the fiscal year. Cash flows from operating activities were a positive \$50.3 million, but they were short of fiscal year 2007 numbers by \$21.9 million. Offsetting these declines was a significant increase in positive cash flows from investing activities of \$58.6 million over prior year, or \$120.3 million. The largest driver of the positive cash flows from investments was the low reinvestment rate of maturing investments. Also positive was the change in cash flows from noncapital financing activities of \$3.1 million over prior year levels, which amounts to \$27.5 million for fiscal year 2008.

The Metropolitan St. Louis Sewer District – Capital Assets, Net of Depreciation (000s)

	2009	2008	Increase (Decrease) 2009-2008	2007	Increase (Decrease) 2008-2007
Land	\$ 27,070	\$ 27,070	\$ —	\$ 26,976	\$ 94
Construction in progress	476,237	333,105	143,132	249,127	83,978
Treatment and disposal plant and equipment	422,413	402,088	20,325	414,853	(12,765)
Collection and pumping plant	1,370,782	1,347,861	22,921	1,297,710	50,151
General plant and equipment	21,790	16,318	5,472	16,126	192
Total	\$2,318,292	\$2,126,442	\$191,850	\$2,004,792	\$121,650

2009 ANALYSIS

Total capital assets, net of depreciation, increased \$191.9 million over prior year. Construction in progress increased \$143.1 million due to the large capital improvement and replacement program currently under way. Collection and pumping, along with treatment and disposal, increased \$22.9 million and \$20.3 million, respectively. These increases can also be attributed to the high level of expansion and updating of the District's plant and system. Land remained unchanged in 2009, but general plant and equipment had additions of \$5.5 million net of depreciation.

2008 ANALYSIS

Total capital assets, net of depreciation, increased \$121.6 million over prior year. Construction in progress increased \$84.0 million due to the large capital improvement and replacement program currently under way. Collection and pumping increased \$50.1 million and treatment on disposal decreased \$12.8 million. Small increases totaling \$0.3 million in land and general plant and equipment round out the year's increase.

Long-Term Debt
The Metropolitan St. Louis Sewer District – Long-Term Debt (000s)

	2009	2008	Increase (Decrease) 2009-2008	2007	Increase (Decrease) 2008-2007
Revenue Bonds:					
Series 2004A	\$168,965	\$170,485	\$(1,520)	\$171,995	\$(1,510)
Series 2004B	136,795	143,563	(6,768)	150,312	(6,749)
Series 2005A	5,955	6,240	(285)	6,520	(280)
Series 2006A	40,480	42,515	(2,035)	42,615	(100)
Series 2006B	13,575	14,205	(630)	14,205	—
Series 2006C	60,000	60,000	—	60,000	—
Series 2008A	30,000	—	30,000	—	—
Series 2008AB	39,128	—	39,128	—	—
West Watson and Nanell	100	130	(30)	175	(45)
Ozark and Tablerock	68	81	(13)	94	(13)
Energy Loan Program	48	58	(10)	69	(11)
Oracle/Blue Heron	4,130	—	4,130	—	—
	\$499,244	\$437,277	\$61,967	\$445,985	\$(8,708)

2009 ANALYSIS

The District ended fiscal year 2009 with \$499.2 million in long-term debt outstanding, consisting mainly of revenue bonds. The District had two bond additions and a capital lease this year (Series 2008A, SRF 2008AB and Oracle/Blue Heron), resulting in the substantial increase in longterm debt.

2008 ANALYSIS

The District ended fiscal year 2008 with \$437.3 million in long-term debt outstanding, consisting mainly of revenue bonds. The decrease of \$8.7 million is a result of retirements throughout the fiscal year.

DECISIONS IMPACTING THE FUTURE

The District continues to implement the second phase of its multidecade wastewater capital improvement program, utilizing the proceeds of \$275 million bonds authorization granted by St. Louis voters in August 2008. This phase of the program includes the design and construction of \$662 million of capital improvements through 2012. These regulatory required projects include completion of the Lemay Treatment Plant expansion, pump station improvements, and sewage collection system replacement and rehabilitation.

The District elected to discontinue the assessment of approximately \$24.4 million per year in property taxes previously used for stormwater funding. This funding has been replaced by a user fee based on the impervious area of each customer's property. A 12¢ fee per hundred square feet of impervious area became effective March 1, 2008, generating approximately \$11.2 million during the District's fiscal year ending June 30, 2008. An increase in this fee to 14¢ was effective January 1, 2009. To date, this fee is expected to generate a total of \$36.8 million in funding for stormwater projects across the St. Louis region. The stormwater fee will remain at 14¢ until January 1, 2011, at which time an additional increase will be considered. The stormwater fee is currently in litigation. Resolution of the case is anticipated over the coming year.

The District is also engaged in litigation with the U.S. Environmental Protection Agency and the Missouri Department of Natural Resources to address issues related to the Clean Water Act of 1972. See note 13 for additional information regarding this litigation.

MSD is in the process of implementing new technology across the District to replace antiquated and inefficiency systems used for the past several decades. This initiative is scheduled for completion May 1, 2010. This new enterprisewide system is expected to streamline current District processes, save ratepayers money and improve response to customer issues.

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:

Janice M. Zimmerman, Director of Finance
The Metropolitan St. Louis Sewer District
2350 Market Street
St. Louis, MO 63103-2555
or
jzimmer@stlmsd.com

STATEMENTS OF NET ASSETS – June 30, 2009 and 2008
ASSETS

	JUNE 30,	
	2009	2008
Current Assets:		
Cash	\$ 5,913,696	\$ 30,731,606
Pooled Cash and investments	274,316,863	280,804,458
Investments	9,661,493	39,592,453
Sewer service charges receivable, less allowance of \$4,166,398 in 2009 and \$3,551,593 in 2008	36,963,828	34,441,336
Unbilled sewer service charges receivable, less allowance of \$423,000 in 2009 and \$412,000 in 2008	20,146,052	19,733,172
Accrued income on investments	1,437,214	1,336,307
Other receivables, less allowance of \$20,908 in 2009 and \$61,598 in 2008	1,235,357	1,409,149
Supplies inventory	7,155,997	7,483,866
Total current assets	356,830,500	415,532,347
Noncurrent Assets:		
Restricted Assets:		
Cash	544,430	12,671,672
Pooled Cash and investments	67,890,803	74,605,646
Investments	27,208,257	11,082,001
Accrued income on investments	618,013	451,844
Grants receivable	—	152,247
	96,261,503	98,963,410
Other Assets		
Note receivable	16,032,069	16,533,870
Capital Assets:		
Depreciable:		
Treatment and disposal plant and equipment	762,219,595	728,496,863
Collection and pumping plant	1,861,695,362	1,810,225,223
General plant and equipment	60,326,121	53,759,969
	2,684,241,078	2,592,482,055
Less: Accumulated depreciation	869,255,067	826,215,131
	1,814,986,011	1,766,266,924
Nondepreciable:		
Land	27,070,041	27,070,041
Construction in progress	476,236,001	333,105,564
Net capital assets	2,318,292,053	2,126,442,529
Total noncurrent assets	2,430,585,625	2,241,939,809
Total Assets	2,787,416,125	2,657,472,156

See the accompanying notes to the financial statements.

STATEMENTS OF NET ASSETS – June 30, 2009 and 2008

LIABILITIES

	JUNE 30,	
	2009	2008
Current Liabilities:		
Contracts and accounts payable	36,351,578	33,602,857
Deposits and accrued expenses	21,436,863	22,797,213
Retainage payable	8,278,238	8,580,936
Current portion of bonds and notes payable	15,402,057	10,508,610
	81,468,736	75,489,616
Current Liabilities – Payable From Restricted Assets:		
Contracts and accounts payable	1,266,826	1,305,749
Retainage payable	226,107	235,291
	1,492,933	1,541,040
Total current liabilities	82,961,669	77,030,656
Noncurrent Liabilities:		
Deposits and accrued expenses	4,659,607	5,201,546
Bonds and notes payable	486,482,071	430,742,624
	491,141,678	435,944,170
Total Liabilities	574,103,347	512,974,826

NET ASSETS

Net Assets:		
Invested in capital assets, net of related debt	1,852,182,143	1,722,856,756
Restricted for:		
Debt service	33,971,107	30,146,084
Subdistrict construction and improvement	60,797,463	67,276,286
Unrestricted	266,362,065	324,218,204
Total Net Assets	\$2,213,312,778	\$2,144,497,330

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS – for the years ended June 30, 2009 and 2008

	JUNE 30,	
	2009	2008
Operating Revenues:		
Sewer service charges	\$ 254,378,459	\$ 221,780,399
Recovery of (provision for) doubtful sewer service charge accounts	(9,678,495)	(5,161,982)
Licenses, permits, and other fees	3,475,283	4,345,961
Other	1,550,111	960,670
Total operating revenues	249,725,358	221,925,048
Operating Expenses:		
Pumping and treatment	44,746,325	44,531,011
Collection system maintenance	32,917,464	30,807,310
Engineering	13,735,952	9,973,104
General and administrative	37,921,976	39,826,102
Water backup claims	6,816,722	7,439,436
Depreciation	47,370,379	54,933,859
Other	23,833,810	32,212,235
Total operating expenses	207,342,628	219,723,057
Operating Income	42,382,730	2,201,991
Nonoperating Revenues:		
Property taxes levied by the District	2,129,475	27,512,070
Investment income	13,115,519	17,476,621
Rent and other income	214,674	529,983
Total nonoperating revenues	15,459,668	45,518,674
Nonoperating Expenses:		
Net loss on disposal and sale of capital assets	2,162,189	686,459
Nonrecurring projects and studies	4,778,877	1,016,891
Interest expense	9,079,269	4,313,973
Total nonoperating expenses	16,020,335	6,017,323
Income before Capital Contributions	41,822,063	41,703,342
Capital Contributions:		
Utility plant contributed	26,302,897	44,866,870
Grant revenue	690,488	742,935
Total capital contributions	26,993,385	45,609,805
Change in Net Assets	68,815,448	87,313,147
Net Assets-Beginning of Year	2,144,497,330	2,057,184,183
Net Assets-End of Year	\$2,213,312,778	\$2,144,497,330

See the accompanying notes to the financial statements.

STATEMENTS OF CASH FLOWS – for the years ended June 30, 2009 and 2008

	JUNE 30,	
	2009	2008
Cash flows from operating activities:		
Received from customers	\$ 246,543,742	\$ 211,084,856
Paid to employees for services	(70,669,904)	(71,285,404)
Paid to suppliers for goods and services	(86,816,441)	(89,519,594)
Net cash provided by operating activities	89,057,397	50,279,858
Cash flows provided by noncapital financing activities:		
Taxes levied	2,129,476	27,512,070
Cash flows from capital and related financing activities:		
Proceeds from capital grants	842,734	693,263
Proceeds from issuance of debt	77,982,515	155,000
Interest received on bond proceeds to be used for capital improvements	1,673,210	6,718,124
Principal paid on debt	(17,163,509)	(8,863,431)
Interest and fees paid on debt	(17,542,583)	(17,701,918)
Payments for capital assets	(214,150,674)	(153,376,548)
Proceeds from sale of capital assets	156,023	2,454,158
Miscellaneous income	—	4,371
Net cash used in capital and related financing activities	(168,202,284)	(169,916,981)
Cash flows from investing activities:		
Purchase of investments	(329,356,041)	(266,027,512)
Proceeds from sale and maturity of investments	359,071,774	370,802,423
Investment income	10,139,852	14,802,753
Proceeds from rents	214,674	774,383
Net cash (used) provided by investing activities	40,070,259	120,352,047
Net Increase (Decrease) in Cash and Cash Equivalents	(36,945,152)	28,226,994
Cash at Beginning of Year	43,403,278	15,176,284
Cash at End of Year	\$ 6,458,126	\$ 43,403,278
Noncash capital and investing activities:		
Portion of utility plant contributed represented by:		
Utility plant contributed by other governments and developers	\$ 26,302,897	\$ 44,866,870
Note receivable	—	(16,721,443)
Other receivable	—	(842,162)
	\$ 26,302,897	\$ 27,303,265
Fair value investment adjustment gain (loss)	(89,291)	279,444
Reconciliation of operating income to net cash flows provided by operating activities:		
Operating income	\$ 42,382,730	\$ 2,201,991
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	47,370,379	54,933,859
Change in operating assets and liabilities:		
(Increase) decrease in billed and unbilled sewer service charges receivable	(2,935,372)	(11,544,532)
(Increase) decrease in other receivables	173,792	666,452
(Increase) decrease in supplies inventory	327,869	(46,177)
Increase (decrease) in contracts and accounts payable	2,748,721	597,286
Increase (decrease) in deposits and accrued expenses	(1,010,722)	3,470,979
Net Cash Provided by Operating Activities	\$ 89,057,397	\$ 50,279,858

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. 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 organization must be fiscally dependent on the District and the District must either 1) be able to impose its will on the organization 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.

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 nonoperating 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 nonoperating 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 or 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.

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 deferred 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.

Cash and Cash Equivalents and Investments

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.

The District's investment disclosures follow GASB Statement No. 40, *Deposit and Investment Risk Disclosures, an Amendment of GASB Statement No. 3* (GASB 40). This standard's disclosure requirements address custodial credit risk, concentrations of credit risk, interest rate risk, and foreign currency risk.

Capital Assets

Capital assets are valued at historical cost or estimated historical cost based in part upon a study performed in 1981. 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 50 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. The District defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of three years.

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 2009 and 2008, the District capitalized \$6,776,034 and \$6,638,985 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 Assets

Invested in capital assets, net of related debt: This component of net assets 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.

Restricted: This component of net assets consists of constraints placed on net asset use 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 subdistricts have also been restricted for that use. Clean water capital improvement surcharges, sewer extension and connection fees, grants, and other revenues received for construction within certain subdistricts 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.

Unrestricted net assets: This 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.

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, and paid from the proceeds of revenue bond issues 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 noncurrent 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.

Board Designated Funds

The Board has designated certain amounts for construction and improvement of the sewerage and drainage collection systems and treatment facilities, and for real property improvement and alterations. These amounts are included with unrestricted cash and investments. At June 30, 2009 and 2008, designated funds were \$266,680,363 and \$336,034,162, respectively.

Reclassifications

Certain reclassifications have been made to the June 30, 2008, amounts in order to conform to the presentation of the June 30, 2009, financial statements.

2. DEPOSITS AND 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 notes, certificates of deposit, obligations of any agency or instrumentality of the U.S., repurchase agreements, banker's acceptances, and commercial paper rated in the three highest classifications, for terms specified in the policy. At June 30, 2009 and 2008, all of the District's investments were in compliance with the District's investment policy and charter.

In accordance with the District's investment policy, the District also invests in mortgage-backed securities such as collateralized mortgage obligations. These securities are reported at fair value and are based on the cash flows from interest payments by the underlying mortgages. As a result, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates. For example, if interest rates decline and homeowners refinance mortgages, thereby prepaying the mortgages underlying these securities, the cash flow from interest payments is reduced and the value of these securities declines. Likewise, if homeowners pay on mortgages longer than anticipated, the cash flows are greater and the return on the initial investment would be higher than anticipated.

A summary of deposits and investments as of June 30, 2009 and 2008, is as follows:

	2009		2008	
	Cost	Fair Value	Cost	Fair Value
Deposits	\$ 55,884,662	\$ 55,884,662	\$ 86,352,542	\$ 86,352,542
Repurchase agreements (collateralized)	1,662,000	1,662,000	18,148,622	18,148,622
U.S. Treasury and Agency obligations	271,258,321	273,727,585	215,735,890	216,407,597
Commercial paper	54,226,147	54,261,295	111,835,020	112,167,778
Bankers acceptance notes	—	—	16,366,512	16,411,297
	\$383,031,130	\$385,535,542	\$448,438,586	\$449,487,836

Interest Rate Risk

As of June 30, 2009 and 2008, the District had the following investments and maturities:

Investment Type	2009		2008	
	Fair Value	Weighted Average Maturity (Years)	Fair Value	Weighted Average Maturity (Years)
Repurchase agreements (collateralized)	\$ 1,662,000	0.00	\$ 18,148,622	0.00
Certificates of deposit	12,200,000	0.75	7,300,000	0.64
U.S. Treasuries	46,874,765	1.13	24,673,030	0.40
U.S. Agencies	226,852,820	2.10	191,734,567	2.08
Commercial paper	54,261,295	0.14	112,167,778	0.09
Bankers acceptance notes	—	—	16,411,297	0.08
Total	\$341,850,880	1.60	\$370,435,294	1.20

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, 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; and
2. Diversifying the portfolio so that potential losses on individual securities will be minimized.

In accordance with its investment policy, the District limits its investments in these investment types to the top rating issued by NRSROs. As of June 30, 2009, 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. agencies that do not carry the explicit guarantee of the U.S. government all carry a rating assigned by Standard & Poor's of "AAA." All cash deposits of the District were fully collateralized with securities held by a third party financial institution in the District's name.

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 Securities and collateralized time and demand deposits. U.S. Government agencies and government-sponsored enterprises are limited to 60% of the portfolio; and collateralized repurchase agreements are limited to 50% of the portfolio. U.S. Government agency callable securities, commercial paper, and bankers' acceptances are limited to 30% of the portfolio, each. The following table lists investments in issuers that represent 5% or more of total investments at June 30, 2009 and 2008:

Issuer	Percent of Total Investments	
	2009	2008
Federal Home Loan Bank	15.7%	19.0%
Federal National Mortgage Association	21.5	10.9
Federal Home Loan Mortgage Corporation	18.5	10.3

3. NOTE RECEIVABLE

The District has a note receivable with the City of Arnold, Missouri for its portion of the capital costs related to a wastewater facility. The City also pays reasonable fees for operation and maintenance costs. The note receivable will be paid over 30 years. At June 30, 2009, future payments are as follows:

For the Years Ending June 30	
2010	\$ 1,100,500
2011	1,100,500
2012	1,100,500
2013	1,100,500
2014	1,100,500
2015 – 2019	5,502,500
2020 – 2024	5,502,500
2025 – 2029	5,502,500
2030 – 2032	4,306,869
	26,316,869
Less: Amount representing interest	9,897,260
	\$16,419,609
Classification in statement of net assets:	
Current	\$387,540
Long-term	16,032,069
	\$16,419,609

4. CHANGE IN CAPITAL ASSETS

The following is a summary of capital assets changes for the fiscal years ended June 30, 2009 and 2008:

	For the year ended June 30, 2009			Balance June 30, 2009
	Balance June 30, 2008	Additions	Deletions	
Capital assets not being depreciated:				
Land	\$ 27,070,041	\$ —	\$ —	\$ 27,070,041
Construction in progress	333,105,564	206,236,366	63,105,929	476,236,001
Total capital assets not being depreciated	360,175,605	206,236,366	63,105,929	503,306,042
Capital assets being depreciated:				
Treatment and disposal plant and equipment	728,496,863	35,254,503	1,531,771	762,219,595
Collection and pumping plant	1,810,225,223	54,361,302	2,891,163	1,861,695,362
General plant and equipment	53,759,969	8,791,873	2,225,721	60,326,121
Total capital assets being depreciated	2,592,482,055	98,407,678	6,648,655	2,684,241,078
Less: Accumulated depreciation:				
Treatment and disposal plant and equipment	(326,409,264)	(14,274,098)	(877,186)	(339,806,176)
Collection and pumping plant	(462,363,787)	(29,794,996)	(1,245,433)	(490,913,350)
General plant and equipment	(37,442,080)	(3,301,285)	(2,207,824)	(38,535,541)
Total accumulated depreciation	(826,215,131)	(47,370,379)	(4,330,443)	(869,255,067)
Total capital assets being depreciated, net	1,766,266,924	51,037,299	2,318,212	1,814,986,011
Total Capital Assets	\$2,126,442,529	\$257,273,665	\$65,424,141	\$2,318,292,053
	For the year ended June 30, 2008			
	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Capital assets not being depreciated:				
Land	\$ 26,976,107	\$ 340,734	\$ 246,800	\$ 27,070,041
Construction in progress	249,126,873	148,772,276	64,793,585	333,105,564
Total capital assets not being depreciated	276,102,980	149,113,010	65,040,385	360,175,605
Capital assets being depreciated:				
Treatment and disposal plant and equipment	722,541,939	11,718,894	5,763,970	728,496,863
Collection and pumping plant	1,730,404,446	79,872,197	51,420	1,810,225,223
General plant and equipment	54,502,189	3,813,979	4,556,199	53,759,969
Total capital assets being depreciated	2,507,448,574	95,405,070	10,371,589	2,592,482,055
Less: Accumulated depreciation:				
Treatment and disposal plant and equipment	(307,688,932)	(22,169,675)	(3,449,343)	(326,409,264)
Collection and pumping plant	(432,693,938)	(29,721,609)	(51,760)	(462,363,787)
General plant and equipment	(38,376,174)	(3,042,574)	(3,976,668)	(37,442,080)
Total accumulated depreciation	(778,759,044)	(54,933,858)	(7,477,771)	(826,215,131)
Total capital assets being depreciated, net	1,728,689,530	40,471,212	2,893,818	1,766,266,924
Total Capital Assets	\$2,004,792,510	\$189,584,222	\$67,934,203	\$2,126,442,529

5. PROPERTY TAX

On or before May 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 subdistrict and purpose. Taxes levied are used for operations and stormwater maintenance, debt service, and construction. Taxes are recorded as nonoperating 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.

6. SHORT-TERM DEBT

In August 2008, the District issued Tax and Revenue Anticipation Notes, Series 2008A, in the amount of \$5,000,000. This debt was issued for financing of the construction of a storage facility and to undertake storm water projects within the District. On October 21, 2008, the District repaid the note plus \$29,580 in interest at a rate of 2.2%.

The following is a summary of changes in short-term debt for the year ended June 30, 2009:

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Tax revenue anticipation note	\$ —	\$5,000,000	\$5,000,000	\$ —

7. LONG-TERM LIABILITIES

The following is a summary of changes in the District's long-term liabilities for the year ended June 30, 2009:

	Original Issuance Amounts	Balance June 30, 2008	Additions	Retirements	Balance June 30, 2009	Current Portion
Bonds and notes payable:						
Senior revenue bonds:						
Series 2004A	\$175,000,000	\$170,485,000	\$ —	\$ 1,520,000	\$168,965,000	\$ 1,595,000
Series 2006C	60,000,000	60,000,000	—	—	60,000,000	—
Series 2008A	30,000,000	—	30,000,000	—	30,000,000	—
Subordinate revenue bonds:						
Series 2004B	161,280,000	143,562,500	—	6,767,500	136,795,000	6,099,166
Series 2005A	6,800,000	6,240,000	—	285,000	5,955,000	265,833
Series 2006A	42,715,000	42,515,000	—	2,035,000	40,480,000	1,888,333
Series 2006B	14,205,000	14,205,000	—	630,000	13,575,000	586,668
Series 2008A/B	40,000,000	—	40,000,000	872,500	39,127,500	1,752,500
Missouri Department of Natural Resources:						
West Watson and						
Nanell	535,600	129,661	—	29,781	99,880	40,833
Oracle/Blue Heron	12,000,000	—	4,130,000	—	4,130,000	3,149,455
Ozark and Table Rock	374,680	81,170	—	13,000	68,170	13,200
Energy Loan Program	98,595	58,468	—	10,728	47,740	11,069
	\$543,008,875	\$437,276,799	\$74,130,000	\$12,163,509	499,243,290	\$15,402,057
Add: Unamortized premium, net					9,700,133	
Less: Bond issue costs, net					(7,059,295)	
					\$501,884,128	
Deposits and accrued expenses:						
Landfill closure and postclosure costs		\$ 571,983	\$ 50,382	\$ —	\$ 622,365	\$ —
Compensated absences		5,203,328	825,984	204,803	5,824,509	2,801,967
Net OPEB obligation		466,900	547,800	—	1,014,700	—
		\$ 6,242,211	\$ 1,424,166	\$ 204,803	\$ 7,461,574	\$ 2,801,967

Wastewater System Revenue Bonds Payable

In August 2008, the District received voter authorization to an additional \$275,000,000 of revenue bonds. 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 2035. 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.

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 4.125% to 5% and are payable in semiannual installments at varying amounts through 2036. 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.

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% to 5% and are payable in semiannual installments at varying amounts through 2034. 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.

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). The Series 2008A bonds provided funds to make loans to 14 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% to 5.7% and are payable in semiannual installments at varying amounts through 2029.

In November 2006, the State Environmental Improvement and Energy Resources Authority (the Authority) authorized and issued \$22,105,000 of Water Pollution Control and Drinking Water Revenue Bonds (State Revolving Funds Programs) Series 2006B (Series 2006B). The Series 2006B bonds provided funds to make loans to 7 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 subordinate Participant Revenue Bonds (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% to 5% and are payable in semiannual installments at varying amounts through 2030.

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 13 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 2025.

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 10 Missouri political subdivisions and one Missouri nonprofit 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% to 5% and are payable in semiannual installments at varying amounts through 2026.

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 7 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% to 5.25% and are payable in semiannual installments at varying amounts through 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, and 2006B 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.

In connection with the District's issuance of the Participant Bonds, which were purchased with the proceeds of the Series 2004B, 2005A, 2006A, 2006B, and 2008A/B bonds issued by the Authority, the District participates in the State Revolving Loan Program established by the Missouri Department of Natural Resources (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.

In accordance with the Series 2008 A/B, 2006A, 2006B, 2005A, 2004A, and 2004B bond issuances, 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, 2009 and 2008, 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, 2009, are as follows:

Years ending June 30,	Wastewater System Revenue Bonds Payable/ Water Pollution Control and Drinking Water Revenue Bonds Payable		
	Principal	Interest	Total
2010	\$ 11,600,833	\$ 23,350,044	\$ 34,950,877
2011	13,617,500	23,802,149	37,419,649
2012	13,907,500	23,200,010	37,107,510
2013	14,235,833	22,597,671	36,833,504
2014	14,746,667	21,978,456	36,725,123
2015-2019	82,810,833	99,053,450	181,864,283
2020-2024	101,051,667	76,891,871	177,943,538
2025-2029	97,095,000	50,740,081	147,835,081
2030-2034	110,135,000	26,503,748	136,638,748
2035-2039	35,696,667	3,951,640	39,648,307
Total	\$494,897,500	\$372,069,120	\$866,966,620

West Watson and Nanell Loan Agreement

During fiscal year 2005, the DNR loaned \$535,600 to the District. The West Watson and Nanell Loan bears interest at a rate of 1.5% and is payable through November 1, 2014. The purpose of this note is to finance the planning, acquisition, construction, improvement, repair, rehabilitation, and extension of the sewer system of a certain regional subdistrict. This note is classified as special assessment debt by the District; therefore, the principal and interest on this note will be repaid from additional tax assessments on property values within the subdistrict. The additional assessment to be paid by the property owners is 54.78 cents per square foot over the next five years, with interest accruing at a rate of 2.5% per annum.

Ozark and Table Rock Loan Agreement

During fiscal year 2004, the DNR loaned \$374,680 to the District. The Ozark and Table Rock Loan bears interest at a rate of 1.5% and is payable through November 1, 2013. The purpose of this note is to finance the planning, acquisition, construction, improvement, repair, rehabilitation, and extension of the sewer system of a certain regional subdistrict. This note is classified as special assessment debt by the District; therefore, the principal and interest on this note will be repaid from additional tax assessments on property values within the subdistrict. The additional assessment to be paid by the property owners is 61.2 cents per square foot over the next four years, with interest accruing at a rate of 2.5% per annum.

Principal and Interest Requirements on Ozark and Table Rock and West Watson and Nanell Loan Agreements

The annual principal and interest requirements to maturity on the Ozark and Table Rock Loan Agreement and the West Watson and Nanell Loan Agreement outstanding as of June 30, 2009, are as follows:

Years ending June 30,	Special Assessment Loan Agreements		
	Principal	Interest	Total
2010	\$ 54,033	\$2,303	\$ 56,336
2011	29,500	1,864	31,364
2012	30,000	1,418	31,418
2013	30,600	964	31,564
2014	23,917	499	24,416
Total	\$168,050	\$7,048	\$175,098

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 3.15% 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 will be repaid from wastewater revenues.

Principal and Interest 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, 2009, are as follows:

Years ending June 30,	Energy Efficiency Leveraged Note Payable		
	Principal	Interest	Total
2010	\$11,069	\$1,417	\$12,486
2011	11,420	1,066	12,486
2012	11,783	703	12,486
2013	12,156	329	12,485
2014	1,312	21	1,333
Total	\$47,740	\$3,536	\$51,276

Master Equipment Lease / Purchase Agreement

In June 2009, the District entered into a lease purchase agreement in which the District will receive proceeds in the total amount of \$12,000,000 in monthly installments over the next nineteen months. These proceeds will be 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.

Years ending June 30,	Master Equipment Lease / Purchase Agreement		
	Principal	Interest	Total
2010	\$ 3,149,455	\$172,949	\$ 3,322,404
2011	2,927,513	221,942	3,149,455
2012	2,999,842	149,613	3,149,455
2013	2,923,190	53,315	2,976,505
Total	\$12,000,000	\$597,819	\$12,597,819

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/Repayment Funds

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 Funds.

Debt Service Fund

The Debt Service Fund shall be used by the Trustee for the sole purpose of paying the principal of 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 and 2008A 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. At June 30, 2009 and 2008, cash and investments in the Debt Service Reserve Fund totaled \$27,752,687 and \$23,753,674, 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, if any, 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 Repayment Fund for such purpose. At June 30, 2009 and 2008, cash and investments in the Special Participant Bond Reserve Account held on behalf of the District totaled \$2,093,239 and \$117,534,716, 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 interest on or principal of the bonds when due and shall then be applied by the District from time to time, as and when the District shall determine, for purposes pursuant to the trust indenture. No monies have been deposited into this account at June 30, 2009 and 2008.

Project Funds

The Project Funds 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 just the Series 2004A, 2006C and 2008A bonds, shall be deposited into the Project Fund. At June 30, 2009 and 2008, cash and investments in the Project Funds totaled \$8,201,897 and \$28,503,635, respectively.

Rebate Funds

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, 2009 and 2008, cash and investments in the Rebate Funds totaled \$571,477 and \$2,210,557, respectively.

Administrative Fee Funds

The Administrative Fee Funds 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, 2009, were \$501,884,128 and \$526,658,421, respectively. The carrying amount and estimated fair value of the District's long-term debt as of June 30, 2008, were \$441,251,234 and \$447,684,965, respectively.

8. DEFINED BENEFIT 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 to members. As a condition of employment, all full-time employees of the District are covered by the Plan. The financial statements for the Plan are produced using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the related liability is incurred. 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.

The Plan, established on November 1, 1967, is amended from time to time by the District's Board of Trustees, primarily to improve benefits to members. 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 60 months of employment. A member whose combined age and term of service is equal to 75 may retire early with unreduced benefits.

The annual benefit accrued by a member is equal to 1.45% of final average earnings plus 0.40% 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. A survivor's benefit for vested members who have not yet reached their normal retirement date or earned 75 points is provided for. 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. Effective July 1, 2007, Ordinance No. 12395 amended the Plan for members whose annual retirement benefit, as of July 1, 2007, is determined to be higher under the formula using the definition of "Final Average Earnings" in effect prior to August 1, 2004. Under the interim rule, if such a member retires on his normal retirement date of or after July 1, 2007, and/or before June 1, 2009 (the "window period"), he may elect to have his benefit determined using the 1.45%/0.4% of final average earnings formula including accrued sick leave or the 1.7%/0.4% of final average earnings formula without using accrued sick leave. The interim rule will not apply if at any time during the window period a member's benefit is determined to be higher under the 1.7%/0.4% formula. Sick leave is paid out at 1.25% per year of service times the amount of leave accrued not to exceed \$50,000 unless the employee accrued an amount greater than \$50,000 as of July 1, 2004, and retires or dies while in active service prior to July 1, 2007. 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 his or her 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.

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 \$7,425,602 and \$7,673,240, excluding certain professional fees paid by the District, were made to the Plan during the Plan’s calendar years ended December 31, 2009 and 2008, respectively. These contributions were made in accordance with actuarially determined contribution requirements based on actuarial valuations performed at January 1, 2009 and 2008, respectively, and for 2009 consisted of a) \$5,793,713 normal cost plus b) \$1,113,824 amortization of the actuarial accrued assets in excess of the 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	January 1, 2009
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 or 3% of current benefit, or \$50 maximum, if less
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

¹Includes inflation component of 3%

Three-Year Trend Information

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.

Calendar Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	\$7,425,602	100%	—
2007	7,673,240	100	—
2006	6,847,278	100	—

Required Supplementary Information

Schedule of Funding Progress (dollars in thousands)						
Actuarial Valuation Date	Actuarial Value of Assets (1)	Entry Age Actuarial Accrued Liability (2)	Unfunded Actuarial Accrued Liability (UAAL) (1)-(2)	Funded Ratio (1)/(2)	Annual Covered Payroll (3)	UAAL as a Percentage of Covered Payroll (1-2)/(3)
01/01/2009	\$183,679	\$212,066	\$(28,387)	86.6%	\$48,077	59.0%
01/01/2008	185,356	195,834	(10,478)	94.6	43,640	24.0
01/01/2007	170,757	187,432	(16,675)	91.1	42,113	39.6

9. 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 until future years. 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.

10. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

As part of a total compensation package, the District provides a single-employer defined benefit health care plan to employees who retire from the District on or after age 62 and 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 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. 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	\$ 764,200
Normal cost	904,800
Interest to end of fiscal year	75,100
ARC	1,744,100
Interest on net OPEB obligation	21,000
Adjustment to annual required contribution	(16,100)
Annual OPEB cost	1,749,000
Contributions made	(1,201,200)
Increase in net OPEB obligation	547,800
Net OPEB obligation-beginning of year	466,900
Net OPEB Obligation-End of Year	\$ 1,014,700

NOTES TO FINANCIAL STATEMENTS — JUNE 30, 2009 AND 2008

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.

In future years, three-year trend information will be presented. Fiscal year 2008 was the year of implementation of GASB 45 and the District has elected to implement prospectively; therefore, prior year comparative funding progress is not available.

Required Supplemental Information

Schedule of Funding Progress (dollars in thousands)						
Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (2)	Unfunded Actuarial Accrued Liability (UAAL) (1)-(2)	Funded Ratio (1)/(2)	Covered Payroll (3)	UAAL as a Percentage of Covered Payroll (1-2)/(3)
07/01/2007	\$ —	\$21,938	(\$21,938)	—%	\$43,640	(50.0%)

Schedule of Employer Contributions (dollars in thousands)			
Year Ended June 30	Annual Required Contribution	Contribution Made	Percent Contributed
2009	\$1,744	\$1,201	69%
2008	\$1,710	\$1,243	73%

Significant actuarial assumptions used in the valuation are as follows:

Latest valuation date	January 1, 2007
Discount rate	4.5% per annum
Amortization period	30-year period
Medical trend	10% – (Grading down to 6% over the next 6 years)
Payroll inflation	4.5% per annum
Mortality	1983 Group Annuity Mortality Table, Male Rates, set back 6 years for females

Turnover	Age	Terminating Percent	Disability Percent
	30	3.7	0.064
	40	1.1	0.102
	50 and over	—	0.311

	Age	Rate	
		Before 75 Points	After 75 Points
Retirement	55	1	2%
	56	2	4
	57	2	5
	58	2	6
	59	3	8
	60	4	10
	61	5	15
	62	5	35
	63	5	20
	64	5	25
	65	100	100

Future Retiree Coverage 90% of employees retiring prior to age 65 are assumed to elect medical coverage

Future Dependent Care 50% elect spouse coverage, 0% dependent children coverage

11. 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 officers', directors', and general liability; 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, 2009 and 2008, these liabilities amounted to \$2,246,526 and \$5,056,208, respectively.

The claims liabilities reported are based on the requirements of GASB Statement No. 10, 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 2009 and 2008 were as follows:

	2009	2008
Liability, beginning of year	\$ 5,056,208	\$ 2,482,566
Current year claims and changes in estimates	15,027,843	15,000,916
Claim payments	(17,837,525)	(12,427,274)
Liability, End of Year	\$ 2,246,526	\$ 5,056,208

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.

12. CLOSURE AND POSTCLOSURE 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 postclosure 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 postclosure care costs as an operating expense in each period based on landfill capacity used as of the end of the fiscal year. The \$622,365 and \$571,983 reported as landfill closure and postclosure care liabilities at June 30, 2009 and 2008, respectively, represent the cumulative amounts reported at fiscal year-end based on the use of 80% and 74% of the estimated capacity of the landfill for fiscal years ended 2009 and 2008, respectively. The District will recognize the remaining estimated cost of closure and postclosure care of \$151,146 at June 30, 2009, as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2009. The District expects to close the landfill in the year 2012. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

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.

13. COMMITMENTS AND CONTINGENCIES

William Zweig et al. v. MSD. This case was filed on July 18, 2008, and, as amended, contends that MSD Ordinances No. 12560 and No. 12789, which enacted increases in MSD'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. MSD's Board of Trustees passed the ordinances in December 2007 and December 2008, respectively, without submitting them to the voters. MSD contends the stormwater user charge is not a tax and, thus, not subject to voter approval. The original plaintiff is an MSD stormwater customer who seeks to represent a class of all MSD 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.

MSD has collected approximately \$46,000,000 from the stormwater user charge, and is continuing to collect approximately \$3,000,000 each month, which would be subject to the plaintiffs' request for a refund should the ordinances be declared unconstitutional. In addition, if the plaintiffs were to prevail and the ordinances were found unconstitutional, the plaintiffs would be entitled to their attorneys' fees and costs under the Hancock Amendment (Mo. Const. art. X, § 23).

MSD has significant legal and factual arguments in support of its position and management of MSD expects to prevail in this matter.

US 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 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 District has been the subject of several investigatory actions by EPA over the past several years. Negotiations have been ongoing with EPA and 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 DNR 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, from this litigation.

The suit is based on alleged 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. 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 EPA and DNR. In September 2008, the Judge put in place a Stay while the parties mediate the issues. The parties have been in mediation over the past year. A status report on the Stay is due in November 2009. The District has submitted its LTCP, which is currently under review.

The District is a defendant in various other matters of litigation. Of these matters, management and the District's legal counsel do not anticipate any material effect on the June 30, 2009 and 2008, financial statements.

The District has entered into construction and other contracts amounting to approximately \$226,105,854 and \$259,543,000 at June 30, 2009 and 2008, respectively. Grants to be received from various governmental agencies and entities to partially offset the cost of the contract commitments amounted to approximately \$399,000 and \$588,000 at June 30, 2009 and 2008, respectively.

At June 30, 2009, the District had \$245,000,000 in bonds authorized by the voters in August 2008, but unissued. These bonds will fund the second phase of a multidecade wastewater capital improvement program.

14. RESTRICTED NET ASSETS

The government-wide statement of net assets reports \$94,768,570 and \$97,422,370 of restricted net assets at June 30, 2009 and 2008, respectively, of which \$60,797,463 and \$67,276,286 are restricted by enabling legislation at June 30, 2009 and 2008, respectively.

15. 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. Summary financial information for each business line is presented below.

	Wastewater	Stormwater
Condensed Statement of Net Assets		
Assets:		
Total current assets	\$ 297,072,899	\$ 59,757,601
Total restricted assets	80,715,270	15,546,233
Total other assets	13,442,890	2,589,179
Net capital assets	1,943,887,886	374,404,167
Total assets	2,335,118,945	452,297,180
Liabilities:		
Total current liabilities	68,311,535	13,157,201
Total current liabilities--payable from restricted assets	1,251,824	241,109
Total long-term liabilities	411,822,297	79,319,381
Total liabilities	481,385,656	92,717,691
Net assets:		
Invested in capital assets, net of related debt	1,553,054,726	299,127,417
Restricted net assets	77,333,971	17,434,599
Unrestricted net assets	223,344,592	43,017,473
Total net assets	\$1,853,733,289	\$359,579,489
Condensed Statement of Revenues, Expenses, and Changes in Net Assets		
Operating revenues	\$ 209,394,713	\$ 40,330,645
Depreciation expense	(39,720,063)	(7,650,316)
Other operating expenses	(134,136,731)	(25,835,518)
Operating income	35,537,919	6,844,811
Nonoperating revenues (expenses):		
Total nonoperating revenues	10,833,457	4,626,211
Total nonoperating expenses	(13,433,051)	(2,587,284)
Capital contributions	22,633,953	4,359,432
Change in net assets	55,572,278	13,243,170
Beginning net assets	1,798,161,011	346,336,319
Ending net assets	\$1,853,733,289	\$359,579,489
Condensed Statement of Cash Flows		
Net cash provided (used) by:		
Operating activities	\$ 74,674,627	\$ 14,382,770
Noncapital financing activities	1,785,566	343,910
Capital and related financing activities	(141,037,615)	(27,164,669)
Investing activities	33,598,912	6,471,347
Net increase (decrease)	(30,978,510)	(5,966,642)
Beginning cash and cash equivalents	36,393,649	7,009,629
Ending cash and cash equivalents	\$ 5,415,139	\$ 1,042,987

16. FUTURE ACCOUNTING PRONOUNCEMENT

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* (GASB 51), establishes standards for the measurement and recording the estimated historical cost for land associated with right-of-way easements. GASB 51 will be effective for the District for the fiscal year ending June 30, 2010. The District, however, has not yet completed its assessment of the statement or the potential impact of the statement on its financial position.

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.

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Debt Capacity 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.	55
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Operating Information 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 District provides and the activities it performs.	61

STATISTICAL SECTION

Net Assets by Component Last Eight Fiscal Years (000's)

	Fiscal Year			
	2002	2003	2004	2005
Net Assets				
Invested in capital assets, net of related debt	\$1,481,382	\$1,548,524	\$1,589,612	\$1,625,673
Restricted	37,497	34,723	44,329	47,584
Unrestricted	180,945	158,573	171,858	190,971
Total Net Assets	\$1,699,824	\$1,741,820	\$1,805,799	\$1,864,228

	Fiscal Year			
	2006	2007	2008	2009
Net Assets				
Invested in capital assets, net of related debt	\$1,661,434	\$1,692,934	\$1,722,857	\$1,852,182
Restricted	66,973	85,447	97,422	94,769
Unrestricted	247,958	278,803	324,218	266,362
Total Net Assets	\$1,976,365	\$2,057,184	\$2,144,497	\$2,213,313

Notes:

GASB Statement 34 was implemented in 2002.

STATISTICAL SECTION

Changes in Net Assets Last Eight Fiscal Years

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income/(Loss)	Nonoperating Income/(Loss)	Income/(Loss) before Capital Contributions	Capital Contributions	Change in Net Assets
2002	\$128,439,927	\$142,392,093	\$(13,952,166)	\$33,072,862	\$19,120,696	\$26,427,446	\$45,548,142
2003	129,469,562	144,277,411	(14,807,849)	28,311,659	13,503,810	28,491,735	41,995,545
2004	157,970,382	150,592,370	7,378,012	20,170,770	27,548,782	36,429,701	63,978,483
2005	188,993,673	162,373,895	26,619,778	15,457,917	42,077,695	16,351,790	58,429,485
2006	206,803,022	175,889,536	30,913,486	28,282,365	59,195,851	52,941,445	112,137,296
2007	202,205,532	183,810,507	18,395,025	38,114,328	56,509,353	24,309,430	80,818,783
2008	221,925,048	219,723,057	2,201,991	39,501,351	41,703,342	45,609,805	87,313,147
2009	249,725,358	207,342,628	42,382,730	(560,667)	41,822,063	26,993,385	68,815,448

Notes:

GASB Statement 34 was implemented in 2002.

STATISTICAL SECTION

Operating Revenues by Source Last Ten Fiscal Years

Fiscal Year	Sewer Service Charges, Net	Licenses, Permits, and Other Fees	Other	Total Operating Revenues
2000	\$125,040,650	\$2,465,775	\$1,892,568	\$129,398,993
2001	123,985,768	6,049,589	1,739,921	131,775,278
2002	120,500,816	5,706,843	2,232,268	128,439,927
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

STATISTICAL SECTION

Operating Expenses Last Ten Fiscal Years

Fiscal Year	Employment Costs	Utilities	Materials and Supplies	Contracted Services	Chemical Supplies
2000	\$47,917,629	\$ 9,324,668	\$ 9,537,871	\$19,597,432	\$1,046,559
2001	50,191,757	11,242,361	9,679,471	16,986,941	941,970
2002	51,765,551	10,025,931	9,851,643	20,956,310	759,712
2003	52,536,992	10,341,674	9,686,572	20,841,068	919,906
2004	54,259,559	10,321,708	9,453,919	21,148,553	843,259
2005	52,656,509	11,244,255	7,231,297	30,424,935	946,182
2006	56,817,238	11,963,002	11,602,773	38,472,414	1,089,564
2007	58,731,260	11,362,805	12,335,366	40,879,286	1,260,789
2008	60,787,548	12,837,998	14,081,785	58,769,318	1,387,122
2009	70,475,293	12,587,699	14,855,989	43,948,296	1,589,650

Fiscal Year	Insurance	Other	Subtotal, Expenses before Depreciation	Depreciation	Total Operating Expenses
2000	\$1,099,946	\$ 5,166,263	\$ 93,690,368	\$40,178,227	\$133,868,595
2001	1,425,360	4,654,794	95,122,654	41,946,627	137,069,281
2002	1,581,623	5,510,335	100,451,105	41,940,987	142,392,092
2003	2,689,408	5,349,920	102,365,540	41,911,871	144,277,411
2004	2,837,587	9,135,915	108,000,500	42,591,870	150,592,370
2005	2,968,245	12,459,569	117,930,992	44,442,903	162,373,895
2006	2,816,795	9,147,931	131,909,717	43,979,819	175,889,536
2007	2,915,236	10,604,787	138,089,529	45,720,978	183,810,507
2008	2,939,390	13,986,037	164,789,198	54,933,859	219,723,057
2009	2,746,119	13,769,203	159,972,249	47,370,379	207,342,628

STATISTICAL SECTION

Nonoperating Revenues and Expenses Last Ten Fiscal Years

	Fiscal Year				
	2000	2001	2002	2003	2004
Nonoperating revenues					
Property taxes levied by the District	\$22,295,911	\$22,557,934	\$23,451,036	\$21,020,043	\$21,743,767
Investment income	11,422,085	13,867,375	9,622,027	6,790,455	2,060,259
Recovery of doubtful Clean Water Improvement Surcharge accounts	375,353	204,452	233,006	139,675	115,763
Rent and other income	217,401	3,408,668	3,319,269	1,124,569	1,010,125
Total nonoperating revenues	\$34,310,750	\$40,038,429	\$36,625,338	\$29,074,742	\$24,929,914
Nonoperating expenses					
Interest expense	\$ 440,408	\$ 331,343	\$ 213,376	—	—
Net (gain) loss on disposal and sale of capital assets	699,772	884,654	299,720	(3,565,868)	548,133
Nonrecurring projects and studies	7,175,721	6,383,723	2,997,263	4,328,951	4,027,238
Other	24,832	24,832	42,116	—	183,773
Total nonoperating expenses	\$ 8,340,733	\$ 7,624,552	\$ 3,552,475	\$ 763,083	\$ 4,759,144
Net nonoperating revenue (expense)	\$25,970,017	\$32,413,877	\$33,072,863	\$28,311,659	\$20,170,770
	Fiscal Year				
	2005	2006	2007	2008	2009
Nonoperating revenues					
Property taxes levied by the District	\$22,015,870	\$23,210,982	\$24,401,167	\$27,512,070	2,129,475
Investment income	5,501,708	7,610,461	16,946,145	17,476,621	13,115,519
Recovery of doubtful Clean Water Improvement Surcharge accounts	—	—	—	—	—
Rent and other income	1,038,074	1,026,547	878,319	529,983	214,674
Total nonoperating revenues	\$28,555,652	\$31,847,990	\$42,225,631	\$45,518,674	\$15,459,668
Nonoperating expenses					
Interest expense	—	—	—	4,313,973	9,079,269
Clean Water Capital Improvement refund	5,667,330	95,372	15,000	—	—
Net (gain) loss on disposal and sale of capital assets	3,138,531	95,064	96,630	686,459	2,162,189
Nonrecurring projects and studies	4,291,874	3,375,189	3,999,673	1,016,891	4,778,877
Other	—	—	—	—	—
Total nonoperating expenses	\$13,097,735	\$ 3,565,625	\$ 4,111,303	\$ 6,017,323	\$16,020,335
Net nonoperating revenue (expense)	\$15,457,917	\$28,282,365	\$38,114,328	\$39,501,351	\$ (560,667)

STATISTICAL SECTION

User Charge Rates As of June 30, 2009

Type of Monthly Charge	Unmetered ^c	Metered	
		Residential ^c	Non-Residential
Wastewater User Charge			
Billing & Collection Charge	\$2.30	\$2.30	\$ 2.30
System Availability Charge	8.40	8.40	8.40
Compliance Charge ^a	—	—	27.40
Volume Charges			
per Ccf ^b	—	1.88	1.88
per room	1.23	—	—
per water closet	4.59	—	—
per bath	3.83	—	—
per separate shower	3.83	—	—
Extra Strength Surcharges ^a			
SS over 300 ppm per ton	—	—	218.90
BOD over 300 ppm per ton	—	—	529.56
COD over 600 ppm per ton	—	—	264.78
Stormwater Service Charge			
per 100 square feet of impervious property	0.12	0.12	0.12

Notes:

^aApplicable only to non-residential customers.

^bCcf = Hundred cubic feet.

^cUser charges for certain low income residential users will be 50 percent of the regular user charge.

Source: Finance Department

STATISTICAL SECTION

Sewer User Charges (Composite – Annual)

Last Ten Fiscal Years

	Fiscal Year				
	2000	2001	2002	2003	2004 ^b
Residential:					
Single Family/Unit ^a	\$170.52	\$170.52	\$170.52	\$170.52	\$205.32
Multi-Family/Unit ^a	145.32	145.32	145.32	145.32	173.16
Commercial/Industrial:					
Service Charge/Unit	172.44	172.44	172.44	172.44	218.28
Usage Charge/Ccf	1.05	1.05	1.05	1.05	1.34
Storm Sewer Usage Charge/100 sq. feet of impervious area	—	—	—	—	—
Extra Strength Surcharges:					
Suspended Solids over 300 parts per million/ton	87.20	87.20	87.20	87.20	162.88
Biological Oxygen Demand (BOD's) over 300 parts per million/ton	217.90	217.90	217.90	217.90	319.24
Chemical Oxygen Demand (COD's) over 600 parts per million/ton	108.95	108.95	108.95	108.95	159.62
	Fiscal Year				
	2005 ^c	2006 ^d	2007	2008 ^e	2009
Residential:					
Single Family/Unit ^a	\$249.84	\$271.44	\$271.44	\$344.88	\$344.88
Multi-Family/Unit ^a	210.00	228.00	228.00	299.76	299.76
Commercial/Industrial:					
Service Charge/Unit	236.28	248.28	248.28	457.20	457.20
Sanitary Sewer Usage Charge/Ccf	1.66	1.81	1.81	1.88	1.88
Storm Sewer Usage Charge/100 sq. feet of impervious area	—	—	—	0.12	0.12
Extra Strength Surcharges:					
Suspended Solids over 300 parts per million/ton	200.15	218.90	218.90	218.90	218.90
Biological Oxygen Demand (BOD's) over 300 parts per million/ton	412.58	461.44	461.44	529.90	529.56
Chemical Oxygen Demand (COD's) over 600 parts per million/ton	206.29	230.72	230.72	264.85	264.78

Notes:

^aThe above rates are based on actual rates and budgeted units.

^bOrdinance 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.

^cOrdinance 11692, effective July 1, 2004, changed wastewater rates.

^dOrdinance 12019, effective July 1, 2005, changed wastewater rates.

^eOrdinance 12561, effective January 1, 2008, changed wastewater rates. Ordinance 12560, effective March 1, 2008, changed stormwater rates.

Source: Finance Department

STATISTICAL SECTION

Number of Customers by Type Last Ten Fiscal Years

Fiscal Year	Single Family Residential	Multi-Family Residential	Non-Residential	Total Accounts
2000	351,367	45,348	25,918	422,633
2001	352,656	45,074	25,779	423,509
2002	353,166	44,581	25,664	423,411
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

Source: Finance Department

^aDue to the implementation of the impervious area change, approximately 46,000 additional stormwater only accounts are billed each month.

STATISTICAL SECTION

Ten Largest Customers Current Year and Nine Years Ago

Fiscal Year 2009 Customer	User Charges	
	Amount	%
Anheuser-Busch	\$ 7,565,613	3.09%
Mallinckrodt Inc.	1,161,840	0.47
Washington University	1,112,168	0.45
City Of St. Louis	1,038,359	0.42
Chrysler Corporation	699,271	0.29
Boeing Co.	662,578	0.27
Sigma-Aldrich	532,352	0.22
BJC Health Systems	527,376	0.22
Zoological Gardens	510,699	0.21
Sensient Colors Inc.	486,380	0.20
Subtotal (10 largest)	\$ 14,296,636	5.84%
Balance from other customers	\$230,403,328	94.16%
Grand totals	\$244,699,964	100.00%

Fiscal Year 2000 Customer	User Charges	
	Amount	%
Anheuser-Busch	\$ 5,300,796	4.24%
Solutia, Inc.	1,124,951	0.90
Daimler Chrysler Group	741,458	0.59
Boeing Co.	589,641	0.47%
Washington University	521,511	0.42
BJC Health Systems	507,949	0.41
Coca-Cola Bottling Co.	354,226	0.28
Laporte Pigments	321,067	0.26
City of St. Louis, Comptroller	286,875	0.23
Monsanto Co.	284,969	0.23
Subtotal (10 largest)	\$ 10,033,443	8.02%
Balance from other customers	\$115,007,207	91.98%
Grand totals	\$125,040,650	100.00%

Source: Finance Department

STATISTICAL SECTION

Ratios of Outstanding Debt by Type Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Revenue Bonds		Direct Loans	Total		As a Share of Personal Income
		Senior	Subordinate		Amount	Per Capita	
2000	\$5,845,000	\$ —	\$ —	\$ —	\$ 5,845,000	4	0.01
2001	2,205,000	—	—	—	2,205,000	2	—
2002	—	—	—	—	—	—	—
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	0.70
2009	—	258,965,000	235,932,500	4,345,790	499,243,290	373	0.81

Notes:

Calculation of Per Capita for 2008 is based on estimated population levels.

Calculation of "As a Share of Personal Income" is based on estimates for 2007.

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

STATISTICAL SECTION

Computation of Overlapping Debt As of June 30, 2009

Governmental Unit	Debt Outstanding	Amount of Debt within District Boundary	Percentage of Debt within District Boundary
City of St. Louis	\$ 49,790,000	\$ 49,790,000	100.0%
St. Louis County	54,635,000	54,197,920	99.2
Municipalities	101,324,430	98,204,848	96.9
City of St. Louis School District	235,287,782	235,287,782	100.0
St. Louis County School Districts	1,005,921,732	989,229,892	98.3
Fire Districts	85,491,552	79,746,718	93.3
	\$1,532,450,496	\$1,506,457,160	98.3%

Sources:

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

STATISTICAL SECTION

Pledged Revenue Coverage Last Ten Fiscal Years

Fiscal Year	Operating Revenues	Non-operating Revenues	Gross Revenues	Less: Operating Expenses (excluding depreciation)	Less: Non-operating Expenses (excluding net loss disposals)	Net Available Revenues
2000	\$128,175,011	\$10,268,810	\$138,443,821	\$ 93,690,369	\$7,200,553	\$37,552,899
2001	130,549,862	12,059,786	142,609,648	95,122,654	6,408,555	41,078,439
2002	127,213,259	7,948,275	135,161,534	100,451,107	3,039,379	31,671,048
2003	128,243,045	5,657,225	133,900,270	102,570,323	4,328,951	27,000,996
2004	156,739,527	1,745,978	158,485,505	108,000,500	4,211,011	46,273,994
2005	187,759,272	4,356,643	192,115,915	117,930,992	9,959,204	64,225,719
2006	205,554,460	6,135,347	211,689,807	131,909,717	3,470,561	76,309,529
2007	200,963,085	13,501,751	214,464,836	138,089,529	4,014,673	72,360,634
2008	208,981,377	13,281,919	222,263,296	137,302,360	1,016,891	83,944,045
2009	209,972,662	10,283,104	220,255,766	134,136,731	4,778,877	81,340,158

Fiscal Year	Debt Service			Coverage Ratio
	Principal	Interest	Total	
2000	N/A	N/A	N/A	N/A
2001	N/A	N/A	N/A	N/A
2002	N/A	N/A	N/A	N/A
2003	N/A	N/A	N/A	N/A
2004	N/A	924,164	924,164	50
2005	1,127,500	14,799,402	15,926,902	4
2006	5,407,500	13,835,332	19,242,832	4
2007	7,817,500	16,512,429	24,329,929	3
2008	8,640,000	17,694,791	26,334,791	2
2009	12,110,000	17,503,891	29,613,891	3

Notes:

This schedule complies with the procedures associated with the continuing disclosure requirements of the 2004 through 2009 revenue bonds and, therefore, does not include all the revenues and expenses of the District.

STATISTICAL SECTION

Demographic and Economic Statistics Last Ten Fiscal Years

Fiscal Year	Populations	Personal Income (millions)	Per Capita Personal Income	Unemployment Rate			Labor Force	Total Number of Households ¹
				Saint Louis				
				City	County	State		
2000	1,363,214	\$49,205	\$36,095	5.0%	2.8%	3.3%	731,083	551,388
2001	1,365,241	49,653	36,369	7.0	4.2	4.7	741,504	551,388
2002	1,363,245	51,465	37,752	9.0	5.4	5.8	740,371	551,388
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

Notes:

¹The number of households was taken from <http://quickfacts.census.gov/qfd/states/29000.html>. It is based on the 2000 census. Information for other years is unavailable, and therefore the 2000 census information is used for every year 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/bea/regional/reis/scb.cfm>
<http://www.missourieconomy.org/indicators/LAUS/default.aspx>

STATISTICAL SECTION

Principal Employers (St. Louis Metropolitan Area) Current Year and Nine Years Ago

Employer	Fiscal Year 2009			Fiscal Year 2000		
	Employees ¹	Percentage of Total	Rank	Employees ¹	Percentage of Total	Rank
BJC HealthCare	23,533	4%	1	22,694	3%	1
The Boeing Co. Integrated Defense Systems	16,000	3%	2	21,000	3%	2
Wal-Mart Stores Inc.	14,300	2%	3	8,600	1%	9
Scott Air Force Base	13,520	2%	4	9,298	1%	7
United States Postal Service	13,110	2%	5			
Washington University in St. Louis	12,683	2%	6	9,667	1%	5
SSM Healthcare	11,497	2%	7			
Schnuck Markets, Inc.	10,500	2%	8	13,051	2%	4
St. John's Mercy Health Care	9,288	2%	9			
McDonald's Corp.	9,000	1%	10	9,500	1%	6
Unity Health System				14,174	2%	3
City of St. Louis				8,328	1%	10
Trans World Airlines, Inc.				8,765	1%	8
	<u>133,431</u>	<u>22%</u>		<u>125,077</u>	<u>16%</u>	

Notes:

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

Sources: St. Louis Business Journal's *Book of Lists 2009*

St. Louis Business Journal's *Book of Lists 2000*

STATISTICAL SECTION

Employment Level Last Ten Fiscal Years

	Full-time-Equivalent Employees as of June 30,									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Administrative	150	148	140	155	111	122	118	125	131	131
Office/Clerical	103	97	84	108	81	76	88	86	92	94
Plant Operation										
& Laboratory	248	233	234	221	231	231	233	234	239	237
Engineering & Technical	126	131	110	115	117	114	119	122	133	144
Sewer Construction										
& Maintenance	276	257	273	302	259	258	258	271	276	301
Total Employees	903	866	841	901	799	801	816	838	871	909

Source: Human Resources Department

STATISTICAL SECTION

Average Flow Last Ten Fiscal Years

Fiscal Year	Average Sewage Treatment in Millions of Gallons per Day
2000	289.6
2001	304.1
2002	319.8
2003	302.8
2004	342.3
2005	348.7
2006	291.3
2007	313.4
2008	363.7
2009	394.7

Source: Operations Department

STATISTICAL SECTION

Operating and Capital Indicators Last Ten Fiscal Years

	Fiscal Year				
	2000	2001	2002	2003	2004
Miles of sewers	8,500	8,800	8,800	8,959	9,200
Number of treatment plants	10	10	9	8	8
Treatment capacity (MGD) ^a	413	413	413	413	413
Annual engineering maximum					
plant capacity (millions of gallons)	150,745	150,745	150,745	150,745	150,745
Amount treated annually (millions of gallons)	105,704	110,997	116,727	116,800	124,940
Unused capacity (millions of gallons)	45,041	39,748	34,018	33,945	25,805
Percentage of capacity utilized	70%	74%	77%	77%	83%
	Fiscal Year				
	2005	2006	2007	2008	2009
Miles of sewers	9,568	9,630	9,764	9,723	9,900
Number of treatment plants	8	8	8	7	7
Treatment capacity (MGD) ^a	413	413	426	423	423
Annual engineering maximum					
plant capacity (millions of gallons)	150,745	150,745	155,490	154,395	154,395
Amount treated annually (millions of gallons)	127,276	106,339	114,391	132,751	144,066
Unused capacity (millions of gallons)	23,469	44,406	41,099	21,644	10,329
Percentage of capacity utilized	84%	71%	74%	86%	93%

Sources: Operations Department and Engineering Department

Note: ^aMillion gallons per day.



Metropolitan St. Louis Sewer District
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www.stlmsd.com