1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of St. Louis, Missouri (the City) is a constitutional charter City not a part of any county, which is organized and exists under and pursuant to the constitution and laws of the State of Missouri. The City's current form of government is provided for in its charter which first became effective in 1914 and has been subsequently amended by City voters. The City provides a wide range of municipal services as follows: fire and other public safety; parks and recreation; forestry; health, welfare and other social services; street maintenance; refuse collection; public services; community and economic development; convention and tourism; and general administrative services. The City also owns and operates a water utility, parking facilities, and an international airport as self-supporting enterprises.

The accounting policies and financial reporting practices of the City conform to accounting principles generally accepted in the United States of America applicable to governmental entities. The following is a summary of the more significant policies:

a. Reporting Entity

The City's financial reporting entity has been determined in accordance with governmental standards for defining the reporting entity and identifying entities to be included in its basic financial statements. These standards identify the City's financial accountability for potential component units as the primary, but not only, criteria for inclusion. The City is financially accountable if it appoints a voting majority of a potential component unit governing body and is able to impose its will on that potential component unit, or there is a potential for the potential component unit to provide specific financial benefits to, or impose specific financial burdens on the City. The City's financial reporting entity consists of the City of St. Louis (the primary government) and its component units.

1) Blended Component Units

The component units discussed below are included in the City's reporting entity due to the significance of their operational or financial relationships with the City.

Public Facilities Protection Corporation (PFPC)

The PFPC is an internal service fund governed by a five-member board of persons in designated City positions. The PFPC is reported as if it were part of the primary government because its sole purpose is to provide the City with a defined and funded self-insurance program for claims and judgments, and other related legal matters including workers' compensation.

St. Louis Municipal Finance Corporation (SLMFC)

The SLMFC, established in 1991, is governed by a five-member board, consisting of persons in designated City positions. The SLMFC is reported as if it were part of the primary government because its sole purpose is to lessen the burden on the City by financing or acquiring, leasing or subleasing real property and improvement thereon, and personal property to the City.

St. Louis Municipal Finance Corporation (SLMFC – II)

The SLMFC – II, established in 1993, is governed by a five-member board of persons in designated City positions. The SLMFC – II is reported as if it were part of the primary government because its sole purpose is to lessen the burden on the City by financing or acquiring, leasing or subleasing real property and improvements thereon, and personal property to the City.

2) Discretely Presented Component Units

The component units columns in the statement of net assets and statement of activities include the financial data of the City's four discretely presented component units. These are reported individually to emphasize that they are legally separate from the City.

St. Louis Development Corporation (SLDC)

The SLDC was organized in 1988 to improve the efficiency and effectiveness of the economic development activity of the City. SLDC combined the administrative staffs of six independent development agencies for the purpose of coordinating administrative services for all six agencies. The agencies that are considered component units of SLDC are the Land Reutilization Authority, the Land Clearance for Redevelopment Authority, the St. Louis Industrial Development Authority, the Planned Industrial Expansion Authority, the Local Development Company, and the St. Louis Port Authority. SLDC is included as a component unit of the City due to its operational and financial relationship with the City. The City is financially accountable for SLDC due to their fiscal dependency on the City.

The Metropolitan Police Department of the City of St. Louis, Missouri (SLPD)

The SLPD, established by state statute, is administered by a five member Board of Commissioners, the Mayor and four members appointed by the Governor. The City is obligated to provide a minimum level of funding for the operations of the SLPD. SLPD's operating budget is prepared and submitted to the City for approval. SLPD has no authority to levy a tax or issue debt in its name, and therefore is fiscally dependent on the City for substantially all of its funding.

Harry S. Truman Restorative Center, James J. Wilson, City Counselor, Receiver (HSTRC)

The HSTRC is a 220-bed skilled nursing facility operated as a not-for-profit entity supported by the City and located in a City-owned building. Under court ordered receivership, the City has administrative oversight responsibility for HSTRC and appoints a voting majority of HSTRC's advisory board. This advisory board consists of one representative from each of the offices of the Mayor, Comptroller, President of the Board of Aldermen and the City Counselor (the Receiver) as well as two executive employees of HSTRC. The City is able to impose its will on HSTRC.

Solid Waste Management and Development Corporation (SWMDC)

The SWMDC owns a system of underground pressurized steam transport pipe in the downtown area commonly known as the "steam loop". The steam loop is leased on a long-term basis to a steam generating private entity unrelated to the City. The steam loop serves City Hall and other municipal buildings and is the only non-private source of steam in downtown St. Louis. The City appoints a voting majority of SWMDC's Board of Directors. The Board of Directors consists of representatives of the President of the Board of Public Service (Chairperson), Deputy Mayor/Chief of Staff, and Director of the Street Department. Separate financial statements are not prepared for SWMDC. SWMDC is directed by employees of the City and therefore, the City is able to impose its will on SWMDC.

Complete financial statements of the discretely presented component units other than SWMDC may be obtained from their administrative offices as follows:

St. Louis Development Corporation
1015 Locust Street
St. Louis, Missouri 63103-2845

Harry S. Truman Restorative Center
5700 Arsenal Street
St. Louis, Missouri 63139-1699

The Metropolitan Police Department of the City of St. Louis
1200 Clark Avenue
St. Louis, Missouri 63101

3) Related Organizations

The City's officials are also responsible for appointing the voting majority of board members for other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. Thus, no financial data for these organizations are included in the City's basic financial statements. These related organizations include the Mental Health Board, the St. Louis Housing Authority, the St. Louis Office for Mental Retardation & Developmental Disability Resources, and the St. Louis Public Library.

4) Joint Venture

St. Louis Regional Convention and Sports Complex Authority (Authority)

The Authority, established in 1990 as a separate legal entity by an Act of the Missouri State legislature, is governed by an 11 member Board of Commissioners. The Mayor of the City and the County Executive of St. Louis County, Missouri (the County) each appoint three members and the Governor of the State appoints the remaining five commissioners. The Authority is considered a joint venture of the City, County, and State because the three governments have entered into a contractual agreement with the Authority to sponsor the issuance of convention facility bonds, to repay the facility bonds through rental payments to the Authority, and to make annual preservation payments for facility maintenance and renovations, all of which create an ongoing financial responsibility of the City. The Authority is subject to joint control of the City, County, and State. Complete financial statements for the Authority can be obtained from the Authority's administrative offices at 901 North Broadway, St. Louis, Missouri 63101.

b. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on charges for services. Likewise, the City is reported separately from certain legally separate component units for which the City is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges for services to customers or applicants who purchase, use, or directly benefit from good, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, unrestricted interest earnings, gains, and other miscellaneous revenues not properly included among program revenues are reported instead as general revenues.

Following the government-wide financial statements are separate financial statements for governmental funds, proprietary funds, and fiduciary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The City has determined that the general fund, the capital projects fund, and the grants fund are major governmental funds. All other governmental funds are reported in one column labeled "Other Governmental Funds". The total fund balances for all governmental funds is reconciled to total net assets for governmental activities as shown on the statement of net assets. The net change in fund balance for all governmental funds is reconciled to the total change in net assets as shown on the statement of activities in the government-wide statements. The City has three enterprise funds (business-type activities), Lambert-St. Louis International Airport (Airport), Water Division, and Parking Division. Each of these enterprise funds is major funds within the fund financial statements. Additionally, the City has three internal service funds (governmental activities), PFPC, mailroom services, and health. All internal service fund activity is combined into a single column on the proprietary fund statements, since major fund reporting requirements do not apply to internal service funds.

The fund financial statements of the City are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances/net assets, revenues and expenditures, or expenses. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the basic financial statements. The following fund types are used by the City:

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The acquisition, uses and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

The following are the City's governmental major funds:

General Fund – The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund – The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities, other that those financed by proprietary funds. This fund accounts for acquisition or construction of capital improvements, renovations, remodeling, and replacement for the City's major capital projects.

Grants Fund – The grants fund is a special revenue fund which is used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes. The grants fund accounts for the majority of the City's federal grant programs received from the U.S. Department of Health and Human Services, U.S. Department of Housing and Urban Development, U.S. Department of Justice, U.S. Department of Labor, U.S. Department of Transportation and various other federal agencies.

The other governmental funds of the City are considered nonmajor. They are special revenue funds which account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes and a debt service fund which accounts for the accumulation of resources for, and repayment of, general obligation long-term debt principal, interest and related costs.

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those found in the private sector. The measurement focus is on the determination of net income and capital maintenance.

The following are the City's proprietary fund types:

Enterprise – Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (including depreciation) of operations are financed primarily through user charges. Enterprise funds have been established for the Lambert – St. Louis International Airport, the Water Division, and the Parking Division. The Airport is used to account for the activities of the Airport. The principal services provided are financed primarily through landing fees and terminal concession revenues. The Water Division is used to account for sale of water to the general public and the operation of the water delivery system. The Parking Division is used to account for the operation of public parking facilities and parking meters. Each of the enterprise funds is a major fund in the fund financial statements.

Internal Service – Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost reimbursement basis. An internal service fund has been established for PFPC, mailroom services, and health. The PFPC fund is used to account for payment of workers' compensation and various other claims against legal actions on behalf of other funds. The mailroom services fund is used to account for mail handling services provided to other funds. The health fund is used to account for payment of health insurance claims for participants.

In the government-wide and proprietary fund financial statements, the City applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as the following private-sector pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Fiduciary Fund Types

Trust and Agency – Trust and agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. These include pension trust funds and agency funds. Pension trust funds are accounted for and reported similar to proprietary funds. The pension trust funds account for the Firemen's Retirement System of St. Louis, Police Retirement System of St. Louis, and the Employees' Retirement System of the City of St. Louis pension benefits. Agency funds are accounted for and reported similar to the governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of the Collector of Revenue, property tax escrow, general insurance, bail bonds, License Collector, Circuit Clerk, and other agency operations.

c. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting, as are the proprietary fund and pension trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. At year-end, entries are recorded for financial reporting purposes to reflect the modified accrual basis of accounting for governmental funds types, and agency funds, and the accrual basis of accounting for the proprietary fund types and pension trust funds.

Under the modified accrual basis of accounting, revenues are recorded when both measurable and available. The term “available” is defined as collectible within the current period or soon enough thereafter to be used to pay the liabilities of the current period. For the City, available is defined as expected to be received within sixty days of fiscal year-end, except for government grants, which is within one hundred and twenty days of fiscal year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due (i.e. matured).

GASB Statement No. 33 groups nonexchange transactions into the following four classes, based upon their principal characteristics: derived tax revenues, imposed nonexchange revenues, government mandated nonexchange transactions, and voluntary nonexchange transactions.

The City recognizes assets from derived tax revenue transactions (such as city earnings and payroll taxes, sales and utilities gross receipt taxes) in the period when the underlying exchange transaction on which the tax is imposed occurs or when the assets are received, whichever occurs first. Revenues are recognized, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred. Resources received in advance are reported as deferred revenues until the period of the exchange.

The City recognizes assets from imposed nonexchange 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 City recognizes revenues from property taxes, net of estimated refunds and estimated uncollectible amounts, in the period for which the taxes are levied. Imposed nonexchange revenues also include permits and court fines and forfeitures.

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.

Charges for services in the governmental funds, which are exchange transactions and are therefore not subject to the provisions of GASB 33, are recognized as revenues when received in cash because they are generally not measurable until actually received.

Under the accrual basis of accounting used by the proprietary fund types and pension trust funds, revenues are recognized when earned and expenses are recognized when incurred. Unbilled service revenues are accrued by the Airport and Water Division based on estimated billings for services provided through the end of the current fiscal year.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Airport enterprise fund are revenues from airlines, concessions and parking. Transactions which are capital, financing, or investing related are reported as non-operating revenues. The principal operating revenues of the Water Division enterprise fund, the Parking Division enterprise fund, and internal service funds are charges to customers for sales and services. All expenses related to operating the Airport enterprise fund are reported as operating expenses. Interest expense, financing costs, and miscellaneous expenses are reported as non-operating expenses. Operating expenses for the Water Division enterprise fund, the Parking Division enterprise fund and internal service funds include the cost of sales and services, administrative expenses, and depreciation and amortization. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

For the pension trust funds, under the accrual basis of accounting, contributions are recognized in the period in which the contributions are due and benefits are recognized when they become due and payable.

Component Units – SLDC, SLPD, HSTRC and SWMDC

The SLDC, HSTRC, and SWMDC proprietary funds are recorded on the accrual basis of accounting. The governmental fund types of SLDC and SLPD, and the fiduciary fund type of SLPD, follow the modified accrual basis of accounting.

d. Property Taxes

Taxes are levied annually in November based on the assessed valuation of all real and personal property located in the City as of the previous January 1. The City tax rate levied in November 2001 was $1.5991 per $100 of assessed valuation of which $1.4478 is for the general fund and $.1513 is for the debt service fund. Taxes are billed in November and are due and collectible on December 31. All unpaid taxes become delinquent on January 1 of the following year and attach as an enforceable lien on the related property at that date.

e. Cash and Investments

The City Treasurer maintains a cash and investment pool that is available for use by all funds including certain component units, except pension trust funds. In accordance with the City's budget ordinance the majority of investment income is considered earned by the general fund except for earnings otherwise legally restricted for a specific purpose. Income from investments associated with one fund is not assigned to another fund for other than legal or contractual reasons. In addition, cash and investments are separately maintained by other City officials, several of the City's departments and third-party trustee and fiscal agents.

Investments are recorded at fair value. Fair values for investments are determined by closing market prices at year-end as reported by the investment custodian. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments.

f. Inventories

Purchase of materials and supplies in the governmental fund types are charged to expenditures as incurred. Amounts of inventories in such funds are immaterial. For the enterprise fund type, inventories are recorded at cost using a method which approximates the first-in, first-out method or the moving average cost method, and the expense is recognized when inventories are consumed in operations.

g. Capital Assets

Governmental activities capital assets

Capital assets, which include buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, docks, promenade, traffic signals, and similar items), are reported in the governmental activities column in the government-wide financial statements, net of accumulated depreciation. Capital assets are defined by the City as assets with an estimated useful life in excess of one year with an initial, individual cost of $5 or more, infrastructure with a cost of $500 or more, building improvements with a cost of $100 or more and all land, land improvements, and buildings.

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. General infrastructure assets acquired prior to July 1, 2001 consist of the road network assets that were acquired or that received substantial improvements subsequent to June 30, 1980 and are reported at estimated historical cost using deflated replacement cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets lives are not capitalized.

The City has determined that all works of art and historical treasures other than the City's statue, monuments and fountains meet the definition of a collection, and accordingly has not capitalized these assets. A collection is defined as:

- Held for public exhibition and education;
- Protected, cared for, and preserved; and
- Subject to an organizational policy that requires the proceeds from the sale to be used to acquire other items for the collection.

The City has adopted a policy related to the sale of these assets, stating that the proceeds from the sale of any City-owned collections, in part or in its entirety, will be used for the acquisition of collection items.

All City-owned statues, monuments and fountains are capitalized at their historic cost based upon original acquisition or construction documents or estimates of original costs. Because of the nature of these assets and the manner in which the City maintains its historic treasures, these assets are considered inexhaustible, and therefore are not subject to depreciation.

Depreciation, including depreciation recognized on assets acquired through government grants and other aid, is computed on the straight-line method over the estimated useful lives of the various classes of assets, except for roads which is computed using the composite method. The estimated useful lives of depreciable capital assets are as follows:

	Years
Buildings	40
Improvements other than buildings	20 to 40
Equipment	5 to 15
Infrastructure	18 to 50

Business-type activities capital assets

Capital assets for the Airport, Water Division, Parking Division and mailroom are reported in the business-type activities column in the government-wide financial statements, net of accumulated depreciation.

(dollars in thousands)

Airport

Capital assets are recorded at cost. Depreciation, including depreciation recognized on assets acquired through government grants and other aid, is computed on the straight-line method over the estimated useful lives of the various classes of assets. Land is recorded at cost which, in addition to the purchase price, includes appraisal and legal fees, demolition and homeowner relocation costs. Net interest costs on funds borrowed to finance the construction of capital assets are capitalized and amortized over the life of the related asset. The estimated useful lives of depreciable capital assets are as follows:

	Years
Pavings	18 to 25
Buildings and facilities	20 to 30
Equipment	2 to 20

Water Division

Capital assets were originally recorded in 1958, and were based on an engineering study of the historical cost of properties constructed by employees of the Water Division. Accumulated depreciation at the date the assets were recorded were established after a review by a consulting firm.

Additions to capital assets subsequent to 1958 are recorded at historical cost. Provisions for depreciation of capital assets are computed on a straight-line basis over the estimated useful lives of the assets and are charged to operating expenses. The estimated useful lives of depreciable capital assets are as follows:

	Years
Buildings and structures	44 to 55
Reservoirs	44 to 55
Boiler plant equipment	44 to 55
Pumping equipment	28 to 44
Purification basins and equipment	50 to 100
Water mains, lines, and accessories	50 to 100
Equipment	5 to 25
Motor vehicle equipment	5

Net interest costs on funds borrowed to finance the construction are capitalized and depreciated over the life of the related asset.

Parking Division

Capital assets are recorded at historical cost, including applicable interest incurred during the construction period. Donated capital assets are recorded at estimated fair market value at the date of donation. The contribution is reflected as capital contributions. Depreciation is computed using the straight-line method over the estimated useful lives of the various classes of assets. The estimated useful lives of depreciable capital assets are as follows:

	Years
Buildings and parking garages	40
Equipment	5 to 15
Parking meters and lot equipment	5 to 10

Mailroom

Capital assets are recorded at historical cost. Depreciation is computed using the straight-line method over the estimated useful lives of the various classes of assets. The estimated useful life of equipment, other than computer equipment, is 10 years. The estimated useful life of computer equipment is 5 years.

Component Unit – SLDC

SLDC's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost. Historically, SLDC maintained infrastructure asset records consistent with all other capital assets. Donated assets are stated at fair market value on the date donated. SLDC generally capitalizes assets with cost of $2,500 (not in thousands) or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

	Years
Buildings and structures	40
Improvements other than buildings (includes infrastructure)	3 to 15
Furniture, fixtures, and equipment	5 to 10

Component Unit – SLPD

Capital assets are capitalized at cost or estimated historical cost. Donated capital assets are valued at estimated fair market value as of the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed. All capital assets over the capitalization levels are depreciated. SLPD's capitalization threshold is $5.

(dollars in thousands)

Depreciation is computed using the straight-line method (with the 1/2 year convention election applied in the first and last year) over the following estimated useful lives:

	Years
Buildings and improvements	50 to 100
Furniture and fixtures and other equipment	5
Automotive equipment	3
Communication equipment	5
Computer and software	3
Aircraft	6

Component Unit – HSTRC

Property and equipment are depreciated on the straight-line basis over the estimated useful lives of each asset. Donated property and equipment are reported at fair value as an increase to unrestricted net assets.

Component Unit – SWMDC

Capital assets are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives to the depreciable capital assets. The estimated useful lives of infrastructure is 30 to 40 years.

h. Long-term Liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets/statement of fund net assets.

i. Other Liabilities

Airport

In June 1995, the Airport entered into a forward purchase agreement with certain financial institutions. Under this agreement, the Airport received a lump-sum interest payment of $7,209 (present value of future interest earnings based on an interest rate of 6.34%) and deposited it into the debt service accounts related to the Airport Revenue Bonds, Series 1987 (Bond Series 1987), Airport Revenue Refunding and Improvement Bonds, Series 1992 (Bonds Series 1992), Taxable Airport Revenue Refunding Bonds, Series 1993 (Bonds Series 1993), and Taxable Airport Revenue Bonds, Series 1993A (Bonds Series 1993A). In exchange, the Airport has contracted to buy qualified, eligible securities (as defined in the agreement) from these institutions on the 15th of every month until the bonds mature, are called or are refinanced. The institutions receive the actual interest earned on the Airport securities purchased every month. The difference between the fixed interest rate earned by the Airport and the variable interest rate paid to the institutions is recorded as a net adjustment to interest expense. In April 1996, this agreement was amended to replace the Bonds Series 1987 with the Airport Revenue

Refunding Bonds, Series 1996 (Bonds Series 1996). A $95 termination payment was made in consideration for the amendment. The Airport's obligation under the forward purchase agreement of $3,183 at June 30, 2002 is recorded in other noncurrent liabilities.

Water Division

In 1996, the Water Division entered into a forward purchase agreement with a financial institution. Under this agreement, the Water Division received a lump-sum interest payment of $941 (present value of future interest earnings based on an interest rate of 6.20%) and deposited it into the waterworks revenue account. In exchange, the Water Division has contracted to buy qualified eligible (as defined in the agreement) securities from this institution on the 10th of every month until the water revenue bonds mature, are called, or are refinanced. The institution, in turn, receives the actual interest earned on the Water Division securities purchased every month. During 1999, the forward purchase agreement was amended to include the 1998 Water Revenue Bonds revenue account. The Water Division's obligation under the forward purchase agreement of $554 is recorded in other noncurrent liabilities at June 30, 2002.

j. Passenger Facility Charges (PFCs)

The Airport collects a $4.50 (in dollars) facility charge per enplaned passenger to fund approved Federal Aviation Administration (FAA) projects. Prior to December 2001, the facility charge was $3.00 (in dollars) per enplaned passenger. The PFC is withheld by the respective airlines for each ticket purchased and passenger transfer made in St. Louis and remitted to the Airport one month after the month of receipt, less an $.08 (in dollars) per ticket operating fee retained by the airlines. During 2002, the Airport changed its method of accounting for PFC receivables and deferred revenue. Prior to 2002, the Airport recorded a receivable and deferred revenue for amounts remitted to the Airport in the month following fiscal year end. This change had no effect on net assets. As information pertaining to PFC activity is not available to the Airport prior to receipt of PFC remittances from the airlines, PFC revenue is recognized as received, and is classified as nonoperating revenue.

k. Capital Contributions

Capital contributions to the Airport and Water Division represent government grants and other aid used to fund capital projects. Capital contributions are recognized as revenue when the expenditure is made and amounts become subject to claim for reimbursement. Amounts received from other governments which are not restricted for capital purposes are reflected as nonoperating intergovernmental revenue.

l. Capitalization of Interest

Net interest costs on funds borrowed to finance the construction of capital assets are capitalized and depreciated over the life of the related asset for business-type activities and proprietary fund types. Interest is not capitalized for governmental fund types within the fund financial statements.

m. Amortization

In government-wide financial statements and the proprietary fund types in the fund financial statements, bond discounts are recorded as a reduction of the debt obligation and bond issuance costs are recorded as a deferred charge. Such amounts are amortized using the interest method or bonds outstanding method over the term of the related revenue bonds. The deferred amount on refunding is amortized as a component of interest expense over the remaining life of the bonds using the bonds outstanding method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

n. Compensated Absences

The City grants vacation to full-time and part-time employees who work 50% of full-time or more based on years of continuous service. Compensatory time is granted to certain employees for hours worked in excess of a normal week that are not taken within the current bi-weekly pay period. These benefits are allowed to accumulate and carry over, with limitations, into the next calendar year and will be paid to employees upon departure from service for any reason. The entire accrued benefit liability related to the City's compensated absences has been recorded in the government-wide financial statements and in the proprietary funds in the fund financial statements. Certain amounts have been recorded in the governmental fund financial statements, since such amounts came due (i.e. matured) during the fiscal year ended June 30, 2002.

Non-uniformed employees retiring after June 30, 2001, who have an unused sick leave balance may, at retirement, elect to receive payment for one-half of the sick leave balance. As an estimate of the portion of sick leave that will result in termination payments, a liability has been recorded on the government-wide financial statements and the proprietary funds in the fund financial statements within accounts payable and accrued expenses representing one-half of the accumulated sick leave balances for those employees who will be eligible to retire within five years.

Component Unit – SLPD

Banked overtime is granted to certain employees for hours worked in excess of normal work day which are not taken within the current bi-weekly pay period. Banked overtime is allowed to accumulate up to forty hours and will be paid to employees upon resignation, retirement, or death.

Both commissioned and civilian employees accumulate sick leave hours and will be paid a minimum of 25% of their unused sick leave upon termination of employment. The liability for accrued sick leave pay has been calculated using the vesting method. Commissioned and civilian employees retiring from SLPD with 1600+ hours of sick leave accrued and 20+ years of service will be paid 25% of their unused sick leave plus one additional month's salary. Commissioned employees retiring from SLPD with 2200+ hours of sick leave accrued and 30+ years of service will be paid 50% of their unused sick leave. Civilian employees retiring from SLPD with 2200+ hours of sick leave accrued and has 85 points (years of service plus age) or age 65 will be paid 50% of their unused sick leave.

o. Encumbrances

Within the governmental fund financial statements, fund balance is reserved for outstanding encumbrances, which serves as authorization for expenditures in the subsequent year. Of encumbrances outstanding at year-end, $3,400 will remain in force and will be liquidated under the current year's budget and $46,238 will automatically be reappropriated and re-encumbered as part of subsequent year budgets.

p. Interfund Transactions

In the fund financial statements, the City has the following types of transactions among funds:

Transfers

Legally authorized transfers are reported when incurred as transfers in by the recipient fund and as transfers out by the disbursing fund.

Interfund Services Provided/Used

Charges or collections for services rendered by one fund for another are recognized as revenues (interfund services provided) of the recipient fund and expenditures or expenses (interfund services used) of the disbursing fund. These transactions are recorded as interfund services because they would be treated as revenues and expenditures or expenses if they involved organizations external to the City.

Within the accompanying activity from the statement of activities, direct expenses are not eliminated from the various functional categories. Indirect expenses are eliminated from the various functional categories.

Certain internal payments are treated as program revenues, such as internal services provided and used. Certain internal payments are treated as a reduction of expense, such as reimbursements.

Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

q. Reserved Fund Balance

Within the fund governmental fund financial statements, reserved fund balance represents the portion of fund balance that is not available for subsequent year appropriation and is legally segregated for a specific future use. In addition to encumbrances, reserved fund balances at June 30, 2002 are comprised of the following:

General Fund

Cash and investments with trustees to be used for debt service related to the Convention Center, the Kiel Site Project, the Argyle and Kiel parking garages, Civil Courts, Justice Center, Carnahan Courthouse, and Firemen's System Revenue Bonds.

Capital Projects Fund

Cash and investments with trustees to be used for debt service and construction related to the Forest Park Redevelopment, Justice Center construction, and Carnahan Courthouse construction. Reserved fund balance also includes proceeds of capital improvement sales tax restricted for construction.

Other Governmental Funds

Cash and investments with a trustee to be used for debt service of the Scullin Tax Increment Financing Bonds and West Pine Tax Increment Financing Bonds and other bond principal payments.

r. Statement of Cash Flows

For the purpose of the statement of cash flows, cash and cash equivalents are defined as all highly liquid investments (including restricted assets) with a maturity of three months or less at the date of purchase.

s. Use of Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenue, expenses, and expenditures during the reporting period. Actual results could differ from those estimates.

t. Individual Fund Deficit

At June 30, 2002, the grants fund has a deficit fund balance of $62. This amount will be offset by future revenues. Additionally, the PFPC internal service fund has deficit net assets of $8,128. The accumulated deficit will be offset by charges for services to other funds in future years.

u. Accounting Change and Restatement of Fund Balance

During fiscal year 2002, the City adopted GASB Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – For State and Local Governments* (GASB No. 34), GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus* (GASB No. 37), GASB Statement No. 38, *Certain Financial Statement Note Disclosures* (GASB No. 38) and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

GASB No. 34 (as amended by GASB No. 37) represents a very significant change in the financial reporting model used by state and local governments.

GASB No. 34 requires government-wide financial statements to be prepared using the accrual basis of accounting. Government-wide financial statements do not provide information by fund or account group, but distinguish between the City's governmental activities, business-type activities, and activities of its discretely presented component units on the statement of net assets and statement of activities. Additionally, the City's statement of net assets includes capital assets and long-term liabilities of the City, which were previously recorded in the general fixed assets account group and the general long-term debt account group, respectively. In addition to the fixed assets previously recorded in the general fixed assets account group, the City retroactively capitalized infrastructure assets that were acquired beginning with fiscal year ended June 30, 1981. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets, including infrastructure.

In addition to the government-wide financial statements the City has prepared fund financial statements, which continue to use the modified accrual basis of accounting for the City's general fund, capital projects fund, grants fund, other governmental funds, and agency funds, which is similar to that previously presented for these funds in the City's financial statements, although the format of financial statements has been modified by GASB No. 34. Additionally, the proprietary funds and pension trust funds fund financial statements continue to focus on the determination of net income and capital maintenance.

GASB No. 34 also includes, as required supplementary information, Management's Discussion and Analysis, which provides an analytical overview of the City's financial activities. In addition, a budgetary comparison schedule is presented that compares the original and final revised general fund budget with actual results and certain pension information is presented.

GASB No. 38 requires certain disclosures to be made in the notes to the basic financial statements concurrent with the implementation of GASB No. 34. While this statement did not affect amounts reported in the financial statements of the City, certain note disclosures have been added and amended including descriptions of activities of major funds, future debt service and lease obligations in five year increments, short-term obligations, and interfund balances and transactions.

(dollars in thousands)

These statements had a significant effect on the City's financial reporting model. All statements were retroactively applied to July 1, 2001. Restatement of net assets within the government-wide financial statements is as follows:

General Fund	$	96,077
Special Revenue Funds		30,998
Debt Service Fund		10,134
Capital Projects Fund		159,764
Enterprise Funds		950,193
Internal Service Funds		(6,492)
Total fund equity, June 30, 2001	$	1,240,674
Required GASB 34 adjustments:		
Capital assets, net accumulated depreciation	$	639,291
Long-term and other liabilities		(578,546)
Revenue recognition		57,269
Net pension asset		28,539
Total net assets, June 30, 2001	$	1,387,227

2. DEPOSITS AND INVESTMENTS

While certificates of deposit are defined as investments for the statement of net assets/balance sheet/statement of fund net assets classification and cash flow purposes, for custodial risk disclosure they are shown as deposits. In addition, money market mutual funds are classified as cash deposits (for all funds except pension trust funds) on the statement of net assets/balance sheet/statement of fund net assets, but as investments for custodial risk disclosure.

At year-end, the carrying amount of cash deposits was $158,619 and the bank balances totaled $178,597. Of the bank balance, $1,547 was insured by the Federal Depository Insurance Corporation (FDIC), $168,387 was covered by collateral held by the pledging bank's trust department or agent in the City's name, and $6,241 was covered by collateral held by the pledging bank's trust department or agent in the pledging bank's name, and $2,422 was uninsured and uncollateralized.

State statutes and City investment policies authorize the deposit of funds in financial institutions and trust companies. For City funds other than pension trust funds, investments may be made in obligations of the United States government or any agency or instrumentality thereof, or bonds of the State or any city within the state with a population of 400,000 inhabitants or more, certificates of deposit, commercial paper, bankers acceptances, money market mutual funds or state investment pools, provided that no such investment shall be purchased at a price in excess of par. In addition, the City may enter into a repurchase agreement maturing and becoming payable within 90 days secured by United States Treasury obligation or obligations of the United States government agencies or instrumentalities, of any maturity, as provided by law. Pension trust funds are authorized to invest in the following:

- United States government securities;
- Common stocks of corporations organized under the laws of the United States; however, the investment in common stock cannot exceed 45% of total investments at cost;
- Common stocks of foreign corporations through commingle fund investments;
- Publicly issued corporation bonds, debentures, notes, or other evidence of indebtedness assumed or guaranteed by corporations organized under the laws of the United States with ratings of “A” or better by Moody’s Investors Service; and
- Short-term securities with a maximum maturity of one-year including institutional liquid assets, United States Treasury obligations, federal agency obligations, discount and interest-bearing notes from corporations, and certificates of deposit.

The Firemen’s Retirement System of St. Louis, a pension trust fund (the Firemen’s System), participates in securities lending programs in order to enhance investment yield. In a securities lending transaction, the Firemen’s System transfers possession – but not title – of the security to the borrower. Collateral consisting of cash, letter of credit or government securities is received and held by a financial institution. The collateral maintained is at least 100% of the market value of the securities lent. The Firemen’s System maintains all the rights in the collateral of a secured lender under the Uniform Commercial Code. The Firemen’s System continues to earn income on the loaned security. In addition, the Firemen’s System receives 60% of the net lending fees generated by each loan of securities. At the Firemen’s System’s fiscal year end, $31,607 in loans were outstanding to borrowers. The Firemen’s System earned income of $53 for its participation in the securities lending program for the year ended August 31, 2001.

The Employees’ Retirement System of St. Louis, a pension trust fund (the Employees’ System), invests in global fixed income portfolio that includes foreign governmental obligations. To hedge the exchange rate risk of holding foreign governmental obligations, the Employees’ System also invests in forward foreign currency exchange contracts. The net value of the forward foreign currency exchange contracts is reflected in the financial statements of the Employees’ System as a plan liability. The net gains and/or losses related to these contracts are reflected in the financial statements of the Employees’ System as a part of net appreciation (depreciation) in fair value of investments.

The Police Retirement System of St. Louis, a pension trust fund (the Police System), participates in securities lending programs in order to enhance investment yield. In a securities lending transaction, the Police System transfers possession – but not title – of the security to the borrower. Collateral consisting of cash, letter of credit or government securities is received and held by a financial institution. The broker/dealer collateralizes their borrowing (usually in cash) to 102% of the security value plus accrued interest and this collateral is adjusted daily to maintain the 102% level. The Police System maintains all the rights in the collateral of a secured lender under the Uniform Commercial Code. The Police System continues to earn income on the loaned security. In addition, the Police System receives 70% of the net lending fees generated by each loan of securities. The financial institution receives the remaining 30% of the net lending fees as compensation for its services provided in the securities lending program. The financial institution indemnifies operational risk and counter party risk. The Police System authorizes the lending of domestic securities, U. S. Treasuries, corporate bonds and equities. The Police System does not have the ability to pledge or sell collateral securities without borrower default. Therefore, for accounting purposes, the financial statements do not reflect an increase in assets or liabilities associated with securities lent.

(dollars in thousands)

At September 30, 2001, outstanding loans to borrowers were $61,916. The Police System earned income of $125 for its participation in the securities lending program for the year ended September 30, 2001.

City funds in the form of cash on deposit or certificates of deposit are required to be insured or collateralized by authorized investments held in the City's name. Actual investment decisions are made by the City Treasurer, City Comptroller, Circuit Clerk and the City's trustees and fiscal agents.

The City's investments are categorized below to give an indication of the level of custodial credit risk assumed at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by a counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by a counterparty, or by its trust department or agent, but not in the City's name.

	Category			Total Carrying Value
	1	2	3	
Investments:				
U.S. government agency securities	$ 3,490	184,822	602,411	790,723
Pension trust funds investments:				
U.S. government securities	–	–	204,171	204,171
Corporate bonds	–	–	260,961	260,961
Stocks	–	–	618,704	618,704
Foreign government obligation	–	–	44,104	44,104
Mortgage-backed securities	–	–	137,616	137,616
	$ 3,490	184,822	1,867,967	2,056,279
Money market mutual funds				132,499
Commercial paper				15,779
Pension trust funds investments:				
FHA mortgages				56
Mortgages on real estate				8
Collective investment funds				171,042
Money market mutual funds				19,301
Managed international equity funds				38,106
Total investments (excluding certificates of deposit) – primary government				$ 2,433,070

(dollars in thousands)

The following is a reconciliation of the City's deposit and investment balances of June 30, 2002:

		Cash and Investments	Investments	Restricted Assets	Total
Bank deposits	$	3,150	46,311	109,158	158,619
Investments		71,701	1,615,682	745,687	2,433,070
	$	74,851	1,661,993	854,845	2,591,689

		Government-wide Statement of Net Assets	Fiduciary Funds Statement of Fiduciary Net Assets	Total
Cash and cash equivalents	$	48,149	26,702	74,851
Investments		141,765	1,520,228	1,661,993
Restricted assets (noncurrent)		854,845	–	854,845
	$	1,044,759	1,546,930	2,591,689

Component Unit – SLDC

At June 30, 2002, the carrying amount of SLDC's cash deposits was $9,011 and the bank balance was $9,852. Of the bank balance, $884 was covered by federal depository insurance and $8,968 was covered by collateral held by the pledging institution's trust department or agent in SLDC's name.

State statutes and SLDC investment policies are the same as for the primary government. SLDC funds, in the form of cash on deposit or certificates of deposit, are required to be insured or collateralized by authorized investments held in SLDC's name.

SLDC's investments are categorized below to give an indication of the level of custodial credit risk assumed at June 30, 2002. These categories are the same as for the primary government.

		Category			Total Carrying
		1	2	3	Value
Stock	$	–	27	–	27

At June 30, 2002, the market value of all investments approximates the carrying amount.

Component Unit – SLPD

At June 30, 2002, the carrying amount of SLPD's cash deposits was $2,571 and the bank balances were $2,847. Of the bank balances, $200 was insured by the FDIC and the remainder was covered by collateral pledged by financial institutions and held by the financial institution's trust department or the Federal Reserve Bank of Boston in SLPD's name, except for $110, which was neither covered by FDIC or covered by pledged collateral.

(dollars in thousands)

State statutes and City investment policies are the same as for the primary government. SLPD funds in the form of cash on deposit or time certificates of deposit are required to be insured or collateralized by authorized investments held in SLPD's name. Actual investment decisions are made by the Director of Budget and Finance, the Board of Police Commissioners, and SLPD's fiscal agents.

While repurchase agreements are classified as cash and cash equivalents on the statement of net assets, they are defined as investments for custodial risk disclosure.

SLPD's investments are categorized below to give an indication of the level of custodial credit risk assumed at year-end. These categories are the same as for the primary government.

	Category			
	1	**2**	**3**	**Carrying Value**
Investments:				
Repurchase agreements	$ 1,373	–	–	1,373
Federal home loan note	–	2,470	–	2,470
U.S. government agencies	13	–	–	13
Total investments	$ 1,386	2,470	–	3,856
Mutual fund:				
Fidelity treasury mutual fund				155
				$ 4,011

Component Unit – HSTRC

At June 30, 2002, the carrying amount of HSTRC's cash deposits was $226 and was uncollateralized.

Component Unit – SWMDC

At June 30, 2002, the carrying amount of SWMDC's cash deposits was $385 and the bank balance was $635. Of the bank balance, $100 was insured by the FDIC and $535 was uncollateralized.

SWMDC's investments of $419 at year-end consisted entirely of U.S. government securities, and were held by the bank's trust department in SWMDC's name (category 2).

(dollars in thousands)

3. RECEIVABLES, NET

		Taxes	Intergovern-mental	Charges for Services	Notes and Loans	Other	Total Receivables
Governmental activities:							
General Fund	$	82,249	2,002	232	—	43	84,526
Capital Projects Fund		2,657	1,415	—	—	812	4,884
Other Governmental Funds		20,480	841	30	512	—	21,863
Total governmental activities	$	105,386	4,258	262	512	855	111,273
Business-type activities:							
Airport		—	1,741	8,854	—	1,338	11,933
Water Division		—	—	4,172	—	—	4,172
Parking Division		—	—	51	—	—	51
Total business-type activities	$	—	1,741	13,077	—	1,338	16,156

All amounts are scheduled for collection during the subsequent fiscal year.

4. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

The allowance for uncollectible accounts, which have been deducted from the related receivable in the government-wide statement of net assets and fund financial statements, consists of the following balances:

Governmental activities:		
Taxes receivable – General Fund	$	108
Taxes receivable – Other Governmental Funds		48
Business-type activities:		
Charges for services receivable – Airport		260
Charges for services receivable – Water Division		2,214
	$	2,630

5. COMPONENT UNIT – SLDC RECEIVABLES

SLDC receivables consist principally of Small Business Administration (SBA) loans and various other commercial loans made to third parties to facilitate development activities. The commercial loans were financed utilizing funds provided by the Community Development Agency (CDA) of the City, the Economic Development Administration, and the State of Missouri. The proceeds from any repayment of these loans are payable back to the funding source. Thus, a corresponding liability has been recorded.

(dollars in thousands)

6. RESTRICTED ASSETS

a. Airport

Cash and investments, restricted in accordance with City ordinances and bond provisions, are as follows at June 30, 2002:

Airport Bond Fund:		
Debt Service Account	$	81,372
Debt Service Reserve Account		74,450
Airport Renewal and Replacement Fund		3,500
Passenger Facility Charge Fund		47,496
Airport Development Fund		54,529
Airport Construction Fund		447,899
Airport Contingency Fund		1,857
	$	711,103

City ordinances require that revenues derived from the operation of the Airport be deposited into the unrestricted Airport Revenue Fund. From this fund, the following allocations are made (as soon as practicable in each month after the deposit of revenues but no later than five business days before the end of each month) in the following order of priority:

1) Unrestricted Airport Operation and Maintenance Fund: an amount sufficient to pay the estimated operation and maintenance expenses during the next month.

2) Airport Bond Fund: for credit to the Debt Service Account if and to the extent required so that the balance in said account shall equal the accrued aggregate debt service on the bonds, to the last day of the then current calendar month. This account shall be used only for payment of bond principal and interest as the same shall become due.

3) Airport Bond Fund: for credit to the Debt Service Reserve Account: an amount sufficient to maintain a balance in such account equal to the debt service reserve requirement (an amount equal to the greatest amount of principal and interest due in any future fiscal year). This account shall be available for deficiencies in the Debt Service Account on the last business day of any month, and the balance shall be transferred to the Debt Service Account whenever the balance in the Debt Service Account (before the transfer) is not sufficient to fully pay all outstanding bonds.

4) Airport Renewal and Replacement Fund: an amount equal to $57; provided that no deposit shall be required to be made into said fund whenever and as long as uncommitted monies in said fund are equal to or greater than $3,500 or such larger amount as the City shall determine is necessary for purposes of said fund; and provided further that, if any such monthly allocation to said fund shall be less than the required amounts, the amount of the next succeeding monthly payments shall be increased by the amount of such deficiency. This fund shall be used for paying costs of renewal or replacement of capital items used in connection with the operation of the Airport.

(dollars in thousands)

5) A subaccount in the Airport Revenue Fund: an amount determined from time-to-time by the City, such that if deposits were made in amounts equal to such amount in each succeeding month during each Airport fiscal year, the balance in such subaccount shall equal the amounts payable to the City with respect to such Airport fiscal year for the payment of 5% of gross receipts from operations of the Airport. A maximum of 80% of the monthly transfer to this subaccount may be paid to the City during the Airport's fiscal year. The final installment may only be paid to the City upon delivery of the Airport's audited financial statements to the Airport Bond Fund Trustee.

6) Airport Contingency Fund: an amount determined at the discretion of Airport management, to be used for the purchase or redemption of any bonds; payments of principal or redemption price of interest on any subordinated debt; improvements, extensions, betterments, renewals, replacements, repairs, maintenance or reconstruction of any properties or facilities of the Airport; or the provision of one or more reserves. These funds can also be used for any other corporate purpose of the Airport, the local airport system or other local facilities which are owned or operated by the City and are directly related to the actual transportation of passengers or property.

7) The remaining balance in the Revenue Fund shall be deposited into the Airport Development Fund. This fund shall be used for extensions and improvements to the Airport, including equipment acquisition.

City ordinances provide that in the event the sum on deposit in the Airport Bond Fund – Debt Service and Debt Service Reserve Accounts are insufficient to pay accruing interest, maturing principal or both, the balance in the Airport Contingency Fund, Airport Development Fund, and Airport Renewal and Replacement Fund may be drawn upon, to the extent necessary, to provide for the payment of such interest, principal or both. Any sums so withdrawn from these accounts for said purposes shall be restored thereto in the manner provided for in their original establishment. City ordinances also provide that the principal proceeds from the sale of Airport revenue bonds shall be held in the Airport Construction Fund from which they shall be disbursed for the purposes contemplated in these ordinances.

b. Water Division

Cash and investments restricted in accordance with City ordinances at June 30, 2002 are as follows:

Bond funds:	
Waterworks Bond and Interest Account	$ 3,090
Water Revenue Bond Reserve Account	4,333
Water Replacement and Improvement Account	700
Total bond funds	8,123
Construction funds	10,924
Customer deposits	1,115
	$ 20,162

City ordinances require that revenues derived from the operation of the Waterworks System be deposited in the Waterworks Revenue Account. From this account, the following allocations are made on the first business day of each month in the following order of priority:

<u>1994 Water Revenue Bond Funds</u>

1) To the unrestricted Waterworks Operations and Maintenance Account, an amount sufficient to pay the estimated operation and maintenance expenses during the next month.

2) To the Waterworks Bond and Interest Account, an amount at least equal to one-sixth of the amount of interest that will come due on the next interest payment date, plus an amount at least equal to one-twelfth of the aggregate principal amount of bonds that will come due on the next bond maturity date. This account is to be used only for the payments of bonds principal and interest as the same shall become due.

3) To the Water Revenue Bond Reserve Account, a sum equal to the maximum principal and interest coming due on any fiscal year on the bonds.

4) To the Water Replacement and Improvement Account, an amount equal to $25 per month until the account balance aggregates $700. This account shall be used for making replacements, extensions, and improvements to the Waterworks System, and for the purpose of meeting unforeseen contingencies and emergencies arising in the operation of the Waterworks System of the City.

5) The remaining balance in the Waterworks Revenue Fund is to be deposited into the unrestricted Water Contingent Account. This account shall be used for paying the cost of the operation, maintenance, and repair of the Waterworks System; paying the cost of extending, improving or making replacements to the Waterworks System; preventing default in, anticipating payments into, or increasing the amounts in the other accounts; paying any gross receipts tax now or hereafter levied by the City; paying the principal or the interest on any subordinate or junior lien bonds; paying any redemption premium due on the bonds; or any other lawful purpose for use by the Waterworks System.

<u>1998 Water Revenue Bond Funds</u>

To the Water Revenue Bond Reserve Account, a sum equal to the maximum principal and interest coming due in any fiscal year on the bonds.

<u>Construction Funds</u>

City ordinances also provide that the principal proceeds from the sale of Series 1994 Revenue Bonds and amounts appropriated from the Water Contingent Account shall be held in the Construction Fund from which they shall be disbursed for the purposes contemplated in these ordinances.

(dollars in thousands)

Customer Deposits

City ordinances provide that amounts paid by customers as deposits on water meters, construction and unclaimed meter deposits be held in escrow until such time as they are returned to customers in the form of cash or as a credit on the applicable customer's water bill.

Service Line Maintenance

In accordance with a City ordinance, the Water Division collects a two-dollar per quarter surcharge from flat rate and metered residential customers having six or less dwelling units. These funds are deposited in the service line maintenance account. This account, including interest earned, is used to pay for the repair of certain portions of the water lines for these customers.

c. Parking Division

Cash and investments restricted in accordance with revenue bond indentures at June 30, 2002 are as follows:

Debt Service Reserve	$	4,280
Construction		13
Debt Service		445
Parking Trust – Parking Division Accounts		2,247
Total		6,985
Other restricted assets		1,365
	$	8,350

The June 30, 2002, restricted assets are required by the Series 1999, 1998, and 1996 bond indentures. Descriptions of the above funds are as follows:

1) Debt Service Reserve – Maintains funds from the proceeds of the respective Bond series to be available to pay principal of and interest on the respective Bonds if other funds are not available.

2) Construction – Used to pay construction costs to complete the respective projects.

3) Debt Service – Monies deposited into this account pay principal and accrued and unpaid interest on the respective Bonds.

4) Parking Trust – Parking Division Accounts – Maintains funds transferred from the respective Bond account to be available to pay principal and interest on the respective refunded Bonds if other funds are not available.

(dollars in thousands)

The Series 1999, 1998, and 1996 Bond indentures requires that net project revenues be deposited into the respective Parking Facility Debt Service Account. From this account, revenues are applied as follows to the respective Bond series funds:

1) To the Debt Service, the amount of monies sufficient to meet the debt service requirements for at least one bond year.

2) To the Debt Service Reserve, the amounts, if any, required to cure any deficiency in the Debt Service Reserve.

3) To the Parking Trust, any amounts withdrawn in connection with the respective refunded Bonds.

4) To the Parking Facilities Renewal and Replacement Account, any remaining net project revenues.

Project revenues in excess of the amounts previously described will be applied as follows to the respective Bond series fund:

1) To the Parking Trust – Parking Division Accounts – Any amounts previously withdrawn by the trustee.

2) To the Renewal and Replacement – One-half of any such excess Project revenues up to a maximum amount on deposit of $750.

3) The remaining revenues will be transferred to the Parking Meters, free of any restriction under the indenture.

On the fifteenth day of each month, the Treasurer of the City will pay to the trustee, to the extent of monies in the Parking Facilities Debt Service Account, an amount equal to (a) the amount required to make the amount on deposit with the trustee in the respective Interest Account equal to accrued and unpaid interest on the respective Bonds as of the first day of the immediately succeeding month (less any amounts on deposit in the Capitalized Interest Account of the Construction Fund), (b) one-twelfth of the principal amount (including mandatory sinking fund payments) due on the immediately succeeding December 15, (c) one-twelfth of the deficiency, if any, in the respective Reserve Fund Requirement as specified by the trustee in a notice given to the City pursuant to the Indenture, and (d) one-twelfth of the aggregate annual amount of any fees owing to the bank under the Reimbursement Agreement.

d. <u>Component Unit – SLDC</u>

Restricted cash and investments at June 30, 2002 are as follows:

Bond Funds	$	2,081
Interest Trust		440
Line of Credit Interest Reserve		125
Arena Easement Reserve		50
	$	2,696

(dollars in thousands)

Bond Funds

Cash and investments restricted in accordance with the SLDC Parking Facilities Revenue Refunding Bonds, Series 1999, Bond Indenture consist of a Bond Reserve Account in the amount of $2,081.

The revenue bond indenture requires that gross operating revenues be paid to the bond trustee for deposit in the parking facility fund. From this fund, the revenues are to be applied by the trustee to various reserve accounts including principal and interest, repair and replacement, and operating reserve up to specified limits.

SLDC is also required to maintain on deposit at a bank in an interest trust account a minimum amount based on the outstanding loan balance. Any deficiency in the balance is required to be replaced within thirty days. At June 30, 2002, the balance in the interest trust account was $440.

7. CAPITAL ASSETS

The following is a summary of changes in capital assets – governmental activities for the year ended June 30, 2002:

		Balance June 30, 2001	Additions	Retirements	Transfers	Balance June 30, 2002
Governmental activities:						
Capital assets not being depreciated:						
Land	$	77,314	18	—	—	77,332
Construction in progress		88,841	64,835	—	—	153,676
Works of art		2,100	111	—	—	2,211
Total capital assets not being depreciated		168,255	64,964	—	—	233,219
Capital assets being depreciated:						
Buildings		272,237	3,371	—	—	275,608
Improvements other than buildings		22,267	5,338	—	—	27,605
Equipment		93,295	4,400	5,561	—	92,134
Infrastructure		325,380	6,187	1,115	—	330,452
Total capital assets being depreciated		713,179	19,296	6,676	—	725,799
Less accumulated depreciation for:						
Buildings		66,477	7,186	—	—	73,663
Improvements other than buildings		11,339	253	—	—	11,592
Equipment		29,966	5,406	4,144	—	31,228
Infrastructure		134,292	15,837	1,115	—	149,014
Total accumulated depreciation		242,074	28,682	5,259	—	265,497
Total capital assets being depreciated, net		471,105	(9,386)	1,417	—	460,302
Governmental activities capital assets, net	$	639,360	55,578	1,417	—	693,521

Construction in progress consists primarily of the Transportation Center, Justice Center, Firehouse renovations and improvements at Forest Park.

(dollars in thousands)

The following is a summary of changes in capital assets – business-type activities for the year ended June 30, 2002. Business-type activities for the City include the Airport, Water Division, and Parking Division.

	Balance June 30, 2001	Additions	Retirements	Transfers	Balance June 30, 2002
Business-type activities:					
Airport:					
Capital assets not being depreciated:					
Land	$ 499,012	194,555	—	—	693,567
Construction in progress	62,373	32,306	—	(11,247)	83,432
Total capital assets not being depreciated	561,385	226,861	—	(11,247)	776,999
Capital assets being depreciated:					
Pavings	271,744	1,116	—	7,365	280,225
Buildings and facilities	358,303	1,047	—	1,708	361,058
Equipment	59,529	1,102	(869)	2,174	61,936
Total capital assets being depreciated	689,576	3,265	(869)	11,247	703,219
Less accumulated depreciation for:					
Pavings	164,592	10,342	—	—	174,934
Buildings and facilities	179,876	14,528	—	—	194,404
Equipment	35,293	4,338	(709)	—	38,922
Total accumulated depreciation	379,761	29,208	(709)	—	408,260
Total capital assets being depreciated, net	309,815	(25,943)	(160)	11,247	294,959
Airport capital assets, net	871,200	200,918	(160)	—	1,071,958

(dollars in thousands)

	Balance June 30, 2001	Additions	Retirements	Transfers	Balance June 30, 2002
Water Division:					
Capital assets not being depreciated:					
Land	$ 1,254	—	(16)	—	1,238
Construction in progress	12,822	5,000	—	(8,617)	9,205
Total capital assets not being depreciated	14,076	5,000	(16)	(8,617)	10,443
Capital assets being depreciated:					
Buildings and structures	31,503	98	—	5,816	37,417
Reservoirs	29,932	—	—	—	29,932
Boiler plant equipment	661	—	—	—	661
Pumping equipment	8,275	62	—	—	8,337
Purification basins and equipment	35,118	37	—	2,221	37,376
Water mains, lines, and accessories	95,336	2,285	(13)	394	98,002
Equipment	10,534	379	—	186	11,099
Motor vehicle equipment	7,952	625	(334)	—	8,243
Total capital assets being depreciated	219,311	3,486	(347)	8,617	231,067
Less accumulated depreciation for:					
Buildings and structures	18,366	447	—	—	18,813
Reservoirs	3,512	573	—	—	4,085
Boiler plant equipment	602	4	—	—	606
Pumping equipment	6,868	149	—	—	7,017
Purification basins and equipment	7,220	667	—	—	7,887
Water mains, lines, and accessories	41,919	1,189	(9)	—	43,099
Equipment	6,924	524	—	—	7,448
Motor vehicle equipment	4,141	535	(309)	—	4,367
Total accumulated depreciation	89,552	4,088	(318)	—	93,322
Total capital assets being depreciated, net	129,759	(602)	(29)	8,617	137,745
Water Division capital assets, net	143,835	4,398	(45)	—	148,188

(dollars in thousands)

	Balance June 30, 2001	Additions	Retirements	Transfers	Balance June 30, 2002
Parking Division:					
Capital assets not being depreciated:					
Land	$ 13,763	2,388	—	—	16,151
Construction in progress	—	2,540	—	—	2,540
Total capital assets not being depreciated	13,763	4,928	—	—	18,691
Capital assets being depreciated:					
Buildings and parking garages	30,258	1,610	—	—	31,868
Equipment	1,010	—	—	—	1,010
Parking meters and lot equipment	4,018	—	—	—	4,018
Total capital assets being depreciated	35,286	1,610	—	—	36,896
Less accumulated depreciation for:					
Buildings and parking garages	2,726	920	—	—	3,646
Equipment	627	88	—	—	715
Parking meters and lot equipment	2,483	392	—	—	2,875
Total accumulated depreciation	5,836	1,400	—	—	7,236
Total capital assets being depreciated, net	29,450	210	—	—	29,660
Parking Division capital assets, net	43,213	5,138	—	—	48,351
Business-type activities capital assets, net	$ 1,058,248	210,454	(205)	—	1,268,497

Construction in progress at the Airport consists of various improvements to the airfield and terminal buildings, as well as property purchased on which the Airport's expansion facilities will be constructed. Construction in progress at the Water Division consists primarily of costs incurred for various improvements to the Waterworks system. Construction in progress at the Parking Division related to the construction of a new parking facility.

(dollars in thousands)

Within the statement of activities, depreciation expense is charged to functions of the primary government as follows:

Governmental activities:	
General government	$ 2,114
Convention and tourism	3,861
Parks and recreation	803
Judicial	1,309
Streets	17,748
Public safety:	
Fire	1,420
Other	903
Health and welfare	328
Public service	196
Total depreciation expense, governmental activities	$ 28,682
Business-type activities:	
Airport	$ 29,208
Water Division	4,088
Parking Division	1,400
Total depreciation expense, business-type activities	$ 34,696

Component Unit – SLDC

The following is a summary of changes in SLDC capital assets for the year ended June 30, 2002:

		Balance June 30, 2001	Additions	Retirements	Balance June 30, 2002
Capital assets not being depreciated:					
Land	$	4,568	346	—	4,914
Total capital assets not being depreciated		4,568	346	—	4,914
Capital assets being depreciated:					
Leasehold improvements		3,000	—	—	3,000
Equipment		626	6	—	632
Parking facilities		18,721	175	—	18,896
Total capital assets being depreciated		22,347	181	—	22,528
Less accumulated depreciation for:					
Leasehold improvements		100	200	—	300
Equipment		554	39	—	593
Parking facilities		6,158	618	—	6,776
Total accumulated depreciation		6,812	857	—	7,669
Total capital assets being depreciated, net		15,535	(676)	—	14,859
SLDC capital assets, net	$	20,103	(330)	—	19,773

(dollars in thousands)

Component Unit – SLPD

The following represents a summary in SLPD's capital assets for the year ended June 30, 2002:

	Balance June 30, 2001	Additions	Retirements	Balance June 30, 2002
Capital assets not being depreciated:				
Land	$ 1,646	—	—	1,646
Total capital assets not being depreciated	1,646	—	—	1,646
Capital assets being depreciated:				
Buildings and improvements	31,287	890	—	32,177
Furniture and fixtures and other equipment	2,269	162	—	2,431
Automotive equipment	5,382	3,014	(888)	7,508
Communications equipment	4,615	811	—	5,426
Computers and software	1,022	348	—	1,370
Aircraft	234	24	—	258
Total capital assets being depreciated	44,809	5,249	(888)	49,170
Less accumulated depreciation for:				
Buildings and improvements	14,024	452	—	14,476
Furniture and fixtures and other equipment	1,533	185	—	1,718
Automotive equipment	3,745	1,461	(841)	4,365
Communications equipment	3,595	295	—	3,890
Computers and software	446	280	—	726
Aircraft	98	41	—	139
Total accumulated depreciation	23,441	2,714	(841)	25,314
Total capital assets being depreciated, net	21,368	2,535	(47)	23,856
SLPD capital assets, net	$ 23,014	2,535	(47)	25,502

Component Unit – HSTRC

The following summarizes capital assets held by HSTRC at June 30, 2002:

Furniture and equipment	$ 1,902
Kitchen and leasehold improvements	1,649
Less accumulated depreciation	(1,993)
	$ 1,558

(dollars in thousands)

Component Unit − SWMDC

	Balance June 30, 2001	Additions	Retirements	Balance June 30, 2002
Capital assets being depreciated:				
Infrastructure	$ 6,902	608	—	7,510
Total capital assets being depreciated	6,902	608	—	7,510
Less accumulated depreciation for:				
Infrastructure	1,451	235	—	1,686
Total accumulated depreciation	1,451	235	—	1,686
SWMDC capital assets, net	$ 5,451	373	—	5,824

8. COMPONENT UNIT − SLDC PROPERTY HELD FOR DEVELOPMENT

SLDC property held for development consists primarily of land and property held for sale or other development purposes. This land and property is reported in SLDC's financial statements based on management's intent of ultimate disposition of the property. Proceeds received upon the sale of most of these properties will revert back to the funding source. At June 30, 2002, SLDC has established a reserve for impairment of $6,841 on its properties held for development.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Vendors	Contracts and Retainage Payable	Total	Other	Total Payables
Government activities:					
General Fund	$ 2,897	104	3,001	860	3,861
Capital Projects Fund	5,514	7,343	12,857	—	12,857
Grants Fund	7,352	13	7,365	—	7,365
Other Governmental Funds	198	74	272	72	344
Internal Service	68	—	68	—	68
Reconcilation of balances in fund financial statements to government-wide financial statements	—	—	—	185	185
Total governmental activities	$ 16,029	7,534	23,563	1,117	24,680
Business-type activities:					
Airport	2,726	13,079	15,805	—	15,805
Water Division	2,020	—	2,020	—	2,020
Parking Division	52	432	484	—	484
Total business-type activities	$ 4,798	13,511	18,309	—	18,309

(dollars in thousands)

10. RETIREMENT PLANS

The City contributes to two single-employer defined benefit retirement plans, the Firemen's Retirement System of St. Louis (Firemen's System) and the Police Retirement System of St. Louis (Police System), and one cost-sharing multiple-employer defined benefit retirement plan, the Employees' Retirement System of the City of St. Louis (Employees' System). Each system is administered by a separate Board of Trustees, who are partially appointed by City officials, plan participants, and the Governor of the State (Police System only). For financial reporting purposes, these retirement systems are included as fiduciary pension trust funds of the City. Financial information for these funds has been included within the accompanying basic financial statements as of each System's fiscal year-end which falls within the City's current fiscal year-end as follows:

System	System Fiscal Year End
Firemen's	August 31, 2001
Police	September 30, 2001
Employees'	September 30, 2001

Firemen's Retirement System of St. Louis

System Description

All firefighters qualify as members of the Firemen's System and are thereby eligible to participate from their date of hire.

The Firemen's System issues a publicly available financial report that includes financial statements and supplementary information. That information may be obtained by writing to the Firemen's Retirement System of St. Louis; 1601 South Broadway, St. Louis, Missouri, 63104.

Firefighters may elect voluntary retirement after 20 or more years of service. The monthly retirement benefit is calculated at 40% of the final two-year average monthly compensation at 20 years of service, plus 2% of such final average compensation for each of the next five years of service, plus 5% of final average compensation for each additional year of service over 25 years with a maximum pension of 75%. Unused accrued sick pay may increase the maximum pension beyond the 75% limitation.

The Firemen's System also provides death and disability benefits. Benefits vest after 20 years of service. Such benefits are authorized by State statues and adopted by City ordinance.

The Firemen's System, in accordance with Ordinance 62994 of the City, initiated during the System's fiscal year ended August 31, 1994, the Deferred Retirement Option Plan (DROP). The DROP plan is available to members of the System who have achieved at least 20 years of creditable service and have eligibility for retirement. Those members who elect to participate will continue active employment, will have a service retirement allowance credited monthly into the DROP account of the member and the member's contribution will be reduced to one percent from the normal eight percent. During participation in the DROP plan the member will not receive credit for City contributions or credit for service. A member may participate in the DROP plan only once for any period up to five years. At retirement the funds in the member's DROP account plus interest and accrued sick leave if elected is available to the member in a lump sum or in installments.

(dollars in thousands)

Funding Policy

Firefighters are required to contribute 8% of their compensation to the Firemen's System, as mandated per State statute and adopted by City ordinance. The City is required to contribute the remaining amounts necessary to fund the Firemen's System. Members of the Firemen's System are entitled to a lump-sum distribution of the entire amount of their contribution without interest upon service retirement. Members whose employment terminates prior to retirement are entitled to a lump-sum distribution of their contribution, plus interest thereon.

Annual Pension Cost and Net Pension Asset

The City's annual pension cost and net pension asset to the Firemen's System for the year ended June 30, 2002, are as follows:

Annual required contribution	$ (3,544)
Interest on net pension asset	1,993
Adjustment to annual required contribution	(2,205)
Annual pension cost	(3,756)
Contributions made	3,544
Decrease in net pension asset	(212)
Net pension asset, beginning of year	24,528
Net pension asset, end of year	$ 24,316

The net pension asset of $24,316, as of June 30, 2002, is reflected as a net pension asset within governmental activities in the government-wide financial statements.

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

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
2002	$ 3,756	94%	$ 24,316
2001	3,252	100	24,528
2000	2,837	100	24,528

(dollars in thousands)

Significant actuarial assumptions used in the valuation of the Firemen's System are as follows:

Date of actuarial valuation	September 1, 2001
Actuarial cost method	Entry age-frozen liability method
Amortization method	30 years from establishment
Remaining amortization period	Various
Asset valuation method	3 year smooth market
Inflation rate	3.500%, per year
Investment rate of return	8.125%, compounded annually
Projected salary increases	5.500%, per year to retirement age
Projected post-retirement benefit increases	5.000%

Police Retirement System of St. Louis

System Description

All persons who become police officers and all police officers that enter or reenter SLPD after October 1, 1957, become members of the Police System and are thereby eligible to participate from their date of hire. The Police System issues a publicly available financial report that includes financial statements and supplementary information. That information may be obtained by writing to the Police Retirement System of St. Louis; One South Memorial Drive, Suite 600; St. Louis, Missouri, 63102-2447.

Police officers may elect voluntary retirement after 20 or more years of credited service regardless of age or upon attaining age 55. The monthly allowance consists of 40% of the two-year (three-year prior to October 1, 2001) average final compensation for the first 20 years of service, plus 2% of such final average compensation for each of the next five years of service, plus 4% of average final compensation for each additional year of service after 25 years up to a maximum of 30 years. The monthly allowance of members who have at least 30 years of service is increased by 5%. The maximum pension is 75% of average final compensation. The Police System also provides death and disability benefits. Benefits vest after 20 years of service. Such benefits are established by State statute.

During the Police System year ended September 30, 1996, deferred retirement option plan (DROP) benefit provisions were added. The DROP option is available to members of the Police System who have at least 20 years of creditable service and have achieved eligibility for retirement. Those members who elect to participate will continue active employment, will have a service retirement allowance credited monthly in the DROP account and will no longer make contributions to the Police System. During participation in the DROP, the member will not receive credit for service and the member shall not share in any benefit improvement that is enacted or becomes effective while such member is participating in the DROP. A member may participate in the DROP only once for any period up to five years. At retirement the funds in the member's DROP account plus interest is available to the member in a lump sum or in installments.

(dollars in thousands)

Funding Policy

Police officers are required to contribute 7% of their compensation to the Police System per State statute. The City is required to contribute the remaining amounts necessary to fund the Police System, determined in accordance with City ordinances. Members of the Police System are entitled to a lump sum distribution of the entire amount of their contribution without interest upon service retirement. Members whose employment terminates prior to retirement are entitled to a lump sum distribution of their contribution plus interest thereon.

Annual Pension Cost

No actuarially determined contributions were made to the Police System by the City during the City's fiscal year ended June 30, 2002.

Historical trend information about the City's participation in the Police System is presented below.

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2002	$ –	100%	$ –
2001	–	100	–
2000	–	100	–

Significant actuarial assumptions used in the valuation of the Police System are as follows:

Date of actuarial valuation	October 1, 2001
Actuarial cost method	Aggregate (this method does not identify or separately amortize unfunded actuarially accrued liabilities)
Asset valuation methods	5-year smoothed average of market value
Inflation rate	3.00%, per year
Investment rate of return	8.25%, per year
Projected salary increases	2.50 - 7.00%, varying by age
Projected post-retirement benefit increases	3.00% maximum per year, cumulative 30% cap

Employees' Retirement System of the City of St. Louis

System Description

All non-uniformed employees of the City and certain other public entities funded by or providing services to residents of the City become members of the Employees' Retirement System upon employment with the exception of employees hired after attaining age 60. The City's participation in the Employees' System is greater than 99% of total participation of all employers.

The Employees' System issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to the Employees' Retirement System of the City of St. Louis; 1300 Convention Plaza, Suite 217; St. Louis, Missouri 63103-1935.

(dollars in thousands)

The Employees' System provides for defined benefit payments for retirement, death or disability to eligible employees or their beneficiaries based upon creditable service, final average compensation, and a benefit compensation base. Benefits vest to employees covered by the Employees' System after the employee has attained five years of creditable service. The Board of Trustees approves all withdrawals, benefits and termination refunds from the Employees' System's assets. Normal retirement is at age 65 or if the employee's age and creditable service combined equal or exceeds 85. Employees may retire and receive reduced benefit after age 60, with five years of creditable service; age 55, with at least 20 years of creditable service; or at any age after 30 years of creditable service.

On June 8, 2000, the Mayor of the City approved an ordinance passed by the Board of Aldermen, which will establish a Deferred Retirement Option Plan (DROP), effective January 1, 2001. This plan states that when members reach retirement age, they are allowed to work for five additional years and defer receipt of their retirement allowance. The calculation of average salary for retirement benefits will not include the additional years of service after normal retirement age. The amount that would have been received as retirement benefit is put in a special DROP account monthly. The DROP account will not be adjusted for cost of living increases as the normal retirement benefits are. The DROP account earns interest at the actuarial valuation rate of return. After the member completely terminates employment, the member can withdraw amounts from the DROP account in a lump sum or according to a deferred retirement payment plan.

Funding Policy

Employer contribution rates are established annually by the Board of Trustees based on an actuarial study. The Board of Trustees elected to require employer contributions at a rate of 4.1% of active member payroll effective July 2001. Prior to July 1, 2001, the contribution rate was 1.9%.

Employees who became members of the Employees' System prior to October 14, 1977, may make voluntary contributions to the Employees' System equal to 3% of the employee's compensation until the employee's compensation equals the maximum annual taxable earnings under the Federal Social Security Act in effect on January 1 of the calendar year. Voluntary contributions of employees who enrolled in the Employees' System after October 13, 1977, may be made up to 6% of qualified employee compensation. These voluntary contributions vest immediately.

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation to the Employees' System for the year ended June 30, 2002, are as follows:

Annual required contribution	$ (17,492)
Interest on net pension asset	366
Adjustment to annual required contribution	(484)
Annual pension cost	(17,610)
Contributions made	7,981
Increase in net pension obligation	(9,629)
Net pension asset, beginning of year	4,580
Net pension obligation, end of year	$ (5,049)

(dollars in thousands)

The net pension obligation of $5,048 is reflected as long-term liabilities within the accompanying basic financial statements as follows:

Governmental activities	$	2,951
Business-type activities		1,232
Component unit – SLPD		866
	$	5,049

Fiscal Year		Annual Pension Cost (APC)	Percentage of APC Contributed		Net Pension (Obligation)/Asset
2002	$	17,610	45.32%	$	(5,049)
2001		–	100		4,580
2000		–	100		4,580

Significant actuarial assumptions used in the valuation of the Employees' System are as follows:

Date of actuarial valuation	October 1, 2001
Actuarial cost method	Projected unit credit
Amortization method	Level percent of payroll
Remaining amortization period	18.25 years as of October 1, 2001
Actuarial value of assets	The book value at beginning of year; plus, 25% of the difference between market value and book for the last four years; less the Member Savings Fund
Investment rate of return	8.00%
Projected salary increases	4.50 - 8.50%, depending on age
Projected post-retirement benefit increases	5.00% per year, maximum cumulative increase of 25%

Component Unit – SLDC

The SLDC Employees Retirement Plan and Trust (SLDC plan) is a defined contribution plan and became effective January 1, 1989. Required year-ended June 30, 2002 contributions of $273 which amount to 9% of current covered payroll, were made by SLDC. For the year ended June 30, 2002, SLDC's current covered payroll was $3,031 and total payroll amounted to $3,322. Employees are not required to contribute to the SLDC Plan; however, they can contribute up to 5-1/2% of their monthly compensation if they so elect. In order to be eligible under the SLDC Plan, the participant must be a full-time employee, have attained the age of 18, and completed at least six months of active service. The employees vest at a rate of 33% per annum with full vesting occurring after the end of their third year of service. The SLDC Plan does not hold any employer or related-party securities. All plan investments are self-directed by the respective plan participants, within the limitation of the plan.

11. COMPONENT UNIT – SLPD POSTEMPLOYMENT HEALTHCARE AND LIFE INSURANCE

SLPD is obligated under Chapter 84.160 RSMo to provide healthcare and life insurance benefits for former civilian and commissioned employees who retired subsequent to 1969. Currently, SLPD provides healthcare insurance for 1,065 retirees, while 1,280 retirees were provided life insurance benefits. Under the life insurance plan, retirees are obligated to pay 65.5 cents for every $1 of coverage on a monthly basis. SLPD covers healthcare and other life insurance benefits for participants. These costs are accounted for on a pay-as-you-go basis and the cost to SLPD of providing these benefits to retirees was $2,325 per retiree (not in thousands) for healthcare and $8 per retiree (not in thousands) for life insurance for the fiscal year ending June 30, 2002.

12. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City and SLPD 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 or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employees or other beneficiary) held in trust for the exclusive benefit of the employees. As such, the trust account and related liability are not included in the basic financial statements.

(dollars in thousands)

13. LONG-TERM LIABILITIES

a. Changes in Long-Term Liabilities

Following is a summary of the changes in long-term liabilities for the year ended June 30, 2002:

	Balance June 30, 2001	Additions	Reductions	Balance June 30, 2002	Due Within One Year
Governmental activities:					
General obligation bonds payable	$ 60,250	–	(2,725)	57,525	2,840
Section 108 Loan Guarantee Assistance Programs	55,000	25,000	(1,160)	78,840	2,270
Federal Financing Bank advances	900	–	(25)	875	35
MTFC direct loan agreement	636	–	(636)	–	–
Tax increment financing bonds payable	11,748	–	(746)	11,002	823
Master note purchase agreement	1,198	460	(768)	890	–
Note payable	1,964	–	(1,964)	–	–
Capital lease – rolling stock	7,400	–	(1,694)	5,706	1,794
Obligations under capital leases with component units	12,530	–	(355)	12,175	370
Leasehold revenue improvement and refunding bonds	321,127	83,955	(70,885)	334,197	13,995
Joint venture financing agreement	82,044	–	(2,720)	79,324	2,831
Unamortized discounts, premiums, and deferred amounts on refunding	(171)	(2,899)	200	(2,870)	–
Arbitrage rebate liability	–	435	–	435	–
Net pension obligation	–	2,951	–	2,951	–
Accrued vacation, compensatory, and sick time benefits	15,429	13,960	–	29,389	16,283
Claims and judgments payable	10,185	20,689	(12,953)	17,921	–
Governmental activities long-term liabilities	$ 580,240	144,551	(96,431)	628,360	41,241

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. Also, for the governmental activities claims and judgments payable and accrued vacation, compensatory, and sick leave benefits are generally liquidated by the general fund.

(dollars in thousands)

	Balance, June 30, 2001	Additions	Reductions	Balance, June 30, 2002	Due Within One Year
Business-type activities:					
Airport:					
Revenue bonds payable	$ 934,975	–	(38,375)	896,600	34,415
Net pension obligation	–	573	–	573	–
Other	4,036	6,000	(814)	9,222	–
Accrued vacation, compensatory, and sick time benefits	3,045	2,167	–	5,212	5,212
Unamortized discounts, premiums, and deferred amounts on refunding	(8,974)	–	1,445	(7,529)	–
Water Division:					
Revenue bonds payable	42,990	–	(1,980)	41,010	2,090
Customer deposits	1,410	–	(295)	1,115	–
Net pension obligation	–	559	–	559	–
Other	606	–	(52)	554	–
Accrued vacation, compensatory, and sick time benefits	1,413	1,499	–	2,912	2,912
Unamortized discounts, premiums, and deferred amounts on refunding	(2,683)	–	362	(2,321)	–
Parking Division:					
Revenue bonds payable	43,335	–	(890)	42,445	935
Short-term revenue bonds payable	–	2,271	–	2,271	2,271
Net pension obligation	–	100	–	100	–
Accrued vacation, compensatory, and sick time benefits	124	31	–	155	155
Unamortized discounts, premiums, and deferred amounts on refunding	(2,784)	–	140	(2,644)	–
Business-type activities long-term liabilities	$ 1,017,493	13,200	(40,459)	990,234	47,990

b. <u>General Obligation Bonds</u>

In June 1999, the City issued $65,000 Public Safety General Obligation Bonds, Series 1999. The series consisted of $64,305 current interest serial bonds due in the years 2000 through 2008 and 2010 through 2019 with rates ranging from 4% to 5.125%. The 2009 maturity is entirely capital appreciation bonds in the amount of $695 sold to yield 5.15% and mature at $3,655 (Collectively the “Series 1999 bonds”). The proceeds of the Series 1999 bonds are being used as follows: (i) $44,000 for new fire equipment, new fire communication equipment, reconstruction and renovation of various existing fire houses and new construction of fire houses; (ii) $10,000 for new police laboratory equipment, reconstruction and renovation of existing police buildings, and; (iii) $11,000 for demolition and abatement of various abandoned or condemned buildings under the control of the City. The Series 1999 bonds are payable from ad valorem taxes to be levied without limitation as to rate or amount upon all taxable, tangible property, real and personal property within the City. The principal and interest on the Series 1999 bonds is guaranteed under a municipal bond new issue insurance policy issued by Financial Guaranty Insurance Company. Principal payments are made from other governmental funds.

(dollars in thousands)

Principal and interest requirements are as follows:

		Principal	Interest	Total
Year ending June 30:				
2003	$	2,840	2,786	5,626
2004		2,965	2,667	5,632
2005		3,100	2,540	5,640
2006		3,245	2,400	5,645
2007		3,400	2,253	5,653
2008-2012		13,645	12,250	25,895
2013-2017		19,185	5,369	24,554
2018-2019		9,145	709	9,854
	$	57,525	30,974	88,499

c. Section 108 Loan Guarantee Assistance Programs

During 2001, the City entered into contracts with the U.S. Department of Housing and Urban Development for Section 108 loan guarantee assistance for the following maximum amounts:

- $50,000 for Downtown Convention Headquarters Hotel project
- $20,000 for Darst-Webbe Housing Redevelopment project
- $10,000 for neighborhood projects

During 2001, the City issued a note in the amount of $50,000 for the Downtown Convention Headquarters Hotel project. Additionally, during 2001, the City received $5,000 in an advance funding draw for the Darst-Webbe Housing Redevelopment project. The $50,000 note is intended to spur redevelopment in the downtown area. The $50,000 note is a twenty-year note at a variable rate of interest. The $5,000 received during 2001 was an advance funding draw note related to the $20,000 Darst-Webbe Housing Redevelopment project. During 2002, the City finalized each of the three loans at fixed rates ranging from 3.66% to 6.62%, and received the remaining $15,000 draw for the Darst-Webbe Housing Redevelopment project, as well as the $10,000 funding for neighborhood projects.

Principal in the amount of $1,160 was paid on the Darst-Webbe Housing Redevelopment project from the grants fund during 2002. The note is a twenty-year note with final payment due in fiscal 2021.

The five-year $10,000 note for neighborhood improvement projects will be used for housing rehabilitation, land acquisition, capital improvements, commercial district improvements and public improvements. Final payment is due during fiscal 2007.

(dollars in thousands)

Principal and interest requirements for the combined 108 program notes are as follows:

		Principal	Interest	Total
Year ending June 30:				
2003	$	2,270	6,277	8,547
2004		4,070	6,260	10,330
2005		4,280	6,497	10,777
2006		4,550	6,115	10,665
2007		4,850	6,016	10,866
2008-2012		15,570	16,099	31,669
2013-2017		21,090	10,702	31,792
2018-2021		22,160	3,023	25,183
	$	78,840	60,989	139,829

d. Federal Financing Bank Advances

Federal Financing Bank Advances represent promissory notes issued by the Federal Financing Bank to the City for redevelopment projects. These notes were issued under Section 108 of the Housing and Community Development Act of 1974. Interest is payable semi-annually based on rates established by the Secretary of the Treasury on the dates the notes are made. These notes and the related interest will be repaid from intergovernmental revenues of the grants fund. In 1997, the City signed a new contract and loan agreement under Section 108 in the amount of $1,000. The proceeds were used to fund a portion of a Multi Modal distribution center which integrates trucking, railway and waterway transportation and distribution channels. The loan initially consisted of twenty variable rate notes, due in July of each year, to be retired over the twenty years ending July 2016. Interest, payable semi-annually and calculated monthly, is based on the variable rate of LIBOR plus 0.2%. In October 1997, the notes were changed to fixed rates with interest due in February and August of each year. The notes currently bear interest at rates ranging from 5.87% to 7.08%.

Principal and interest requirements are as follows:

		Principal	Interest	Total
Year ending June 30:				
2003	$	35	58	93
2004		35	56	91
2005		40	53	93
2006		40	51	91
2007		45	48	93
2008-2012		280	190	470
2013-2017		400	74	474
	$	875	530	1,405

e. Missouri Transportation Finance Corporation (MTFC) Direct Loan Agreement

In 1999, the City entered into a principal only loan arrangement with MTFC in the amount of $10,900 to fund a portion of the costs of constructing the St. Louis Gateway Transportation Center (SLGTC). The City received $5,450 from this loan agreement during 1999. In 2002, the City paid the final installment of $636 on the original $5,450 amount. The City will request the remaining $5,450 as needed. The major source of repayment funds is the Proposition M local sales tax with the remainder coming from a combination of federal transfers (ISTEA) and project net revenue. The principal will be paid from the capital projects fund. From the date the City receives the second disbursement of $5,450, $2,000 will be due in fourteen months and the remainder will be due in twenty-eight months.

When complete, SLGTC will be a central downtown center for persons accessing urban buses, intercity buses, light rail, passenger rail (Amtrak, future commuter rail and high speed rail), the Airport (via Metro Link) and provide parking and commercial space. The terminal building will include Amtrak and Greyhound terminal ticketing, baggage and handling, waiting area facilities, plus concessionaire/food service space.

f. Tax Increment Financing Bonds Payable

In 1991, the City issued $15,000 in tax increment financing bonds (Series 91 TIF Bonds) to provide funds to enable the City to acquire certain land and, upon such land, among other things, to widen and improve an existing street. Other governmental funds are used to account for the revenues, expenditures including debt service and other activities related to the Series 91 TIF Bonds. The Series 91 TIF Bonds constitute special obligations of the City, and are payable from payments in lieu of taxes from owners or property within the Scullin Redevelopment Tax Increment Financing Area (the 91 Area). In the event these payments are not sufficient to meet the debt service requirements, the Series 91 TIF Bonds are payable first from the additional tax revenue generated by increases in economic activities in the 91 Area, other than personal property tax revenue, and second from any monies legally available in the City's general fund. During 2002, $622 of payments in lieu of taxes and $964 in economic activity taxes were received. The Series 91 TIF Bonds bear interest at the rate of 10% per year, mature on August 1, 2010, and are subject to mandatory redemption prior to maturity.

In 1998, the City issued $300 plus accrued interest for 25 months of Tax Increment Revenue Notes (Series 98 TIF Notes) for the 4548 West Pine Redevelopment Area (the 98 Area) in order to provide for the demolition of the existing buildings on the site as well as additional infrastructure and site improvements. Townhouses will be constructed in the 98 Area. The Series 98 TIF Notes were acquired by the Washington University Medical Center at a 7% interest rate. During 2002, $62 of payments in lieu of taxes were received.

(dollars in thousands)

Principal and interest requirements for the two Tax Increment Financing debt issues are as follows:

	Series 91 TIF Bonds		Series 98 TIF Notes	
	Principal	Interest	Principal	Interest
Year ending June 30:				
2003	$ 795	1,034	28	19
2004	875	950	30	17
2005	960	859	31	15
2006	1,055	758	34	12
2007	1,160	647	36	10
2008-2011	5,890	1,243	108	14
	$ 10,735	5,491	267	87

g. Master Note Purchase Agreement

In February 2000, the St. Louis Municipal Finance Corporation (SLMFC), the City and the Federal National Mortgage Association (Fannie Mae) entered into a Master Note Purchase Agreement (Series 2000 Note) to provide a low interest second mortgage for use as down payment and/or to pay other purchase costs to those who buy a single family residence in the City. The City provided a deposit of $250 into a note reserve account and SLMFC pledged all payments of interest and principal from the homeowner's as payment for the Fannie Mae $1,250 loan. The SLMFC obligation is limited to the monies in the various accounts established by the agreement including the note reserve account. A trustee holds the loan proceeds to be used exclusively for the City of St. Louis Homebuyers Incentive Program (CHIPS). The program is designed to provide funding to assist homebuyers with a down payment and closing costs associated with the purchase of a home. The loan bears interest at the rate of 8.27% per annum and will mature on March 1, 2011 subject to prepayment based on the payment of the second loans to homeowners. The principal will be paid from other governmental funds.

In November 2001, the SLMFC, the City and Fannie Mae amended the Series 2000 Note. Under the amendment, Fannie Mae purchased a Series 2001 Note in the amount of $460 from SLMFC. The amendment required the City to provide an additional deposit of $130 into a Series 2001 note reserve account, and required SLMFC to pledge all payments of principal and interest from the homeowners as payment for the Series 2001 Note. A portion of the proceeds of the Series 2001 Note along with a portion of the Series 2000 Note reserve account was used to prepay a portion of the Series 2000 Note in the amount of $650. A portion of the Series 2001 Note provided additional funds for the CHIPS. The Series 2001 Note bears interest at the rate of 5.21% per annum and will mature on December 1, 2012, subject to prepayment based upon the payment of the second loans to homeowners. During 2002, $759 and $9 of principal relating to the Series 2000 Note and the Series 2001 Note, respectively, was paid, resulting in balances of $439 and $451, respectively, at June 30, 2002.

(dollars in thousands)

h. Note Payable

In April 2001, the City entered into a promissory note in the amount of $1,980 with the General Services Administration of the United States of America to purchase the Federal Building located at Tucker and Market Streets in St. Louis, Missouri. During 2002, the entire balance of this promissory note was repaid with the proceeds of the Series 2002A Leasehold Revenue Bonds out of the capital projects fund.

i. Loan Agreement with Missouri Department of Natural Resources

In July 2001, the City agreed to enter into a loan agreement with the Missouri Department of Natural Resources (DNR) pursuant to the Missouri Energy Efficiency Leveraged Loan Program in the amount of $2,000 at an annual interest rate of 4.35%. The proceeds of the loan are to be used to complete Energy Conservation Measures designated as approved by the DNR. As of June 30, 2002, the City has not drawn against the loan agreement.

j. Component Unit – SLDC Line of Credit

In March 2000, SLDC entered into a construction loan agreement set up as a line of credit for $1,000. The loan agreement requires SLDC to deposit $115 to an interest reserve account prior to initial disbursement from the loan. All earnings on the reserve account shall remain in the account which will be disbursed upon maturity of the loan. As of June 30, 2002, no disbursements had been made from the loan, and the interest reserve account had a balance of $124.

k. Component Unit – SLDC Long-Term Liabilities

The following is a summary of changes in long-term liabilities for SLDC for the year ended June 30, 2002:

	Balance, June 30, 2001	Additions	Reductions	Balance, June 30, 2002	Due Within One Year
Due to other governmental agencies	$ 11,685	1,279	3,345	9,619	1,864
Notes payable	8,513	8,595	2,157	14,951	8,769
Other liabilities	2,777	1,660	380	4,057	–
Revenue bonds	13,810	–	120	13,690	130
	$ 36,785	11,534	6,002	42,317	10,763

Maturities on notes payable are as follows:

Year ending June 30:	
2003	$ 8,769
2004	4,481
2005	801
2006	900
	$ 14,951

(dollars in thousands)

Revenue bonds outstanding at June 30, 2002 consist of LCRA Parking Facility Revenue Bonds Series 1999A, Parking Facility Revenue Refunding Bonds Series 1999B, and Parking Facility Revenue Refunding and Improvement Bonds Series 1999C (Bonds). The Bonds are dated October 21, 1999.

The Series 1999A bonds with an original issue amount of $2,470 are due at intervals until September 1, 2009. These bonds carry rates of interest ranging from 7.625% to 9.0%. The balance at June 30, 2002 is $2,350.

The Series 1999B bonds with an original issue amount of $8,300 are due at intervals until September 1, 2019, and are payable solely from, and secured by, a pledge of gross revenues from the operation of SLDC Parking Facilities' St. Louis Centre East parking garage. The bonds may be redeemed prior to maturity at the option of LCRA and are subject to special mandatory redemption prior to maturity following the occurrence of a determination of taxability as defined in the bond indenture. These bonds carry rates of interest ranging from 6.5% to 7.0%. The balance at June 30, 2002 is $8,300.

The Series 1999C bonds with an original issue amount of $3,040 are due September 1, 2024. Bond proceeds are to repay an LCRA note payable and construct a parking lot on a portion of the St. Louis Centre North Garage premises. The bonds may be redeemed prior to maturity at the option of LCRA and are subject to special mandatory redemption prior to maturity following the occurrence of a determination of taxability as defined in the bond indenture. These bonds carry a rate of interest of 7.05%. The balance at June 30, 2002 is $3,040.

Debt service requirements to maturity for SLDC bonded debt are as follows:

		Series A		Series B		Series C	
		Principal	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2003	$	130	202	–	1,138	–	429
2004		240	187	–	1,138	–	429
2005		260	166	–	1,138	–	429
2006		285	142	–	1,138	–	429
2007		310	115	–	1,138	–	429
2008-2012		1,125	160	1,105	5,597	–	2,143
2103-2017		–	–	2,745	4,535	–	2,143
2018-2022		–	–	4,450	1,414	615	2,121
2023-2024		–	–	–	–	2,425	712
	$	2,350	972	8,300	17,236	3,040	9,264

(dollars in thousands)

l. Component Unit – SLPD Long-Term Liabilities

The following is a summary of changes in long-term liabilities for SLPD for the year ended June 30, 2002:

	Balance June 30, 2001	Additions	Deductions	Balance, June 30, 2002	Due Within One Year
Accrued banked overtime, vacation, and sick time leave	$ 18,632	7,045	–	25,677	9,314
Capital lease obligation	8,940	–	(925)	8,015	970
Worker's compensation	22,066	–	(335)	21,731	3,800
Net pension obligation	–	866	–	866	–
	$ 49,638	7,911	(1,260)	56,289	14,084

Police Patrol Buildings

In December 1987, SLPD entered into a lease-purchase agreement with the Missouri Economic Development, Export and Infrastructure Board (Lessor). In June 1994, the Lessor issued $13,725 of Leasehold Revenue Bonds, Series 1994 (SLPD Series 1994 Bonds). Proceeds from the 1994 bonds were used to defease the previously issued Leasehold Revenue Bonds, Series 1988 (SLPD Series 1988 Bonds).

Proceeds from the SLPD Series 1988 Bonds were used to finance the purchase, construction, expansion, and improvement of real estate and buildings for SLPD's police patrol buildings. The SLPD Series 1994 Bonds are not legal obligations of SLPD or the City, but are to be paid by the lease payments described below.

Lease payments are payable from tax proceeds generated from the capital improvements sales tax, a 1/2 cent City sales tax increase approved by the voters on August 3, 1993. These payments, made on behalf of the SLPD, are reflected as expenditures in the SLPD general fund. The lease payments are based on the systematic retirement of the SLPD Series 1994 Bonds which bear interest at rates ranging from 4.9% to 5.7% and mature through 2008. The SLPD future lease payments under these agreements are as follows:

	Principal	Interest	Total
Year ending June 30:			
2003	$ 970	418	1,388
2004	1,025	365	1,390
2005	1,070	309	1,379
2006	1,130	249	1,379
2007	1,190	184	1,374
2008	2,630	75	2,705
	$ 8,015	1,600	9,615

(dollars in thousands)

m. Component Unit – HSTRC Long-Term Liabilities

The following represents a summary of changes in long-term liabilities for HSTRC for the year-ended June 30, 2002:

	Balance, June 30, 2001	Additions	Deductions	Balance, June 30, 2002	Due Within One Year
Note payable	$ 14	–	–	14	14

14. CAPITAL LEASES

Certain City services are provided by equipment financed under various capital lease agreements as follows:

a. Capital Lease – Rolling Stock

In March 2000, the City entered into a capital lease agreement with Banc One Leasing Corporation in the amount of $9,000 at a rate of 5.8%. Proceeds of the lease are to be used to purchase certain rolling stock such as dump trucks and refuse trucks. Equal payments of $2,099 are to be made annually from the capital projects fund with the final payment due March 7, 2005.

Year ending June 30:	
2003	$ 2,099
2004	2,099
2005	2,099
Total future minimum lease payments	6,297
Amount representing interest	(591)
Present value of net minimum lease payments	$ 5,706

b. Capital Lease – Kiel Site Project

The City has a master lease agreement with SLDC, whereby the City has leased Stadium East Redevelopment Project and related property and portions of the City Block 210 (the Kiel Premises) to SLDC.

SLDC subleases the Kiel Premises back to the City. In 1998, SLDC issued two series of bonds for the purpose of refunding the outstanding bonds on which the City's lease payments were based. Pursuant to the master lease agreement, the lease payments made by the City are to be used by SLDC to fund annual debt service payments for SLDC's Kiel Site Lease Revenue Refunding Bonds, Series 1997A and B, in the original amount of $13,605. The Series 1997 A and B bonds were issued by SLDC in

(dollars in thousands)

September 1997, and the proceeds of which were used to retire SLDC's Station East Redevelopment Project Lease Revenue Bonds, Series 1990 and 1992. The capital lease obligation is recorded as a long-term liability. The City's lease payments are payable from the general fund. The following is a schedule, by years, of the future minimum lease payments together with the present value of the net minimum payments for the Kiel Premises as of June 30, 2002.

Year ending June 30:		
2003	$	974
2004		972
2005		974
2006		970
2007		970
2008-2012		4,850
2013-2017		4,833
2018-2022		4,896
Total future minimum lease payments		19,439
Amount representing interest		(7,264)
Present value of net minimum lease payments	$	12,175

15. LEASEHOLD REVENUE IMPROVEMENT AND REFUNDING BONDS

Civil Courts

The SLMFC-II issued $32,505 in Leasehold Revenue Improvement Bonds, Series 1994 (Series 1994 Bonds). The Series 1994 Bonds include serial bonds in the principal amount of $16,690, and term bonds in the principal amount of $15,815. Interest is payable semiannually on all bonds. The term bonds are subject to mandatory sinking fund redemption prior to their stated maturity date of August 1, 2013. The mandatory redemption begins August 1, 2007 and each August 1st thereafter, including August 1, 2013. The proceeds of the Series 1994 Bonds are being used by the City to finance certain improvements, renovations, rehabilitation, remodeling and equipping of the Civil Courts Building.

The City's payments are secured by a pledge agreement between the City and the Series 1994 Bonds trustee. The City's payments are further insured by the Financial Guaranty Insurance Company (FGIC). The principal amount outstanding is recorded as a long-term liability. The City's payments for debt service requirements are payable from the capital projects fund and are based on the Series 1994 Bonds with interest rates ranging from 3.75% to 5.75%.

Convention Center

On July 15, 1993, SLMFC issued $153,607 Leasehold Revenue Refunding Bonds (Series 1993 A and B Bonds) in two series. The Series 1993 A and B Bonds were issued to refund bonds previously issued by SLDC (SLDC Bonds). Pursuant to the SLDC Bonds, SLDC held title to the Convention Center. Once the proceeds of the Series 1993A and B Bonds were deposited in an irrevocable trust to pay the principal and interest on the outstanding SLDC Bonds and certain other conditions were satisfied, the Convention Center property was conveyed to SLMFC. The Series 1993 A Bonds consisted of current interest bonds ($51,330 serial bonds and $90,465 term bonds) ranging in rates from 3.0% to 6.0% and compound interest bonds with an initial offering price of $2,567 and a final maturity amount on July 15, 2014, of $9,615. The yield to maturity for the compound interest bonds at the initial offering price was 6.4%. The Series 1993 B Bonds in the amount of $9,245 were taxable serial bonds with a final maturity on July 15, 2001, and interest rates ranging from 3.9% to 6.65%.

Lease payments calculated to meet the principal, interest and other costs related to the Series 1993 A and B Bonds are paid for in the City's general fund.

Justice Center

In August 1996, the SLMFC issued $75,705 Leasehold Revenue Improvement Bonds, Series 1996 A (Series 1996 A Bonds) and $34,355 Leasehold Revenue Improvement and Refunding Bonds, Series 1996 B (Series 1996 B Bonds) (collectively the 1996 Justice Center Bonds). The Series 1996 A Bonds include serial bonds in the principal amount of $20,155 and term bonds in the principal amount of $55,550. The Series 1996 B Bonds include serial bonds in the principal amount of $23,500 and term bonds in the principal amount of $10,835. Interest is payable semiannually on all bonds. The term bonds are subject to mandatory sinking fund redemption prior to their stated maturity dates.

The City's payments are secured by a pledge between the City and the trustee for the Justice Center Bonds which authorizes the State to make direct payment to the trustee of the City's per diem reimbursement entitlements for costs incurred in boarding State prisoners. The City's payments are further insured by AMBAC. The principal amount of the bonds outstanding is recorded as a long-term liability. The City's payments for debt service are payable from the capital projects fund. Interest rates on the 1996 Justice Center Bonds range from 4.25% to 6.0%.

Proceeds from the Series 1996 A Bonds are being used to construct the City Justice Center which will replace the former municipal jail that has been demolished and will house a total of seven hundred and thirty-two prisoners. When completed, the facility will be a major addition to the City's justice system bringing total detention capacity to over 1,500 beds. The City Justice Center site is located east of City Hall, south of the city-owned Carnahan Building and west of the Thomas F. Eagleton Federal Courthouse. The City Justice Center is designed to meet standards established by the American Correctional Association.

In February 2000, the SLMFC issued $22,025 City Justice Center Leasehold Revenue Improvement Bonds (Series 2000A Bonds) for the purpose of financing the completion of the City Justice Center, and funding the debt service reserve fund with respect to the Series 2000A Bonds, and paying costs of issuance of the Series 2000A Bonds. The Series 2000A Bonds bearing a stated maturity of February 15, 2010, are not subject to redemption prior to their stated maturities. The Series 2000A Bonds bearing a stated maturity of February 15, 2011 are subject to optional redemption and payment prior to their stated maturities at the election of SLMFC, upon direction and instruction by the City, on February 15, 2010, and at any time thereafter, as a whole at any time in part at any time, and if in part in such order as the SLMFC shall determine, upon the direction and instruction by the City in its sole discretion, at redemption prices ranging from 100% to 101% plus accrued interest thereon to the redemption date.

The principal amount of the bonds outstanding is recorded as a long-term liability of the City. The City's payments for debt service are payable from the capital projects fund. Interest rates on the Justice Center 2000A Bonds range from 4.75% to 6.0%.

On September 1, 2001, the SLMFC issued $62,205 City Justice Center Leasehold Revenue Bonds (Series 2001A bonds) with an average interest rate of 4.93% to advance refund $58,115 of Series 1996A bonds with an average interest rate of 5.93%. The net proceeds of $62,789 (after the addition of a $1,935 premium less the payment of $1,351 in issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future payments on the $58,115 principal of the 1996A bonds. As a result, this portion of the 1996A bonds are considered to be defeased, and the liability for those bonds has been removed from the basic financial statements.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $4,674. This difference, reported in the accompanying basic financial statements as a reduction of bonds payable, is being charged to operations through the year 2018 using the straight-line method, which approximates the effective interest method.

The City advanced refunded the Series 1996A bonds to reduce its total debt service payments over the next 18 years by approximately $1,618 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $1,472.

<u>Forest Park</u>

On March 1, 1997, the SLMFC issued $19,270 Forest Park Leasehold Revenue Improvement Bonds, Series 1997, (Series 1997 Bonds). The City has agreed, subject to annual appropriation, to make payments from the Forest Park Subaccount in the capital projects fund sufficient for the prompt payment when due of the principal, and interest on the Series 1997 Bonds. As long as any Series 1997 Bonds remain outstanding, the percentage of the one-half cent capital improvements sales tax approved by City voters on August 3, 1993 allocated to the Forest Park Subaccount may not be reduced. Payments of principal and interest on the Series 1997 Bonds is insured by a policy of municipal bond insurance issued by Financial Guaranty Insurance Company. Interest is payable February 15 and August 15 of each year and principal is payable February 15 of each year until final maturity in 2022. Interest rates on the serial bonds payable 1998 through 2012 range from 3.7% to 5.375% and the term bonds due in 2017 and 2022 have a rate of 5.5%. The City's debt service payments are made from the capital projects fund.

The proceeds of the Series 1997 Bonds are being used to fund a major portion of the City's contribution toward the estimated $86,000 Forest Park Master Plan (Plan). Forest Park, owned by the City, is one of the largest urban parks in the United States, encompassing 1,293 acres in the western portion of the City. As home to most of the region's important cultural institutions, including the Missouri History Museum, the St. Louis Art Museum, the St. Louis Science Center, the Municipal Opera Theater, the World's Fair Pavilion, the Jewel Box, Steinberg Rink and the St. Louis Zoo, it is a regional magnet drawing 10 to 12 million visitors (five times the population of the region) per year. After two years of planning, the City adopted the Plan in 1995 to integrate Forest Park's natural and man-made systems into a cohesive and mutually beneficial ecosystem. The Plan emphasizes technical and environmental designs that are economical to maintain with a "river-like" flowing water system, simplified road system, and an added 7,500 trees. The Plan is expected to be completed in five phases by 2004, the 100-year anniversary of the 1904 St. Louis World's Fair which was held in Forest Park. Forest Park Forever, a nonprofit corporation unrelated to the City, has been selected to lead the campaign for raising the estimated $43,000 needed from private individual and corporate donors to implement the Plan.

Firemen's System

On April 1, 1998, the SLMFC issued $28,695 Firemen's Retirement Systems Lease Revenue Bonds, Series 1998, (Series 1998 Bonds). Interest is paid semi-annually on the Bonds at the rate of 5.6% to 6.55%. The Series 1998 Bonds are subject to mandatory sinking fund redemption prior to maturity.

The City has covenanted, subject to annual appropriation to pay rental payments at such times and in such amounts as are necessary to assure that no default in the payment of principal, premium, or interest on the Series 1998 Bonds occurs. The Series 1998 Bonds are further secured by a mortgage and deed of trust lien upon the facility (defined as the sites, building, structures, improvements, and fixtures occupied by the City's Fire Department Headquarters Building and 30 neighborhood engine houses) pursuant to the Deed of Trust and Security Agreement dated as of April 1, 1998. The principal amount of the bonds outstanding is recorded as a long-term liability. The City's payments for debt service are payable from the general fund.

The proceeds derived from the sale of the Series 1998 Bonds will be used to prepay a portion of the City's unfunded accrued actuarial liabilities in the form of a contribution to the Firemen's Retirement System and to pay cost of issuance for the Series 1998 Bonds.

Carnahan Courthouse

On April 1, 2002, the SLMFC issued $21,750 in Leasehold Revenue Bonds, Series 2002A. The bonds include serial bonds in the principal amount of $12,310, and term bonds in the amount of $9,440. Interest is payable semiannually on all bonds. The term bonds are subject to mandatory sinking fund prior to their stated maturity date of February 15, 2027. The mandatory redemption begins February 15, 2023 and each February 15th thereafter, including February 15, 2027. The proceeds of the Series 2002A bonds are being used to finance the acquisition and renovation of the Carnahan Courthouse.

The City's payments are secured by a pledge agreement between the City and the Series 2002A trustee. The City's payments are further insured by the Financial Guarantee Insurance Company (FGIC). Interest rates on the bonds range from 4.81% to 5.40%.

(dollars in thousands)

Principal and interest requirements for the Leasehold Revenue Improvement and Refunding Bonds are as follows:

	Civil Courts		Convention Center	
	Principal	**Interest**	**Principal**	**Interest**
Year ending June 30:				
2003	$ 1,465	1,304	5,755	7,128
2004	1,540	1,226	6,075	6,813
2005	1,620	1,143	6,835	6,461
2006	1,705	1,055	7,815	6,055
2007	1,800	959	8,770	5,586
2008-2012	10,650	3,084	59,620	17,710
2013-2015	5,165	301	33,412	9,513
	$ 23,945	9,072	128,282	59,266

	Justice Center		Forest Park	
	Principal	**Interest**	**Principal**	**Interest**
Year ending June 30:				
2003	$ 4,480	6,252	470	908
2004	4,700	6,032	490	887
2005	4,935	5,797	515	865
2006	5,380	5,544	540	841
2007	5,860	5,268	565	816
2008-2012	37,460	21,605	3,265	3,623
2013-2017	43,435	11,011	4,245	2,647
2018-2020	15,660	1,207	6,990	1,344
	$ 121,910	62,716	17,080	11,931

	Fireman's System	
	Principal	**Interest**
Year ending June 30:		
2003	$ 1,825	1,304
2004	1,935	1,187
2005	2,055	1,062
2006	2,185	927
2007	2,325	784
2008-2011	10,905	1,479
	$ 21,230	6,743

(dollars in thousands)

		Carnahan Courthouse	
		Principal	Interest
Year ending June 30:			
2003	$	−	993
2004		−	1,139
2005		−	1,139
2006		−	1,139
2007		−	1,139
2008-2012		−	5,693
2013-2017		4,570	5,317
2018-2022		7,240	3,689
2023-2027		9,940	1,647
	$	21,750	21,895

16. JOINT VENTURE FINANCING AGREEMENT

St. Louis Regional Convention and Sports Complex Authority (Authority)

In April 1990, the Authority was established as a separate legal entity by an Act of the Missouri State legislature to acquire, purchase or lease and construct, operate and maintain convention centers, sports stadiums, field houses, indoor and outdoor convention, recreational and entertainment facilities, and to do all things incidental or necessary to facilitate these purposes.

Series C 1991 Bonds and Series C 1997 Bonds (Series C Bonds)

On August 15, 1991, the City sponsored the issuance of $60,075 in Convention and Sports Facility Project Bonds Series C 1991 (Series C 1991 Bonds). The Series C Bonds were issued by the Authority, together with the proceeds of the Authority's $132,910 principal amount of Convention and Sports Facility Project Bonds, Series A 1991 (State, Sponsor) (Series A Bonds) and the Authority's $65,685 principal amount of Convention and Sports Facility Bonds, Series B 1991 (County, Sponsor) (Series B Bonds). The Series A Bonds, the Series B Bonds and the Series C 1991 Bonds (collectively the Project Bonds) were issued for the purpose of providing funds to finance the costs of acquiring land and constructing thereon an eastward expansion of the Cervantes Convention Center to be used as a multipurpose convention and indoor sports facility (Project). On December 15, 1993, the Authority issued $121,705 in Series A refunding bonds and $60,180 in Series B refunding bonds to advance refund $101,410 of Series A Bonds and $50,275 of Series B Bonds, respectively.

During February 1997, the Authority issued Convention and Sports Facility Project and Refunding Bonds Series C 1997 (Series C 1997 Bonds) in the amount of $61,285. The proceeds were used to refund, in advance of maturity, $47,155 of the Series C 1991 bonds. A portion of the Series C 1991 Bonds maturing on August 15, 2021 are not subject to optional redemption and $8,820 remain outstanding. Approximately $2,100 of the proceeds were used for various project improvements.

(dollars in thousands)

The Authority entered into a Project Financing Construction and Operation Agreement dated August 1, 1991 (Financing Agreement) with the City, State and County (collectively the Sponsors) providing for the application of the proceeds of the Project Bonds, for the repayment of the Project Bonds, and for the operation and maintenance of the Project. Pursuant to the Financing Agreement, the Authority will lease the Project to the Sponsors who will sublease the project back to the Authority. The rental payments made by the Sponsors under the Financing Agreement are designed to be sufficient to pay the principal and interest on the Project Bonds. The Preservation payments to be made by the Sponsors under the Financing Agreement will be used to pay for repairs and replacement of major Project components and renovation necessary to maintain the Project. A portion of the preservation payments from each sponsor were deposited to the Bond Fund of the Authority each year from 1994 through 1999, to pay principal and interest on the Project Bonds, On August 1 and February 1 of each year, the City is obligated (subject to appropriations) to make rental payments of $2,500 and preservation payments of $500 regardless of the principal and interest payments due.

At June 30, 2002, the City's obligation for the Series C Bonds and net preservation payments (after deposits to the Bond Fund) payable from the general fund under the Financing Agreement is as follows:

		Principal	Interest	Preservation Payments	Total
Year ending June 30:					
2003	$	1,770	3,169	1,061	6,000
2004		1,885	3,049	1,066	6,000
2005		2,010	2,939	1,051	6,000
2006		2,105	2,842	1,053	6,000
2007		2,200	2,739	1,061	6,000
2008-2012		12,750	11,888	5,362	30,000
2013-2017		16,490	8,032	5,478	30,000
2018-2022		21,374	3,017	2,608	27,000
	$	60,584	37,675	18,740	117,000

Series C Bonds' principal and the preservation payments are included in the City's financial statements as a long-term liability.

(dollars in thousands)

17. REVENUE BONDS PAYABLE

a. Airport

Bonds outstanding at June 30, 2002 are summarized as follows:

Bond Series 1992, interest rates ranging from 5.8% to 6.125%, payable in varying amounts through 2016	$	21,260
Bonds Series 1993, interest rates ranging from 6% to 6.2%, payable in varying amounts through 2006		47,715
Bond Series 1993A, interest rates ranging from 6.35% to 6.65%, payable in varying amounts through 2006		27,865
Bonds Series 1996, interest rates ranging from 5.05% to 6%, payable in varying amounts through 2008		22,620
Bonds Series 1997, interest rates ranging from 4.2% to 6%, payable in varying amounts through 2028		198,605
Bonds Series 1998, interest rates ranging from 4.0% to 5.125%, payable in varying amounts through 2016		68,620
Bonds Series 2000, interest rates ranging from 6.0% to 6.25%, payable in varying amounts through 2009		74,730
Bonds Series 2001A, interest rates ranging from 4.13% to 5.625%, payable in varying amounts through 2032		435,185
		896,600
Less:		
Current maturities		(34,415)
Unamortized discounts and premiums		(1,104)
Deferred amounts on refunding		(6,425)
	$	854,656

On July 15, 2000, the Airport issued $87,165 in Series 2000 Letter of Intent Double Barrel Revenue Bonds. The Series 2000 Bonds are limited obligations of the Airport, payable solely from moneys to be received from the FAA pursuant to Letter of Intent Number ACE-98-01 dated November 10, 1998 and amended May 1, 2000; moneys on deposit in the Airport Development Fund; and certain other funds pledged under the bond indenture. None of the general Airport revenues or properties of the Airport have been pledged or mortgaged to secure payment of the Series 2000 Bonds. The net proceeds of the Series 2000 Bonds of $85,536 (after the deduction of a $125 original issue discount and the payment of $1,504 in underwriting fees, legal, accounting, and other issuance costs), together with other available funds, are being applied to pay a portion of the cost of the acquisition of certain land located adjacent to the Airport and the construction of certain improvements thereon.

(dollars in thousands)

On May 1, 2001, the Airport issued $435,185 in Series 2001A Airport Revenue Bonds for the purpose of acquiring certain land located adjacent to the Airport and acquiring, designing, constructing, improving, renovating, expanding, rehabilitating, and equipping certain Airport facilities. The net proceeds from the Series 2001A Bonds were $426,782 (after the deduction of a $1,050 original issue discount and the payment of $7,353 in underwriting fees, legal, accounting, and other issuance costs). The Series 2001A Bonds are secured by the net revenues from the operations of the Airport.

The deferred amounts on refunding of $6,425 relate to the refunded Bond Series 1984, Bond Series 1987, and Bond Series 1992 and are included in revenue bonds payable. The deferred amounts on refunding are amortized using the bonds outstanding method over the life of the new bonds.

The Airport was in compliance with all significant bond covenants with respect to the above issues at June 30, 2002. Interest payments on the above issues are due semiannually on January 1 and July 1.

As of June 30, 2002, the Airport's aggregate debt service requirements for the next five years and in five-year increments thereafter are as follows:

		Principal	Interest	Total
Year ending June 30:				
2003	$	34,415	47,819	82,234
2004		39,760	45,688	85,448
2005		42,550	43,274	85,824
2006		43,200	40,707	83,907
2007		24,950	38,785	63,735
2008-2012		144,685	168,283	312,968
2013-2017		139,705	130,426	270,131
2018-2022		137,435	93,543	230,978
2023-2027		156,095	55,285	211,380
2028-2032		133,805	16,802	150,607
	$	896,600	680,612	1,577,212

In prior years, the Airport advance refunded $221,715 of Airport Revenue Bonds by placing funds in an irrevocable trust to provide for all future debt service payments on these bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At June 30, 2002, $106,440 of outstanding bonds are considered defeased.

(dollars in thousands)

b. Water Division

Water revenue bonds outstanding at June 30, 2002 are payable solely from, and secured by, a pledge of net revenues from the operation of the Water Division and are summarized as follows:

Series 1994 Water Revenue Bonds, 5.7% to 7.0%, payable in varying amounts through 2006	$	11,835
Series 1998 Water Revenue Bonds, 4.1% to 4.75% payable in varying amounts through 2014		29,175
		41,010
Less:		
Current maturities		(2,090)
Deferred amount on refunding of a portion of the 1994 Water Revenue Bonds		(2,112)
Unamortized discounts		(209)
	$	36,599

Series 1994 Water Revenue Bonds

In April 1994, the Water Division issued $51,570 in revenue refunding and improvement bonds (Series 1994 Bonds). The Series 1994 Bonds are payable solely from and secured by the revenues of the Waterworks System. The Series 1994 Bonds were issued as part of the $170,000 of bonds approved by voters at an election held April 6, 1993. The Series 1994 Bond proceeds were principally used to finance the construction of improvements to the Waterworks System, to refund and defease all of the outstanding Series 1985 Bonds, and pay the costs of the Bonds' issuance. Proceeds of the Series 1994 Bonds were also used to pay the premiums of a municipal bond insurance policy issued by Financial Guaranty Insurance Company. This policy which guarantees the payment of principal and interest on the Series 1994 Bonds is noncancelable and extends for the term of the Series 1994 Bonds. The Water Division is subject to certain covenants under the Series 1994 Bonds.

As noted above, a portion of the Series 1994 Bond proceeds will fund the construction of certain improvements to the Waterworks System. These projects are: (1) improvements to the Chain of Rocks treatment plant sedimentation basin; (2) the rehabilitation of the 60-inch Conduit No. 1 from the Howard Bend treatment plant; (3) chlorination system improvements at the Howard Bend and Chain of Rocks plants; and (4) the improvement of the Compton Hill Reservoir. These projects respond to changing environmental regulations and maintaining the integrity and reliability of the Waterworks System.

Construction on the Compton Hill Reservoir and the rehabilitation of the 60-inch Conduit No. 1 from the Howard Bend treatment plant were completed in 1999 for total costs of $22,664 and $10,714, respectively. Chain of Rocks treatment plant sedimentation basins were completed in 2001 for a total cost of $24,490. Chlorination system improvements were completed in 2002 for a total cost of $7,268.

(dollars in thousands)

Series 1998 Water Revenue Bonds

In December 1998, the Water Division issued $29,225 in Water Revenue Refunding Bonds (Series 1998 Bonds) with an average interest rate of 4.56 percent to advance refund $27,775 of the outstanding Series 1994 Bonds, maturing between 2007 and 2014, with an average interest rate of 6.02 percent. The net proceeds of $28,451, (after the subtraction of an original issue discount of $190 and the payment of $584 in underwriting fees and other issuance costs) plus an additional $2,508 of Series 1994 Bonds debt service fund monies were deposited in an irrevocable trust with an escrow agent to provide for all future payments on the $27,775 principal of the Series 1994 Bonds. As a result, this portion of the Series 1994 Bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. At June 30, 2002, $27,775 of the defeased Series 1994 Bonds are outstanding.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $3,257. This difference, with current carrying value of $2,112 is reported in the accompanying financial statements as a reduction from revenue bonds payable, is being charged to operations through the year 2014 using the bonds outstanding method.

Proceeds of the Series 1998 Bonds were also used to pay the premiums of a municipal bond insurance policy issued by AMBAC Assurance Corporation. This policy which guarantees the payment of principal and interest on the Series 1998 Bonds is noncancelable and extends for the term of the Series 1998 Bonds. The Water Division is subject to certain covenants under the Series 1998 Bonds.

Debt service requirements to maturity of the 1994 and 1998 Water Revenue Bonds are as follows:

	Principal	Interest	Total
Year ending June 30:			
2003	$ 2,090	1,854	3,944
2004	2,235	1,727	3,962
2005	2,365	1,590	3,955
2006	2,500	1,444	3,944
2007	2,645	1,286	3,931
2008-2012	16,915	4,387	21,302
2013-2018	12,260	595	12,855
	$ 41,010	12,883	53,893

(dollars in thousands)

c. Parking Division

Revenue bonds outstanding at June 30, 2002 are as follows:

Series 1996 Revenue Bonds, interest rates ranging from 3.6% to 5.375%, payable in varying amounts through 2021	$	24,005
Series 1998 Revenue Bonds, interest rates ranging from 3.7% to 6.375%, payable in varying amounts through 2023		7,430
Series 1999 Revenue Bonds, interest rates ranging from 5.75% to 7.375%, payable in varying amounts through 2021		11,010
		42,445
Less:		
Current maturities		(935)
Unamortized discount and deferred loss on refunding		(2,644)
	$	38,866

On November 1, 1999, the Parking Division issued $11,420 in Parking Revenue Bonds with interest rates ranging from 5.75% to 7.375%. The Bonds consist of $5,840 Series 1999A Tax Exempt Bonds and $5,580 Series 1999B Taxable Bonds. The net proceeds of the bonds, after payment of costs of issuance and the required deposits to the Series 1999 Debt Service Reserve Fund, together with other available funds, are to be used to design, construct and equip a public parking facility on land owned by the City.

On June 1, 1998, the Parking Division issued $8,000 in Parking Revenue Bonds with interest rates ranging from 3.700% to 6.375%. The net proceeds of $8,000 were used to construct and equip a parking facility at the Marquette Building location.

On December 5, 1996, the Parking Division issued $25,820 in Parking Revenue Refunding Bonds with interest rates ranging from 3.600% to 5.375% to advance refund $22,750 of outstanding Series 1992 bonds with interest rates ranging from 4.200% to 6.625%. The net proceeds of $25,250 (after payment of $570 of original issue discount) were used to pay underwriting fees, insurance and other issuance costs and the remaining proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 1992 bonds. As a result, the Series 1992 bonds are considered defeased and the liability for those bonds have been removed from the financial statements. At June 30, 2002, $20,700 of Series 1992 bonds remained outstanding.

The Parking Division issued the Series 1996 bonds with a par value of $25,820 to (1) pay the remaining costs of completing the Project (acquisition of real estate, the construction of a multilevel public parking garage and other parking facilities), (2) retire the Series 1992 bonds, (3) pay issuance costs and (4) fund the Debt Service Reserve Fund. The Series 1996 bonds are payable from, and secured by, a pledge of (1) revenues to be generated from the operation of the project, (2) certain other parking revenues derived from the activities of the Parking Division, and (3) certain revenues from parking fines and penalties collected by the City's Traffic Violations Bureau.

(dollars in thousands)

Debt service requirements for the Parking Division revenue bonds are as follows:

		Principal	Interest	Total
Year ending June 30:				
2003	$	935	2,344	3,279
2004		980	2,297	3,277
2005		1,030	2,246	3,276
2006		1,085	2,191	3,276
2007		1,140	2,132	3,272
2008-2012		7,980	9,535	17,515
2013-2017		10,220	7,676	17,896
2018-2022		16,950	1,604	18,554
2023-2027		2,125	1,209	3,334
	$	42,445	31,234	73,679

The Parking Division has a Forward Delivery Agreement with the trustee and a securities supplier. The Parking Division makes a monthly payment to the trustee who then invests the funds. The agreement can be canceled at any time by either party; however, a penalty payment is required if the Parking Division cancels the agreement.

The Parking Division has a standby purchase agreement with a financial institution whereby the financial institution has committed to purchase subordinated parking revenue bonds from the Parking Division at any time and from time to time in an aggregate principal amount not to exceed $15,000 at any one time outstanding. Bonds issued pursuant to this agreement will bear interest at a tax-exempt rate selected by the financial institution, not to exceed 10% per annum. As of June 30, 2002, $2,271 in bonds (bearing interest at a rate of 3.606%) were outstanding pursuant to this agreement.

18. SHORT-TERM DEBT

Short-term debt activity for the year ended June 30, 2002, was as follows:

		Balance June 30, 2001	Issued	Redeemed	Balance June 30, 2002
Tax revenue anticipation notes	$	–	43,000	(43,000)	–

(dollars in thousands)

19. OPERATING LEASES

a. At June 30, 2002, the City was committed under miscellaneous operating leases for office space. Future minimum base rental payments under terms of the operating leases are as follows:

Year ending June 30:		
2003	$	1,216
2004		809
2005		531
2006		367
2007		367
2008-2012		1,711
	$	5,001

b. The Airport has long-term use agreements and leases with signatory air carriers which expire on December 31, 2005. Under the terms of the use agreements and leases, the air carriers have agreed to pay airfield landing fees; terminal and concourse rentals; hangar, cargo and maintenance facility rentals; and certain miscellaneous charges in consideration for use of the Airport. The use and lease agreements also require the Airport to make certain capital improvements and to provide maintenance of certain Airport facilities. Payments by the air carriers are determined as follows:

- Landing fees are calculated based on estimated operating and maintenance expenses of the airfield, and allocated to the air carriers on the basis of landing weights. Landing fee revenues are adjusted each year by retroactive rate adjustment which is calculated as the difference between estimated and actual costs incurred and estimated and actual landing weights. These revenues are included in aviation revenue.

- Rentals are calculated based on estimated operating and maintenance expenses, of the terminal and concourse areas and hangars, cargo and maintenance facilities, and allocated to the air carriers on the basis of square footage utilized. Rental revenue is adjusted each year by retroactive rate adjustment which is calculated as the difference between estimated and actual costs incurred. These revenues are included in aviation revenue.

- Miscellaneous income is derived from the air carriers for their use of sanitary disposal facilities and airline service buildings.

During fiscal year 2002, revenues from signatory air carriers accounted for 61% of total Airport operating revenues.

Minimum future rentals for each year in the next five years and in the aggregate are not determinable given the method of calculation.

(dollars in thousands)

The following is a summary of aviation revenue by category and source from signatory and nonsignatory air carriers for the year ended June 30, 2002:

	Signatory	Nonsignatory	Total
Airfield	$ 39,967	3,095	43,062
Terminal and concourses	23,680	516	24,196
Hangars and other buildings	465	–	465
Cargo buildings	1,975	–	1,975
	$ 66,087	3,611	69,698

The Airport also leases facilities and land with varying renewal privileges to various nonsignatory air carriers, concessionaires and others. These leases, for periods ranging from 1 to 50 years, require the payment of minimum annual rentals. The following is a schedule by year of minimum future rentals on noncancellable operating leases, other than leases with signatory airlines pursuant to long-term use agreements:

Year ending June 30:	
2003	$ 20,456
2004	15,404
2005	7,851
2006	6,427
2007	6,235
2008-2012	7,827
2013-2017	3,729
2018-2022	3,612
2023-2027	3,562
2028-2032	3,562
2033-2037	1,781
Total minimum future rentals	$ 80,446

The above amounts do not include contingent rentals which may be received under certain leases. Such contingent rentals amounted to $22,581 for the year ended June 30, 2002.

The Airport leases computer and other equipment and has service agreements under noncancellable arrangements which expire at various dates through 2007. Expenses for operating leases and service agreements were $854 for the year ended June 30, 2002. Future minimum payments (excluding payments for snow removal which are not determinable) are as follows:

Year ending June 30:	
2003	$ 150
2004	90
2005	75
2006	46
2007	23
Total minimum future rentals	$ 384

(dollars in thousands)

c. Component Unit – SLDC

In December 1996, SLDC, in conjunction with the Community Development Agency (CDA), signed a five-year lease for office space, which commenced March 1997 with three months abated rent and thereafter, monthly base payments of $38 through February 2002. In January 2001, SLDC signed an agreement to extend the lease for fifteen years. The new agreement, which increased the base rent to $42 and the leased space to 6,216 square feet, will end February 2017. SLDC also has sublease agreements with the Planning and Urban Design Development Agency (PDA) and CDA in effect through February 2017. Future minimum base rents under the terms of the lease agreements, net of sublease rents anticipated from CDA and PDA are as follows:

Year ending June 30:	
2003	$ 232
2004	232
2005	239
2006	255
2007	255
2008-2012	1,305
2013-2017	1,304
	$ 3,822

Rent expenditures, net of $281 in rents received, were $319 during the year ended June 30, 2002.

Additionally, at June 30, 2002, SLDC was committed for approximately eleven years under an original twenty-five year operating lease with the City which requires annual rental payments of $1 (in dollars) for certain property along the St. Louis Riverfront. Under the lease agreement, SLDC shall make improvements to the leased premises and award subleases for all or a portion of the leased premises.

d. Component Unit – SLPD

The SLPD leases buildings, computer equipment, and other miscellaneous items under noncancelable operating leases. Total expenditures for such leases were $79 for the year ended June 30, 2002.

(dollars in thousands)

20. INTERFUND BALANCES

Individual fund interfund receivable and payable balances as of June 30, 2002 are as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue − Grants Fund	$ 6,529
	Other Governmental Nonmajor Funds	80
	Enterprise:	
	Airport	1,540
	Water Division	861
	Parking Division	1,020
	Internal Service Funds	103
		10,133
Other Governmental Nonmajor Funds	General Fund	536
	Capital Projects Fund	154
	Other Governmental Nonmajor Funds	142
		832
Enterprise – Airport	General Fund	15
Internal Service Funds	General Fund	3,334
	Enterprise:	
	Airport	1,306
	Water Division	5,258
	Parking Division	255
		10,153
		$ 21,133

All of these interfund balances are due to either timing differences or to the elimination of negative cash balances within the various funds. All interfund balances are expected to be repaid during the fiscal year ending June 30, 2003, except for $3,400 that the Water Division owes the internal service fund and $2,448 that the general fund owes the internal service fund, both of which are due to a lawsuit, which is currently on appeal (see footnote 22f.)

(dollars in thousands)

21. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2002, consisted of the following:

			Transfer From					
			General Fund	**Other Govern-mental Funds**	**Airport**	**Water Division**	**Parking Division**	**Total**
Transfer To	General Fund	$	–	10,846	5,152	2,513	175	18,686
	Capital Projects Fund		8,002	9,048	–	–	–	17,050
	Other Govern-mental Funds		1,800	1,143	–	–	–	2,943
	Parking Division		–	807	–	–	–	807
		$	9,802	21,844	5,152	2,513	175	39,486

Interfund transfers were used to 1) move revenues from the fund that ordinance or budget requires to collect them to the fund that ordinance or budget requires to expend them, 2) use unrestricted revenues collected in the general fund to finance capital improvements and other funds in accordance with budgetary authorization, or 3) move revenues in excess of current year expenditures to other funds. Additionally, gross receipt payments from the Airport, the Water Division, and the Parking Division are handled as transfers from each respective enterprise fund to the general fund.

22. COMMITMENTS AND CONTINGENCIES

a. Grants

In connection with various federal, state, and local grant programs, the City is obligated to administer related programs and spend the grant monies in accordance with regulatory restrictions, and is subject to audit by the grantor agencies. In cases of noncompliance, the agencies involved may require the City to refund program monies. Through June 30, 2002, claims have been made on the City to make refunds under certain programs and other programs are still open as to compliance determination by the respective agencies. In the opinion of City officials, settlement of these matters will not result in a material liability to the City.

b. Landfill Closure

Pursuant to an agreement between the Missouri Department of Natural Resources (MDNR) and the City, the City will be closing the Hall Street Landfill. The property was a 47 acre demolition waste landfill located at 8700 Hall Street. The property is owned by SLDC. The City holds the operating permit and is responsible for the closing. In July 2001, the City entered into an irrevocable standby letter of credit in the amount of $4,174 with MDNR as the beneficiary. MDNR may draw upon that letter of credit to complete the closure if the City does not fulfill its obligations under the agreement. As of June 30, 2002, no amounts had been drawn against the letter of credit by MDNR. At June 30, 2002, $185 has been recorded as a liability, which is an estimate of expenses the City will incur for closure and post-closure costs. The closure plan, which has already been approved by MDNR, was scheduled to be completed in April 2003 with a one-year extension possible. The City has requested a one-year extension for completion of the closing, thereby extending the closure plan to April 2004.

c. Commitments

At June 30, 2002, the Airport had outstanding commitments amounting to approximately $141,041 resulting primarily from contracts for construction projects. In addition, the Airport has $12,464 in outstanding commitments resulting from service agreements.

d. Trans World Airlines, Inc. (TWA)

Prior to April 9, 2001, Trans World Airlines, Inc. (TWA) represented the major air carrier providing air passenger service at the Airport. TWA, in combination with American Airlines, Inc. (American) provided 45% of the Airport's total operating revenues and 69% of total revenues from signatory air carriers for the fiscal year ended June 30, 2002.

Acquisition of TWA's Assets by American Airlines

On January 10, 2001, TWA filed a petition for reorganization under Chapter 11 of the United States Bankruptcy Code and filed a petition with the motion to sell substantially all of its assets to American or its designees, including AMR Corp. (AMR), the parent company of American. The motion to sell the assets was approved by the United States Bankruptcy Court for the District of Delaware on March 12, 2001. The sale of TWA's assets to a newly created subsidiary of American (AMR Sub) was closed on April 9, 2001. In a letter dated March 28, 2001 to the Director of the Airport, American expressed its intent to continue operating a system hub at the Airport. This intent was further expressed in AMR's Form 10-K filed with the Securities and Exchange Commission dated March 22, 2001.

Although American has expressed its intent to continue operating a system hub at the Airport, no assurance can be given as to the levels of aviation activity which will be achieved at the Airport in future fiscal years. Future traffic at the Airport is sensitive to a variety of factors including: (1) the growth in the population and the economy of the area served by the Airport, (2) national and international political and economic conditions, including the effects of the terrorist attacks of September 11, 2001, or any future attacks, (3) air carrier economics and air fares, (4) the availability and price of aviation fuel, (5) air carrier service and route networks, (6) the capacity of the air traffic control system, and (7) the capacity of the Airport/airways system.

The level of aviation activity at the Airport can have a material impact on the amount of operating and nonoperating revenues of the Airport. Should the Airport incur a substantial loss of revenue and any Airport contingency plan to replace such revenue prove unsuccessful, the City's ability to make payments of principal, premium, if any, and interest on the outstanding bonds could be adversely affected. However, payment of the principal and interest on outstanding bonds is insured by a bonds insurance policy.

Use Agreement with TWA

In 1993, the City purchased from TWA all of TWA's leasehold interests relating to the use of certain gates, terminal support facilities, air cargo facilities and improvements at the Airport, together with related personal property, leasehold interest in a hangar and office building and a flight training facility (Purchased Assets). TWA had a month-to-month lease covering the Purchased Assets with automatic renewals through December 31, 2005. In conjunction with the sale of TWA's assets to AMR Sub, American assumed and assigned to AMR Sub TWA's obligations under the lease agreement.

Under the lease agreement, if during any month AMR Sub has an average of less than 190 regularly scheduled departures, the City has a right to reclaim and redesignate the use of the gates and terminal support facilities and equipment to other airlines so that AMR Sub would retain only the number of gates which represents an average of 3.33 daily flight departures per gate. Also, under the lease agreement, if AMR Sub fails to make a payment of any rents, fees or charges, the City may terminate all of AMR Sub's airport agreements and retain ownership of all assets acquired under the purchase transaction.

Lease revenue under the agreement was $7,829 for the year ended June 30, 2002. Accounts receivable at June 30, 2002 contained $2,231 relating to amounts owed to the Airport by AMR Sub.

e. Airport Expansion

On September 30, 1998, the City received a favorable Record of Decision from the Federal Aviation Administration (FAA) for the W-1W expansion of the Airport, marking the beginning of a new economic era for aviation in St. Louis. The proposed $2.6 billion program will provide the building blocks for a highly competitive "world class" aviation system for the 21st century, including:

- One additional 9,000 foot parallel runway to add capacity in all weather conditions;
- The modernization and renovation of existing terminal facilities;
- The addition of up to 25 new passenger gates;
- Additional terminal facilities, doubling the Airport's existing space;
- Renovation of Lambert's existing runway and taxiway system; and
- The addition of more than 6,000 parking spaces.

The construction for this program will be funded with Airport Development Funds, Passenger Facilities Charges, FAA Improvement Program grants, and Airport Revenue Bonds. During fiscal year 2001, the Series 2000 Letter of Intent Double Barrel Revenue Bonds and the Series 2001A Airport Revenue Bonds were issued as part of the overall funding plan for this program.

Lawsuits previously filed by the Cities of St. Charles and Bridgeton, Missouri, challenging the project have been adjudicated and fully reviewed by the appellate courts. In both cases, final judgments were rendered in favor of the City and the Airport.

Land acquisition activities are underway with approximately 2,100 parcels to be acquired. As of August 6, 2002, 1,236 offers have been extended; of these, 1,141 offers have been accepted; of these, 1,124 real estate transactions have been closed; of these, 1,091 properties have been vacated by the sellers and are in the possession of the Airport; of these, 892 homes have been demolished with others to follow in the coming months.

f. Water Main Break

The City has received a judgment from the Twenty-Second Judicial Circuit Court ordering the City to pay $8,260 relating to damage caused to a private institution by a main break on a private fire line. This judgment is presently under appeal. Of the total judgment amount of $8,260, the City has determined that $5,848, consisting of damages and post-judgment interest, is a probable loss for the City. Of this amount, the City has determined that $3,400 will be funded by the Water Division, and remaining $2,448 will be funded by the general fund of the City. The remaining judgment amount of $2,412, consisting of pre-judgment interest, is not considered a probable loss. Accordingly, this amount has not been accrued for within the basic financial statements of the City.

g. Asbestos Removal

The Water Division has identified certain of its structures as having asbestos in place. As part of its continuing process of upgrading facilities, the costs for removal of the asbestos material and restoration or replacement of the affected areas are being included in budgets for capital projects. No mandatory time requirement is in effect. The removal plan would be accelerated by changes in plans for remodeling, if any.

h. Parking Fines

The Parking Division has entered into a partnership with a developer for the construction of a new parking garage located in downtown St. Louis. The Parking Division is required to pay for the construction of the garage, and will receive full ownership and control upon the completion of the garage. Additionally, upon completion of the project, the Parking Division will exercise its option to purchase the developer's interest in the partnership. The option price is $950; provided, however, that the option price shall be reduced, but not below $100, by the difference between the actual costs and budgeted costs of construction of the garage.

In January 2002, a class action lawsuit seeking an injunction and damages was filed in the Missouri Circuit Court against the City, alleging that the City lacks the authority to impose and exact certain fines for parking violations. The City believes it has viable defenses to the allegations. The lawsuit questions the legitimacy of certain parking fines from the present time dating back to 1991. It is not currently possible to estimate the potential claims, and the lawsuit itself makes no specific claim for damages. Accordingly, no amount has been reported as a liability within the basic financial statements related to this lawsuit. However, if the defense is not successful, the damages could be substantial. It is the intention of the City to vigorously defend the lawsuit.

i. Component Unit – SLDC

In the normal course of its operations, certain lawsuits and legal action are pending against SLDC. In the opinion of SLDC officials and legal counsel, these items are not expected to have a material effect, individually or in the aggregate, upon the financial position or the results of operations of SLDC.

In addition, certain properties held for development may be subject to future environmental remediation costs. In the opinion of SLDC officials, these costs would not have a material adverse effect upon the financial position or the results of operations of SLDC.

SLDC has entered into various cooperative agreements with the Community Development Agency of the City as a subrecipient/administrator of the Community Development Block Grant programs.

j. Component Units – SLDC and SLPD

SLDC and SLPD receive financial assistance from several federal, state and local government agencies in the form of grants and contracts. The disbursements of funds received under these programs generally requires compliance with terms and conditions specified in the contract and grant agreements and is subject to audit by the granting agencies. Any disallowed claims resulting from such audits could become an SLDC or SLPD liability. However, in the opinion of their respective management, any such disallowed claims will not have a material effect on the financial statements of SLDC or SLPD at June 30, 2002.

23. RISK MANAGEMENT

The City 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 City is self-insured with respect to its obligation to provide worker's compensation, general liability, unemployment benefits, and healthcare. The City has sovereign tort immunity from liability and suit for compensatory damages for negligent acts or omissions, except in the case of injuries arising out of the operation of City motor vehicles or caused by the condition of City property. The maximum claim settlement established by state statute for such claims is $300 per person and $2,000 per occurrence. Various claims and legal actions involving the City are presently pending. Additionally, a number of legal suits against SLPD are presently pending for alleged wrongful personal injuries, civil rights violations and negligence in the line of duty. The City's policy is to record these claims in its government-wide financial statements when it is probable that a liability has been incurred and the amount can be reasonably estimated.

Effective June 16, 2002, the City became self-insured for healthcare coverage for employees and retirees, as well as employees of HSTRC and Tower Grove Park. The City pays the cost of the lowest available coverage for all City employees. Employees must pay, through bi-weekly payroll deductions, for a higher level of care, if desired, or for dependents and spouses. Retirees must contribute a monthly amount to cover the cost of their care if participating in the plan. All funding levels were actuarially determined at the start of the plan.

(dollars in thousands)

The estimated liability for payment of incurred (both reported and unreported) but unpaid claims and claim adjustment expenditures of $17,434 at June 30, 2002, relating to these matters is recorded in the self insurance internal service fund – PFPC for worker's compensation and general liability. The City obtains periodic funding valuations from a claims-servicing company managing the appropriate level of estimated claims liability. Enterprise funds reimburse PFPC and health on a cost-reimbursement basis.

Additionally, the estimated liability for payment of incurred but unpaid claims and claim adjustment expenditures of $487 at June 30, 2002, relating to such matters is recorded in the self insurance internal service fund – health for health insurance coverage provided to the City's employees and retirees.

The City maintains surety bonds on various employees that handle cash. In addition, the City purchases commercial insurance for other risks, including property damage and liability coverage applicable to the Airport and Cervantes Convention Center. There were no significant changes in coverage for the year ended June 30, 2002, and for the years ended June 30, 2002, 2001, and 2000, settlements did not exceed coverage.

Changes in the self-insurance claims liability for the years ended June 30, 2002 and 2001 are as follows:

	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
2002	$ 10,185	20,689	(12,953)	17,921
2001	9,267	8,880	(7,962)	10,185

Additionally, there are 24 general liability cases outstanding, which the City Counselor's office has determined there is a reasonable possibility that a loss contingency may be incurred but no accrual has been made within the government-wide financial statements or fund financial statements because the loss is not *both* probable and estimateable.

24. GRANT LOAN PROGRAMS

The City's general fund and grants fund include the activities of the CDA which, among other activities, makes loans to developers under the Housing Implementation Program. This program, which is administered for the City by certain financial institutions, provides funds to rehabilitate housing units for low and moderate income families. These loans typically are noninterest bearing, due in 25 years, and secured by a second deed of trust. CDA also made loans under the Urban Development Action Grant (UDAG) program to assist organizations with development projects within the City. These loans typically have a lower than market interest rate and payback periods ranging from 10 – 40 years after completion of the projects.

Any funds received from the repayments of these loans are to be spent by the City in accordance with Community Development Block Grant program regulations. Since repayment of the loans is dependent on the success of projects that involve considerable risk, collectibility is not assured and, accordingly, the City reflects these loans as an expenditure of the grants fund in the year the loans are made. Any loan repayments are reflected as intergovernmental revenue (or deferred revenue if monies have not been spent) in the year of receipt.

25. COMPONENT UNIT – SLDC CONDUIT DEBT

SLDC facilitates the issuance of tax-exempt bonds for various private enterprises and government agencies. After the bonds are sold, the proceeds are typically used to purchase real estate or fund capital improvements for the respective organization. These organizations enter into lease agreements with SLDC that are, in substance, sales of the related properties or improvements. SLDC assigns these leases to various trusts which collect the lease payments to satisfy the debt service requirements. After SLDC assigns the leases to the trusts, the properties are no longer under their control and they have no liability for the bonds. Therefore transactions related to the leases and the bond liability are not presented in SLDC's financial statements.

26. SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes

The City issues tax and revenue anticipation notes in advance of property tax collections, depositing the proceeds in its general fund. In July 2002, the City issued $46,000 in Tax and Revenue Anticipation Notes (2002 Notes) payable from the general fund. The 2002 Notes mature on June 26, 2003 and bear interest at a rate of 2.875% per year.

Subordinated Parking Revenue Bonds

In September 2002, the Parking Division issued $21,005 in Series 2002 Subordinated Parking Revenue Bonds. The proceeds of these bonds will be used to pay the costs of acquisition and construction of two parking facilities in downtown St. Louis, and to redeem the Parking Division's outstanding short-term revenue bonds payable. The Series 2002 bonds mature at various times from 2008 to 2028 at interest rates varying from 5.5% to 7.25%.

Capital Lease – Rolling Stock

In September 2002, the City refinanced its existing capital lease agreement with Banc One Leasing Corporation resulting in a new balance of $7,889. This revised capital lease agreement supercedes the capital lease agreement entered into during March 2000. In addition to refinancing the existing lease, the proceeds of the lease are to be used to purchase certain rolling stock, such as dump trucks and refuse trucks, and computer software and hardware. The lease agreement payments are due in semi-annual installments from 2003 to 2009 with an annual interest rate of 3.6909%.

Airport Revenue Bonds and Airport Revenue Refunding Bonds

On December 1, 2002, the Airport issued Airport Revenue Bonds, Series 2002A (Capital Improvement Program) in the amount of $69,195, Airport Revenue Bonds, Series 2002B (Capital Improvement Program) in the amount of $31,755 and Airport Revenue Refunding Bonds, Series 2002C in the amount of $17,035. The proceeds of the Series 2002A, Series 2002B and Series 2002C Bonds will be used (i) to finance or reimburse a portion of the cost of the construction, improvement, renovation, expansion, rehabilitation and equipping of certain capital improvement projects at the Airport (The Airport Capital Improvement Program – FY 2003 and FY 2004 Projects), (ii) to refund all of the City's outstanding Airport Revenue Refunding and Improvement Bonds, Series 1992 and (iii) to fund certain capitalized interest, reserve accounts and costs of issuance in connection with the issuance of the 2002 Bonds. The Series 2002A Bonds are due in semi-annual installments from 2006 to 2011 and annual installments from 2012 to 2022 at interest rates varying from 3% to 5.375%. The Series 2002B Bonds are due in annual installments from 2006 to 2022 at interest rates varying from 3% to 5.25%. The Series 2002C Bonds are due in annual installments from 2003 to 2015 at interest rates varying from 2% to 5.5%.