



**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Basic Financial Statements and Supplementary Information

June 30, 2015

(With Independent Auditors' Report Thereon)

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

**Table of Contents**

	<b>Page</b>
Independent Auditors' Report	1
Management's Discussion and Analysis – Unaudited	4
Basic Financial Statements:	
Balance Sheet	15
Statement of Revenues, Expenses, and Changes in Fund Net Position	17
Statement of Cash Flows	18
Notes to Basic Financial Statements	19
	<b>Schedule</b>
<b>Supplementary Information</b>	
Schedule I – Analysis of Cash and Investment Accounts	54
Schedule II – Schedule of 2005 Revenue Refunding Bonds Payable	55
Schedule III – Schedule of 2007A Revenue Refunding Bonds Payable	56
Schedule IV – Schedule of 2007B Revenue Refunding Bonds Payable	57
Schedule V – Schedule of 2009A Revenue Bonds Payable	58
Schedule VI – Schedule of 20011AB Revenue Refunding Bonds Payable	59
Schedule VII – Schedule of 2012 Revenue Refunding Bonds Payable	60
Schedule VIII – Schedule of 2013 Revenue Refunding Bonds Payable	61
Schedule IX – Schedule of 2015 Revenue Refunding Bonds Payable	62
Schedule X – Schedule of Insurance	63



**KPMG LLP**  
Suite 900  
10 South Broadway  
St. Louis, MO 63102-1761

## **Independent Auditors' Report**

Honorable Mayor and Members of  
the Board of Aldermen of the  
City of St. Louis, Missouri:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Lambert – St. Louis International Airport, an enterprise fund of the City of St. Louis, Missouri, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Lambert – St. Louis International Airport's basic financial statements for the year then ended as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lambert – St. Louis International Airport, as of June 30, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

### ***Emphasis of Matters***

As discussed in note 1, the basic financial statements of Lambert – St. Louis International Airport present only the financial position and the changes in financial position and cash flows of Lambert – St. Louis International Airport, an enterprise fund of the City of St. Louis, Missouri, and do not purport to, and do not, present fairly the financial position of the City of St. Louis, Missouri as of June 30, 2015, the changes in its financial position or, where applicable, cash flows, for the year then ended, in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

As discussed in note 1(m), effective July 1, 2014 Lambert – St. Louis International Airport implemented Government Accounting Standards Board (GASB) No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis on pages 4 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Lambert – St. Louis International Airport's basic financial statements. The supplementary information included in schedules I through X is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information included in schedules I through X is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information included in schedules I through X is fairly stated in all material respects in relation to the basic financial statements as a whole.



### **Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated January 26, 2016 on our consideration of Lambert – St. Louis International Airport’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Lambert – St. Louis International Airport’s internal control over financial reporting and compliance.

**KPMG LLP**

St. Louis, Missouri  
January 26, 2016

Confidential  
garvinm@stlouis-mo.gov  
2020-01-16 14:00:18 +0000

## **LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**

(An Enterprise Fund of the City of St. Louis, Missouri)

### **Management's Discussion and Analysis – Unaudited**

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

The following discussion and analysis of the activity and financial performance of Lambert – St. Louis International Airport (the Airport) has been prepared by Airport management to provide the reader with an introduction and overview to the basic financial statements of the Airport for the fiscal year ended June 30, 2015. Following this discussion and analysis are the basic financial statements of the Airport including the notes which are essential to a full understanding of the data contained within the basic financial statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

### **Financial Statements**

The Airport's basic financial statements are prepared on an accrual basis in accordance with the U.S. generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The Airport is structured as an enterprise fund owned and operated by the City of St. Louis, Missouri with revenues recognized when earned. Expenses are recognized when incurred. Capital assets are capitalized (other than land, construction in progress, and easements) and are depreciated over their useful lives. Amounts are restricted for debt service and, where applicable, for construction activities. Refer to Note 1 of the basic financial statements for a summary of the Airport's significant accounting policies.

### **Summary of Airport Activity**

Air travel increased slightly in 2015 when compared to 2014. Enplaned passengers increased by 1.1 percent and aircraft landings and takeoffs increased 0.4 percent from fiscal year 2014. Activity at the Airport during fiscal years 2015 and 2014, is as follows:

	2015	2014	Change
Enplaned passengers	6,247,994	6,177,145	1.1%
Aircraft landings and takeoffs	82,591	82,297	0.4%
Landed weight (in thousands of pounds)	7,760,432	7,843,688	(1.1%)
Mail and cargo (in tons)	62,674	67,064	(7.0%)

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**

(An Enterprise Fund of the City of St. Louis, Missouri)

Management's Discussion and Analysis – Unaudited

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

**Financial Highlights**

The following represents the significant financial activity at the Airport in fiscal years 2015 and 2014 and the reasons for any fluctuations between the years:

- Fiscal year 2015 operating revenues decreased 0.9% from \$141,529 in fiscal year 2014 to \$140,248 in fiscal year 2015 as a result of efficient control of Airport operating expenses lowering the landing fee and terminal rental rates assessed to air carriers.
- Fiscal year 2015 operating expenses decreased 9.2% from \$136,793 in fiscal year 2014 to \$124,207 in fiscal year 2015 as a primary result of a decrease in supplies, facilities and grounds expenses, and contractual services related to lower banking fees, environmental expenses and fleet contractual services, as well as, lower workers' compensation expenses and lower interfund services used..
- The net result of the impact to operating revenues and expenses, as discussed above, is that the fiscal year 2015 operating income increased 238.7% to \$16,041 from \$4,736 in fiscal year 2014.
- Fiscal year 2015 nonoperating expenses, net decreased to \$7,875 from \$11,592 in fiscal year 2014 resulting from an increase in interest revenue and grants received from the Transportation Security Administration and the State of Missouri, and a slight decrease in interest expense.
- Capital contributions received in the form of grants from the federal government increased to \$23,284 in fiscal year 2015 from \$16,318 in fiscal year 2014. . The majority of the grants received in fiscal year 2015 were primarily the result of the completion of the in-line baggage screening system in fiscal year 2014. Total in-line baggage system grants received were \$13,460 in fiscal year 2015.
- As a result of the preceding items, net position in fiscal year 2015 increased to \$1,095,460 from \$1,081,888 in fiscal year 2014.

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**

(An Enterprise Fund of the City of St. Louis, Missouri)

**Management's Discussion and Analysis – Unaudited**

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

**Financial Position Summary**

Net position may serve over time as a useful indicator of the Airport's financial position. The Airport's assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$1,095,460 at June 30, 2015.

A condensed summary of the Airport's net position at June 30, 2015 is shown below:

	2015	2014	\$ Change	% Change
<b>Assets:</b>				
Current and other assets	\$ 300,542	302,165	(1,623)	(0.5%)
Capital assets	1,617,035	1,631,687	(14,652)	(0.9%)
Deferred outflow of resources	18,241	18,370	(129)	(0.7%)
Total assets and deferred outflow of resources	1,935,818	1,952,222	(20,709)	(1.1%)
<b>Liabilities:</b>				
Long-term liabilities	747,768	775,640	(27,872)	(3.6%)
Other liabilities	89,771	94,694	(4,923)	(5.2%)
Deferred inflows of resources	2,819	—	2,819	100.0%
Total liabilities and deferred inflows of resources	840,358	870,334	(29,976)	(3.4%)
<b>Net position:</b>				
Invested in capital assets	907,291	884,818	22,473	2.5%
Restricted	119,296	131,196	(11,900)	(9.1%)
Unrestricted	68,873	65,874	2,999	4.6%
Total net position	\$ 1,095,460	1,081,888	13,572	1.3%

A portion of the Airport's net position (82.8% at June 30, 2015) represents its investment in capital assets (e.g., land, easements, pavings, buildings and facilities, roads, runways, and equipment), less the related indebtedness outstanding used to acquire those capital assets. The Airport uses these capital assets to provide services to its passengers and visitors to the Airport; consequently, these assets are not available for future spending. Although the Airport's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations since it is unlikely the capital assets themselves will be liquidated to pay liabilities.

An additional portion of the Airport's net position (10.9% at June 30, 2015) represents net position that are subject to external restrictions on how they can be used. These assets can be used for any lawful Airport use including debt service, capital restoration, or expenditure subject to the restrictions of the Passenger Facility Charge Program and the Airport Improvement Program.

The remaining portion of the Airport's net position (6.3% at June 30, 2015) represents its unrestricted investments, less any outstanding indebtedness, which may be used to meet any of the Airport's ongoing obligations.

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**

(An Enterprise Fund of the City of St. Louis, Missouri)

**Management's Discussion and Analysis – Unaudited**

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

In fiscal 2015, the decrease in capital assets was primarily attributable to completion in the prior year of various capital asset projects, including the Airport Experience Program and storm damage replacements. The decrease in long-term debt outstanding was attributable to payments made on outstanding debt.

***Summary of Revenues, Expenses, and Changes in Fund Net Position***

The Airport's revenues, expenses, and changes in fund net position for the fiscal year ended June 30, 2015 are summarized as follows:

	2015	2014	\$ Change	% Change
Operating revenues	\$ 140,248	141,529	(1,281)	(0.9%)
Operating expenses	124,207	136,793	(12,586)	(9.2%)
Operating income	16,041	4,736	11,305	238.7%
Nonoperating expenses, net	(7,711)	(11,592)	3,881	(33.5%)
Income (loss) before capital contributions, transfers, and extraordinary items, net	8,330	(6,856)	15,186	(221.5%)
Capital contributions	23,284	16,318	6,966	42.7%
Transfers out	(6,407)	(6,328)	(79)	1.2%
Extraordinary item – Natural disaster	1,737	2,730	(993)	(36.4%)
Extraordinary item – Settlement proceeds	-	4,872	(4,872)	(100.0%)
Increase in net position	26,944	10,736	16,208	151.0%
Cumulative effect of change in accounting principle	(13,372)	-	(13,372)	(100.0%)
Net position, end of year	\$ 1,095,460	1,081,888	13,572	1.3%

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

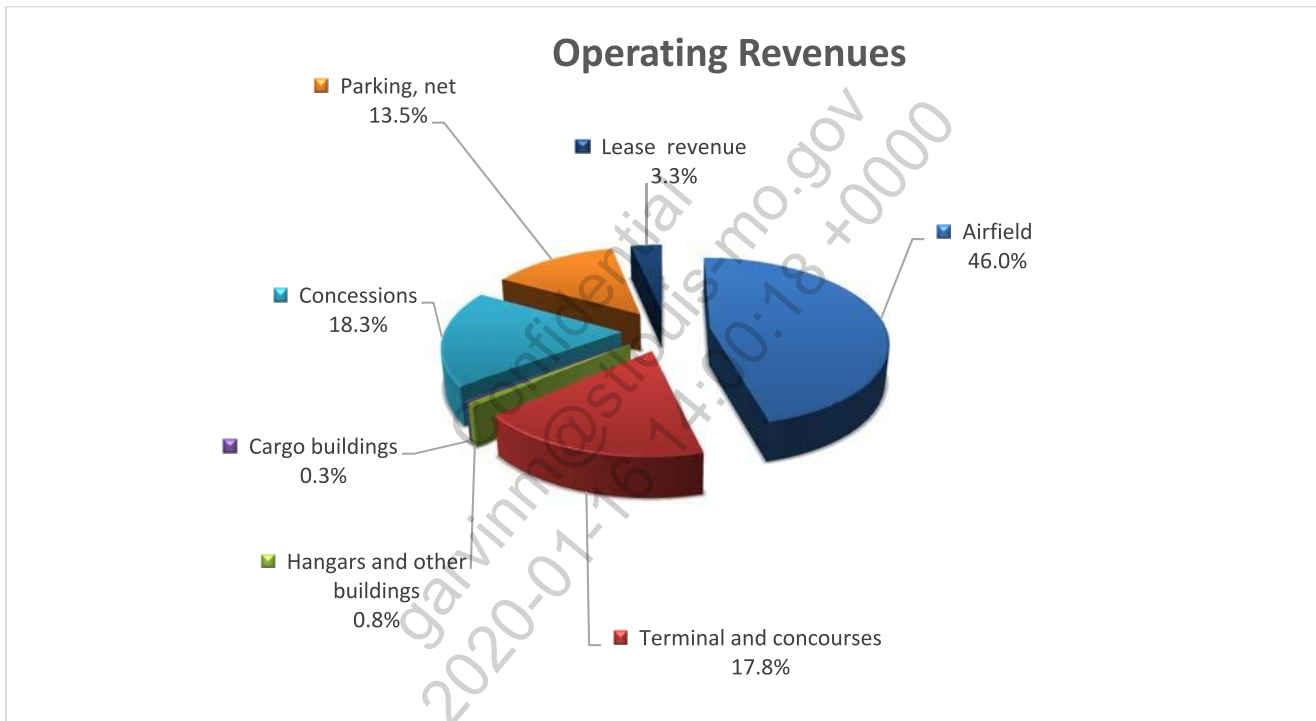
Management's Discussion and Analysis – Unaudited

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

**Revenues**

The following chart shows the major sources of operating revenues, and their percentage share of total operating revenues, for the year ended June 30, 2015:



**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**

(An Enterprise Fund of the City of St. Louis, Missouri)

## Management's Discussion and Analysis – Unaudited

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

The following table summarizes Airport operating and nonoperating revenues, and their percentage share of total Airport operating and nonoperating revenue, for the year ended June 30, 2015:

	2015	% of total	\$ Change from 2014	% Change from 2014
Operating revenues:				
Aviation revenue:				
Airfield	\$ 64,495	38.3%	\$ (4,692)	(6.8%)
Terminal and concourses	24,965	14.8	3,361	15.6%
Hangars and other buildings	1,111	.7	18	1.7%
Cargo buildings	357	.2	(125)	(25.9%)
Concessions	25,662	15.2	124	.5%
Parking, net	18,936	11.2	51	.3%
Lease revenue	4,722	2.8	(18)	(.4%)
Total operating revenue	140,248	83.2	(1,281)	(.9%)
Nonoperating revenues:				
Intergovernmental revenue	1,277	.8	571	80.9%
Investment revenue	2,541	1.5	972	62.0%
Passenger facility charges	24,188	14.3	77	.3%
Other nonoperating revenue, net	145	.1	(142)	(49.5%)
Gain on sale of capital asset	164	.1	164	100.0%
Total nonoperating revenue	28,315	16.8	1,478	5.5%
Total revenues	\$ 168,563	100%	361	.2%

Fiscal year 2015 operating revenues decreased 0.9%, or \$1,281. This results primarily from lower landing fee rates assessed to air carriers resulting in lower Airfield revenue of \$4,692, offset by an increase in Terminal and Concourse revenues of \$3,361, and a decrease in Cargo building revenues of \$125. In addition, nonoperating revenues increased 5.5%, or \$1,478, due primarily to an increase in investment revenue.

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

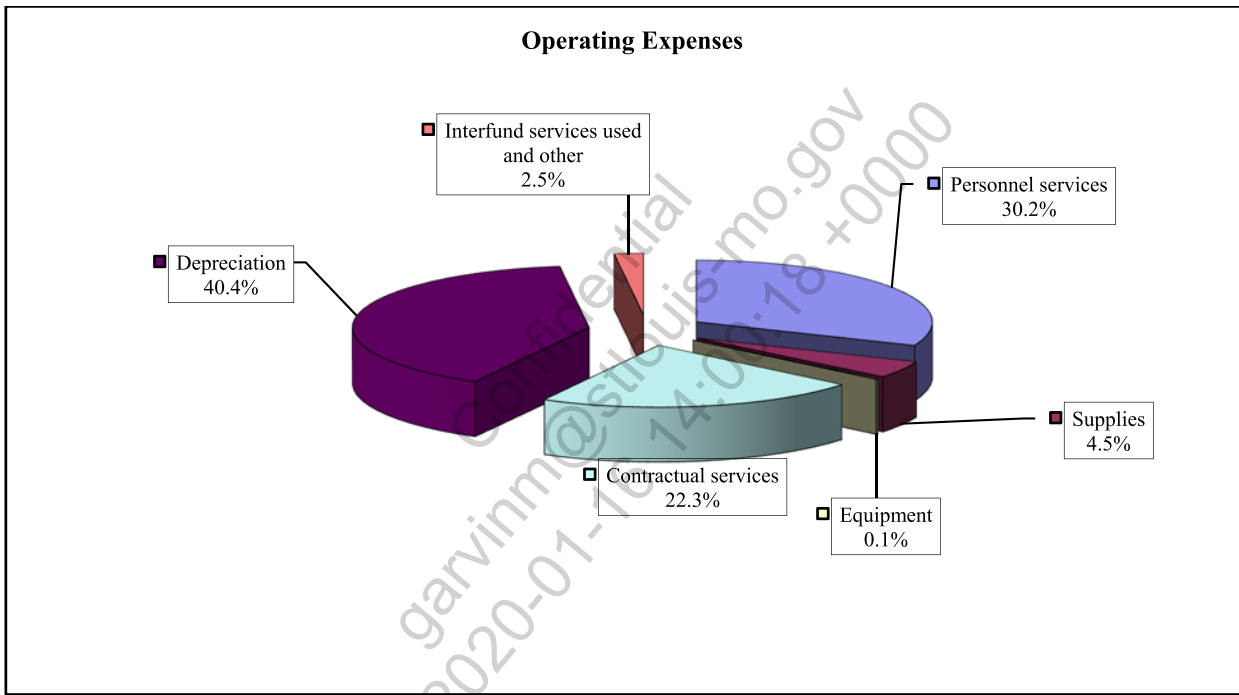
Management's Discussion and Analysis – Unaudited

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

**Expenses**

The following chart shows the major sources of operating expenses, and their percentage share of total operating expenses, for the year ended June 30, 2015:



**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**

(An Enterprise Fund of the City of St. Louis, Missouri)

## Management's Discussion and Analysis – Unaudited

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

The following table summarizes Airport operating and nonoperating expenses, and their percentage share of total Airport operating and nonoperating expenses, for the year ended June 30, 2015:

	2015	% of total	\$ Change from 2014	% Change from 2014
Operating expenses:				
Personnel services	\$ 37,492	23.4%	(1,734)	(4.4%)
Supplies	5,618	3.5%	(1,321)	(19.0%)
Equipment	224	0.1%	(127)	(36.2%)
Contractual services	27,626	17.2%	(8,754)	(24.1%)
Depreciation	50,166	31.3%	(103)	(0.2%)
Interfund services used	2,489	1.6%	(1,068)	(30.0%)
Other operating expenses	592	0.4%	521	733.8%
Total operating expenses	124,207	77.5%	(12,586)	(9.2%)
Nonoperating expenses:				
Interest expense	36,026	22.5%	2,239	(5.9%)
Total nonoperating expenses	36,026	22.5%	2,239	(5.9%)
Total expenses	\$ 160,233	100.0%	(14,825)	(8.5%)

## **LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**

(An Enterprise Fund of the City of St. Louis, Missouri)

Management's Discussion and Analysis – Unaudited

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

### ***Airline Use Rates and Charges***

As of June 30, 2015, the Airport was served by 12 signatory airlines, which have use agreements, of which two are cargo carriers. Seventeen airlines have operating agreements, fourteen are designated as affiliates, and two of which are cargo carriers. An individual airline that signed a Use and Lease Agreement with the Airport has a contract that establishes how the airlines are assessed annual rates and charges for their use of the Airport. These agreements will expire on June 30, 2016.

Landing and rental fees are calculated on operating and maintenance expenses and are charged to the airlines based upon landing weights or square footage utilized. The amount charged is adjusted based upon actual expenses and actual landed weight. Nonaffiliated airlines with operating agreements and carriers landing without an Airport Agreement are assessed 125% of the landing fee rate assessed carriers with use agreements.

### ***Capital Acquisitions and Construction Activities***

During fiscal year 2015, the Airport expended \$33,020 on capital activities related to construction in progress. During 2015, completed projects totaling approximately \$80,153 were closed from construction in progress to their respective capital accounts. The major completed projects were as follows:

Terminal and concourse improvements	\$	66,045
Runway improvements		11,559
Roadway improvements		160
Airport Office Building, Banshee Buildings and others		2,389

Capital asset acquisitions and improvements exceeding \$10,000 (in dollars) are capitalized at cost. Acquisitions are funded using a variety of financing techniques, including federal grants, State of Missouri grants, passenger facility charges, debt issuances, and Airport operating revenues. Additional information on the Airport's capital assets and commitments can be found in the notes to the basic financial statements.

### ***Passenger Facility Charges (PFC)***

The Airport initially received approval from the FAA to impose a passenger facility charge of \$3.00 (in dollars) per enplaned passenger beginning December 1, 1992, not to exceed \$131,453, principally to finance the Airport Capital Improvement Program. On December 1, 2001, the Airport received approval to increase the PFC \$4.50 (in dollars) per enplaned passenger. The current limitation on passenger facility charges to be collected is \$1,078,030.

The PFC is withheld by the respective airline for each ticket or transfer in St. Louis and remitted to the Airport one month after collection, less a \$0.11 (in dollars) per ticket operating fee by the airline. PFC revenue is classified as nonoperating revenue.

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**

(An Enterprise Fund of the City of St. Louis, Missouri)

Management's Discussion and Analysis – Unaudited

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

***Long-Term Debt Administration***

At June 30, 2015, the Airport had the following bond series outstanding:

Revenue Refunding Bonds, Series 2005, dated July 7, 2005, maturing annually from fiscal year 2013 through 2032 with interest coupons ranging from 5.00% to 5.50%

- Balance outstanding at June 30, 2015 - \$ 244,525

Revenue Refunding Bonds, Series 2007A, dated January 23, 2007, maturing annually from fiscal year 2013 through 2033 with interest coupons ranging from 4.25% to 5.25%

- Balance outstanding at June 30, 2015 - \$ 193,505

Revenue Refunding Bonds, Series 2007B, dated April 3, 2007, maturing annually from fiscal year 2015 through 2028 with interest coupon of 5.00%

- Balance outstanding at June 30, 2015 - \$ 104,735

Revenue Bonds, Series 2009A, dated July 14, 2009, maturing annually from fiscal year 2024 through 2035 with interest coupons ranging from 5.125% to 6.625%

- Balance outstanding at June 30, 2015 - \$ 107,240

Revenue Refunding Bonds, Series 2011AB, dated June 30, 2011, maturing annually from fiscal year 2012 through 2016 with interest coupon of 5.00%

- Balance outstanding at June 30, 2015 - \$ 5,750

Revenue Refunding Bonds, Series 2012, dated June 30, 2012, maturing annually from fiscal year 2013 through 2033 with interest coupons ranging from 3.00% to 5.00%

- Balance outstanding at June 30, 2015 - \$ 27,275

Revenue Refunding Bonds, Series 2013, dated June 30, 2013, maturing annually from fiscal year 2014 through 2019 with interest coupons ranging from 2.00% to 5.00%

- Balance outstanding at June 30, 2015 - \$ 25,670

Revenue Refunding Bonds, Series 2015, dated June 25, 2015, maturing annually from fiscal year 2020 through 2024 with interest coupon of 5.00%

- Balance outstanding at June 30, 2015 - \$ 17,310

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**

(An Enterprise Fund of the City of St. Louis, Missouri)

Management's Discussion and Analysis – Unaudited

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

***Credit Ratings***

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services ("S&P"), a division of The McGraw-Hill Companies, Inc., have assigned ratings of "A3" and "A-" respectively, on the basis of the credit of the Airport.

**Requests for Information**

These basic financial statements are designed to provide a general overview of the Airport's finances for all those with an interest. Questions concerning any information provided in this report should be addressed to the Office of the Airport Assistant Director for Finance and Accounting, Lambert – St. Louis International Airport, P. O. Box 10212, St. Louis, Missouri, 63145.

Confidential  
garvinm@stlouis-mo.gov  
2020-01-16 14:00:18 +0000

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Balance Sheet

June 30, 2015

(Dollars in thousands)

**Assets**

Current assets:

Unrestricted assets:

Cash and cash equivalents	\$ 36,989
Investments	58,089
Accounts receivable, net	2,321
Supplies and materials	2,402
Other current assets	625
	<hr/>
Total unrestricted assets	100,426

Restricted assets:

Cash and cash equivalents	38,895
Investments	20,349
Insurance recovery receivable	800
Accrued interest receivable	1,304
Passenger facility charges receivable	3,471
Government grants receivable	11,504
	<hr/>
Total restricted assets	76,323
	<hr/>
Total current assets	176,749

Noncurrent assets:

Unrestricted:

Investments	16,538
-------------	--------

Restricted:

Cash and cash equivalents	7,389
Investments	93,872
Capital assets, net	1,617,035
Net pension asset	4,305
Other assets	1,689
	<hr/>

Total noncurrent assets	1,740,828
-------------------------	-----------

Deferred outflow of resources

	<hr/>
	18,241

Total assets and deferred outflow of resources	\$ 1,935,818
--	--------------

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Balance Sheet

June 30, 2015

(Dollars in thousands)

**Liabilities and Net Position**

Current liabilities:

Payable from unrestricted assets:

Accounts payable and accrued expenses	\$ 17,374
Unearned revenue and other current liabilities	2,110
Due to the City of St. Louis, Missouri	4,273
	<hr/>
Total payable from unrestricted assets	23,757
	<hr/>

Payable from restricted assets:

Current maturities of revenue bonds payable	39,785
Accrued interest payable	18,837
Contracts and retainage payable	7,392
	<hr/>
Total payable from restricted assets	66,014
	<hr/>
Total current liabilities	89,771
	<hr/>

Noncurrent liabilities:

Revenue bonds payable, net	717,885
Other long-term liabilities	29,883
	<hr/>
Total noncurrent liabilities	747,768
	<hr/>

Deferred inflows of resources

2,819

Total liabilities and deferred inflows of resources

840,358

Net position:

Invested in capital assets 907,291

Restricted:

Bond reserve funds	97,428
Passenger facility charges	18,346
Capital restoration	3,522
Unrestricted	68,873
	<hr/>

Total net position

1,095,460

Total liabilities, deferred inflows of resources, and net position

\$ 1,935,818

See accompanying notes to basic financial statements.

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**

(An Enterprise Fund of the City of St. Louis, Missouri)

## Statement of Revenues, Expenses, and Changes in Fund Net Position

Year ended June 30, 2015

(Dollars in thousands)

Operating revenue:	
Aviation revenue:	
Airfield	\$ 64,495
Terminal and concourses	24,965
Hangars and other buildings	1,111
Cargo buildings	357
Concessions	25,662
Parking, net	18,936
Lease revenue	4,722
Total operating revenue	<u>140,248</u>
Operating expenses:	
Personnel services	37,492
Supplies	5,618
Equipment	224
Contractual services	27,626
Depreciation	50,166
Interfund services used	2,489
Other operating	592
Total operating expenses	<u>124,207</u>
Operating income	<u>16,041</u>
Nonoperating revenue (expenses):	
Intergovernmental revenue	1,277
Investment revenue	2,541
Interest expense	(36,026)
Passenger facility charges	24,188
Gain on sale of land	164
Other, net	145
Total nonoperating expenses, net	<u>(7,711)</u>
Income/(Loss) before capital contributions, transfers, and extraordinary items, net	<u>8,330</u>
Capital contributions	23,284
Transfers to the City of St. Louis, Missouri	(6,407)
Extraordinary item – Natural disaster	1,737
Total capital contributions, transfers, and extraordinary items, net	<u>18,614</u>
Increase in net position	<u>26,944</u>
Total net position, beginning of year	1,081,888
Cumulative effect of change in accounting principle	<u>(13,372)</u>
Total net position, beginning of year, adjusted	<u>1,068,516</u>
Total net position, end of year	<u><u>\$ 1,095,460</u></u>

See accompanying notes to basic financial statements.

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Statement of Cash Flows

Year ended June 30, 2015

(Dollars in thousands)

Cash flows from operating activities:	
Receipts from customers and users	\$ 144,657
Payments to suppliers of goods and services	(35,979)
Payments to or on behalf of employees	(25,312)
Payments for interfund services used	(4,786)
Net cash provided by operating activities	78,580
Cash flows from noncapital financing activity:	
Transfers to other funds of the City of St. Louis, Missouri	(6,408)
Net cash used in noncapital financing activity	(6,408)
Cash flows from capital and related financing activities:	
Cash collections from passenger facility charges	23,147
Receipt of federal financial assistance	14,544
Acquisition and construction of capital assets	(37,704)
Insurance recoveries	2,000
Proceeds from the sale of surplus property	2,833
Cash paid for bond refunding	(17,890)
Proceeds from issuance of bond	17,310
Principal paid on revenue bond maturities	(37,560)
Interest paid on revenue bonds	(37,937)
Net cash used in capital and related financing activities	(71,257)
Cash flows from investing activities:	
Purchases of investments	(304,141)
Proceeds from sales and maturities of investments	269,198
Investment income	1,543
Net cash used in investing activities	(33,400)
Net decrease in cash and cash equivalents	(32,485)
Cash and cash equivalents:	
Beginning of year:	
Unrestricted	66,461
Restricted	62,670
	129,131
End of year:	
Unrestricted	36,989
Restricted	46,284
	83,273
Reconciliation of operating gain to net cash provided by operating activities:	
Operating income	\$ 16,041
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	50,166
Changes in assets and liabilities:	
Accounts receivable, net	4,751
Supplies and materials	177
Other assets	142
Net pension liabilities	443
Accounts payable and accrued expenses	(2,773)
Unearned revenue	531
Due to/from the City of St. Louis, Missouri	(2,187)
Other long-term liabilities	11,289
Total adjustments	62,539
Net cash provided by operating activities	\$ 78,580
Supplemental disclosures for noncash financing activities:	
Unrealized (loss) gain on investments	\$ 122

See accompanying notes to basic financial statements.

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to Basic Financial Statements

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

**(1) Summary of Significant Accounting Policies**

The Lambert – St. Louis International Airport (the Airport) is owned and operated by the City of St. Louis, Missouri (the City). The Airport is an enterprise fund of the City, and therefore, the basic financial statements of the Airport are not intended to present the financial position, changes in financial position, and cash flows of the City as a whole in conformity with U.S. generally accepted accounting principles.

**(a) Basis of Accounting**

Governmental enterprise funds are used to account for operations of governmental entities that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The Airport prepares its financial statements in accordance with U.S. generally accepted accounting principles for governmental enterprise funds, which are similar to those for private business enterprises. Accordingly, the economic resource measurement focus and the accrual basis of accounting are used whereby revenues are recorded when earned and expenses are recorded when incurred.

In reporting its financial activity, the Airport applies all applicable Governmental Accounting Standards Board (GASB) pronouncements.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's ongoing operations. Revenues from airlines, concessions, and parking are reported as operating revenues. Transactions that are capital, financing, or investing related are reported as nonoperating revenues. All expenses related to operating the Airport are reported as operating expenses. Interest expense, financing costs, and losses on the disposal of capital assets are reported as nonoperating expenses.

**(b) Accounts Receivable**

Accounts receivable at June 30, 2015 consist of \$2,321 due from air carriers and concessionaires with operations at the Airport. Such amounts are recorded net of allowances for uncollectible accounts of \$20.

**(c) Supplies and Materials**

Supplies and materials represent items used in support of operations and maintenance of the Airport. Supplies and materials amounts are recorded at cost using a method that approximates the first-in, first-out method.

# **LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**

(An Enterprise Fund of the City of St. Louis, Missouri)

## **Notes to Basic Financial Statements**

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

**(d) Passenger Facility Charges (PFCs)**

The Airport collects a \$4.50 (in dollars) facility charge per enplaned passenger to fund approved FAA projects. The PFCs are 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 \$0.11 (in dollars) per ticket operating fee retained by the airlines. PFCs represent an exchange-like transaction, and are recognized as nonoperating revenue based upon passenger enplanements. Passenger facility charges receivable as of June 30, 2015 were \$3,471. These amounts were collected during July and August of 2015.

**(e) Capital Assets**

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.

Airport management has evaluated prominent events or changes in circumstances affecting capital assets to determine whether any impairments of capital assets have occurred (note 12). Such events or changes in circumstances that were considered by Airport management to be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations, or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage.

**(f) Interest Expense**

Bond discounts and bond premiums are recorded as reductions of or additions to the related debt obligation as appropriate. Such amounts are deferred and amortized over the life of the bonds using the bonds outstanding method. Bond issuance costs are recognized as an outflow of resources and expensed.

**(g) Other Assets**

Other assets, as of June 30, 2015, comprise an advance of \$1,689 provided to the Airport's parking contractor and will be repaid to the Airport at the conclusion of the parking contract.

**(h) Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses at June 30, 2015 comprise \$5,117, of accrued salaries and benefits; \$10,926 due to vendors and contractors; and \$1,331 of other accrued expenses.

**(i) Vacation and Sick Leave Benefits**

Under the terms of the City's personnel policy, City employees are granted vacation and sick leave. Employees who have an unused sick leave balance may, at retirement, elect to receive payment for

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to Basic Financial Statements

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

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 accompanying financial statements within other long-term liabilities representing one-half of the accumulated sick leave balances for those employees who will be eligible to retire within five years. The liability totaled \$2,105 as of June 30, 2015, and is included in other long-term liabilities.

The vacation liability reflects amounts attributable to employee services already rendered and are cumulative. The liability totaled \$3,093 as of June 30, 2015, and is included in accounts payable and accrued expenses.

**(j) Capital Contributions and Intergovernmental Revenue**

Capital contributions represent government grants and other aid used to fund capital projects. Generally, capital contributions are recognized when the related expenditure is made and amounts become subject to claim for reimbursement. Certain Airport Improvement Program grants include look-back provisions, which allow the Airport to seek reimbursement for expenditures incurred prior to the respective Airport Improvement Program grant award date. In such circumstances, the Airport recognizes capital contributions for such grants upon meeting both the applicable eligibility requirements established by GASB Statement No. 33, *Accounting for Nonexchange Transactions*, and upon the designation of expenditures as eligible Airport Improvement Program expenditures as evaluated through the report date of the accompanying financial statements. Amounts received from other governments that are not restricted for capital purposes are reflected as nonoperating intergovernmental revenue.

**(k) Statements of Cash Flows**

For purposes of the statements of cash flows, “cash and cash equivalents” is defined as all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased.

**(l) Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**(m) New Accounting Pronouncement**

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment to GASB Statement No. 27*, which enhances accounting and financial reporting by state and local governments for pension and improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. In adopting these standards, the Airport recognized the effect of a change in accounting principle in the amount of \$13,372 for the net pension liability at the beginning of fiscal year 2015. The Airport will now

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to Basic Financial Statements

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

recognize a long-term liability for the new pension liability in the balance sheet. The Airport will continue to report pension expense as a component of personnel services. The amount of expense reported now includes the overall change in the pension liability (see note 14).

**(n) Future Accounting Pronouncements**

GASB Statement No. 72, *Fair Value Measurement and Application*, was issued in February 2015. This statement addresses accounting and financial reporting issues related to fair value measurements. The statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The requirements of this statement are effective for the year ending June 30, 2016. The Airport has not evaluated the impact of this statement.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*, was issued in June 2015. The objective of this statement is to improve the usefulness of information about pensions and clarifies the application of certain provisions of Statements No. 67 and 68. The requirements of this statement are effective for the Airport for the year ending June 30, 2017. The Airport has not evaluated the impact of this statement.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued in June 2015. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental other postemployment benefit plans for making decisions and assessing accountability. The requirements of this statement are effective for the Airport for the year ending June 30, 2016. The Airport has not evaluated the impact of this statement.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective for the Airport beginning with the year ending June 30, 2018. The objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, was issued June 2015. The objective of this statement is to identify the hierarchy of generally accepted accounting principles. This statement reduces the generally accepted accounting principles (GAAP) hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified with a source of authoritative GAAP. The requirements of this statement are effective for the Airport for the year ending June 30, 2016. The Airport has not evaluated the impact of this statement.

GASB Statement No. 77, *Tax Abatement Disclosures*, will be effective for the Airport beginning with its year end June 30, 2017. The objective of this statement is to provide financial statement users with

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to Basic Financial Statements

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs in order to better assess the government's financial position and results of operations.

**(2) Cash and Investments**

Investments are recorded at fair value. Fair value for investments is determined by closing market prices at year-end as reported by the respective investment custodian.

The Airport deposits all cash with the Office of the Treasurer of the City, which maintains all banking relationships for the Airport. Additionally, all investment decisions are made by the City Treasurer and the City's agents.

Certificates of deposit are defined as investments for balance sheet classification and cash flow purposes; for custodial risk disclosure, however, they are described below as cash deposits. In addition, money market mutual funds are classified as cash and cash equivalents on the balance sheet, but as investments for custodial risk disclosure.

The Airport's current assets contemplate the exclusion of resources that are restricted as to withdrawal or use for other than current operations, are designated for expenditure in the acquisition or construction of noncurrent assets, or are segregated for the liquidation of long-term debts (except for maturing debt that is recorded as a current liability).

As of June 30, 2015, the Airport had the following cash deposits and investments:

Federal Home Loan Bank	\$ 85,621
Federal National Mortgage Association	27,559
Federal Home Loan Mortgage Corporation	11,329
Federal Farm Credit Discount Notes	4,828
Federal Agricultural Mortgage Corp.	3,401
U.S. Treasury bills and notes	46,064
Tennessee Valley Authority	1,479
Money market mutual funds	41,198
Other cash deposits	33,929
Commercial paper	16,713
	<u>\$ 272,121</u>

State statutes and City investment policies authorize the deposit of funds in financial institutions and trust companies. Investments may be made in obligations of the United States Government or any agency or instrumentality thereof; bonds of the State of Missouri, the City of St. Louis, Missouri, or any city within the state with a population of 400,000 inhabitants or more; or time certificates of deposit. In addition, the City may enter into repurchase agreements maturing and becoming payable within 90 days secured by United

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to Basic Financial Statements

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

States Treasury obligations or obligations of the United States Government agencies or instrumentalities of any maturity as provided by law. Funds in the form of cash deposits are required to be insured or collateralized by authorized investments held in the City's name.

**(a) Interest Rate Risk**

The Airport seeks to minimize its exposure to fair value losses arising from changes in interest rates by selecting investments in adherence to the Investment Policy for the City of St. Louis, Missouri (Investment Policy). The Investment Policy provides that, to the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities or make a time deposit with a stated maturity or more than five years from the date of purchase. The average maturity for collateral provided to the City for deposits in connection with a repurchase agreement shall not exceed five years without the written approval of the City Treasurer. In connection with any outstanding bond issue, debt service reserve funds may be invested to a maximum maturity of 15 years, and up to 30 years with the approval of the Treasurer.

The investments had the following maturities on June 30, 2015:

	Fair value	Investment maturities (in years)		
		Less than 1	1–5	6–10
Federal Home Loan Bank	\$ 85,621	49,425	36,196	—
Federal National Mortgage Association	27,559	12,197	15,362	—
Federal Home Loan Mortgage Corporation	11,329	6,774	4,555	—
Federal Farm Credit Discount Notes	4,828	4,828	—	—
Federal Agricultural Mortgage Corporation	3,401	3,401	—	—
Commercial Paper	16,713	16,713	—	—
U.S. Treasury bills and notes	46,064	36,306	9,758	—
Tennessee Valley Authority	1,479	—	1,479	—
Money market mutual funds	41,198	41,198	—	—
	<u>\$ 238,192</u>	<u>170,842</u>	<u>67,350</u>	<u>—</u>

**(b) Credit Risk**

The Investment Policy provides that investments of the City be rated in one of the three highest ratings categories by Moody's Investors Service, Standard & Poor's Corporation, or Fitch's Ratings Service.

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to Basic Financial Statements

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

The investments had the following ratings on June 30, 2015:

	<u>Fair value</u>	<u>AAA</u>	<u>A-1+</u>	<u>A-1</u>	<u>AA+</u>	<u>Not Rated</u>
Federal Home Loan Bank	\$ 85,621	—	—	—	80,484	5,137
Federal National Mortgage Association	27,559	—	—	—	15,862	11,697
Federal Home Loan Mortgage Corporation	11,329	—	—	—	11,329	—
Federal Farm Credit Discount Notes	4,828	—	—	—	—	4,828
Federal Agricultural Mortgage Corporation	3,401	—	—	—	—	3,401
Commercial Paper	16,713	—	3,349	13,364	—	—
Federal National Mortgage Pool	—	—	—	—	—	—
U.S. Treasury Bills and Notes*	46,064	—	—	—	—	46,064
Government Backed Trusts	—	—	—	—	—	—
Tennessee Valley Authority	1,479	—	—	—	1,479	—
Money Market Mutual Funds	41,198	41,198	—	—	—	—
	<u>\$ 238,192</u>	<u>41,198</u>	<u>3,349</u>	<u>13,364</u>	<u>109,154</u>	<u>71,127</u>

\* The Airport's investments in U.S. Treasury Bills and Notes are explicitly guaranteed by the U.S. government and, therefore, do not require a rating.

**(c) Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of the failure of a counterparty, the Airport will not be able to recover the value of the investments or collateral securities that are in the possession of the counterparty.

The Investment Policy requires that all cash deposits, time certificates of deposit, deposits with listed institutions, and repurchase agreements be covered by adequate pledged collateral. Acceptable collateral includes U.S. Treasury obligations, other interest-bearing securities guaranteed as to principal and interest by the U.S. or an agency or instrumentality of the U.S., bonds of the State of Missouri, or bonds of the City. The market value of the principal and accrued interest of the collateral must equal 103% of the deposits secured, less any amount subject to federal deposit insurance. All City securities and securities pledged as collateral must be held in a segregated account on behalf of the City by an independent third party with whom the City has a current custodial agreement and has been designated by the Treasurer and Funds Committee as eligible to serve in such a capacity.

At June 30, 2015, all Airport investments and all collateral securities pledged against Airport deposits are held by the counterparty's trust department or agent in the City's name.

**(d) Concentration of Credit Risk**

The Investment Policy of the City provides that, with the exception of U.S. Treasury Securities, no more than 50% of the City's total investment portfolio will be invested in a single security type or with

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to Basic Financial Statements

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

a single financial institution. The Airport has no separate policy related to the concentration of credit risk, and the Airport's concentration of credit risk is considered in conjunction with the review of the concentration of credit risk for the City's total investment portfolio.

At June 30, 2015, the concentration of the Airport's investments (excluding cash deposits) was as follows:

Federal Home Loan Bank	35.95%
Federal National Mortgage Assoc.	11.57
Federal Home Loan Mortgage Corp.	4.76
Federal Farm Credit Discount Notes	2.02
Federal Agricultural Mortgage Corp.	1.43
Commercial paper	7.02
U.S. Treasury bills and notes	19.34
Tennessee Valley Authority	0.62
Money market mutual funds	17.29
	<u>100.00%</u>

**(3) Restricted Assets**

Cash and investments, restricted in accordance with bond provisions, are as follows at June 30, 2015:

	<u>2015</u>
Airport Bond Fund:	
Debt Service Account	\$ 59,244
Debt Service Reserve Account	36,880
Airport Renewal and Replacement Fund	3,500
Passenger Facility Charge Fund	14,874
Airport Debt Service Stabilization Fund	38,211
Airport Construction Fund	5,748
Drug Enforcement Agency funds	2,048
	<u>\$ 160,505</u>

Bond provisions 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, and as applicable:

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

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**

(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to Basic Financial Statements

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

- (b) 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.
- (c) 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 pay fully all outstanding bonds.
- (d) Arbitrage Rebate Fund: an amount necessary to fund the Arbitrage Rebate in order to pay the Rebate Amount when due and payable
- (e) Subordinated Indebtedness: an amount sufficient to pay Subordinated Indebtedness in accordance with the authorizing and implementing documents for such Subordinated Indebtedness
- (f) 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 moneys 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.
- (g) 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.
- (h) Airport Debt Service Stabilization Fund and the Airport Development Fund: various amounts for fiscal years 2006 through 2011, achieved a balance of \$38,211 at the end of fiscal year 2011. Beginning in fiscal year 2012, the Airport will allocate an amount sufficient to bring the amount on deposit in the Debt Stabilization Fund equal to the Debt Stabilization Fund Requirement (or such lesser amount as is available in the Revenue Fund for such transfer).
- (i) 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.

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to Basic Financial Statements

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

Bond provisions provide that, in the event the sums on deposit in the Airport Bond Fund – Debt Service and Debt Service Reserve Accounts are insufficient to pay accruing interest, maturing principal or both, 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. Bond provisions 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 the related bond provisions and City ordinances.

Passenger Facility Charge Fund and Drug Enforcement Agency Funds are restricted in accordance with program agreements.

**(4) Capital Assets**

Following is a summary of the changes in capital assets for the year ended June 30, 2015:

	Balances, June 30, 2014	Additions	Retirements	Transfers	Balances, June 30, 2015
Capital assets being depreciated:					
Pavings	\$ 1,007,445	—	—	10,226	1,017,671
Buildings and facilities	574,405	—	—	69,850	644,255
Equipment	81,285	3,280	(833)	77	83,809
	<u>1,663,135</u>	<u>3,280</u>	<u>(833)</u>	<u>80,153</u>	<u>1,745,735</u>
Less accumulated depreciation:					
Pavings	(435,135)	(30,698)	—	—	(465,833)
Buildings and facilities	(354,144)	(15,907)	—	—	(370,051)
Equipment	(57,313)	(3,561)	819	—	(60,055)
Total accumulated depreciation	<u>(846,592)</u>	<u>(50,166)</u>	<u>819</u>	<u>—</u>	<u>(895,939)</u>
Total capital assets being depreciated	<u>816,543</u>	<u>(46,886)</u>	<u>(14)</u>	<u>80,153</u>	<u>849,796</u>
Capital assets not being depreciated:					
Land	751,606	—	(60)	—	751,546
Construction in progress	60,032	33,020	(712)	(80,153)	12,187
Easements	3,506	—	—	—	3,506
Total capital assets not being depreciated	<u>815,144</u>	<u>33,020</u>	<u>(772)</u>	<u>(80,153)</u>	<u>767,239</u>
	<u>\$ 1,631,687</u>	<u>(13,866)</u>	<u>(786)</u>	<u>—</u>	<u>1,617,035</u>

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to Basic Financial Statements

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

Construction in progress as of June 30, 2015 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.

The estimated useful lives of capital assets are as follows:

	<u>Years</u>
Pavings	5–30
Buildings and facilities	5–30
Equipment	3–20

**(5) Change in Long-Term Liabilities**

Following is a summary of the changes in long-term liabilities for the year ended June 30, 2015:

	<u>June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2015</u>	<u>within one year</u>
Revenue bonds payable (note 6)	\$ 764,150	17,310	(55,450)	726,010	39,785
Unamortized discounts and premiums (note 6)	34,761	2,584	(5,685)	31,660	—
Net pension obligation (note 14)	1,707	—	(1,707)	—	—
Net pension liability	—	21,528	(4,281)	17,247	—
Pension Funding Project (note 14)	5,157	—	(103)	5,054	109
Other long-term liabilities	420	—	(24)	396	—
Accrued vacation, compensatory, and sick time benefits	5,135	3,468	(3,030)	5,573	3,468
Unearned lease revenues	5,470	—	(280)	5,190	—
Total	<u>\$ 816,800</u>	<u>44,890</u>	<u>(70,560)</u>	<u>791,130</u>	<u>43,362</u>

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to Basic Financial Statements

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

**(6) Revenue Bonds Payable**

Bonds outstanding at June 30, 2015 are summarized as follows:

Bond Series 2005, interest rate ranging from 5.00% to 5.50% , payable in varying amounts through 2032	\$ 244,525
Bond Series 2007A, interest rate ranging from 4.25% to 5.25%, payable in varying amounts through 2033	193,505
Bond Series 2007B, interest rate of 5.00%, payable in varying amounts through 2028	104,735
Bond Series 2009A, interest rate ranging from 5.125% to 6.625%, payable in varying amounts through 2035	107,240
Bond Series 2011AB, interest rate of 5.00%, payable in varying amounts through 2016	5,750
Bond Series 2012, interest rate ranging from 3.00% to 5.00%, payable in varying amounts through 2033	27,275
Bond Series 2013, interest rate ranging from 2.00% to 5.00%, payable in varying amounts through 2019	25,670
Bond Series 2015, interest rate of 5.00%, payable in varying amounts through 2024	17,310
	<u>726,010</u>
Less:	
Current maturities	(39,785)
Unamortized discounts and premiums	31,660
	<u>(8,125)</u>
	<u><u>\$ 717,885</u></u>

Interest payments on the above issues are due semiannually on January 1 and July 1.

On June 30, 2015, the Airport issued \$17,310 in Series 2015 Revenue Refunding Bonds payable in varying amounts from 2020 through 2024 with interest rates of 5%. At June 30, 2015, \$17,890 of 2005 Series Revenue Refunding bonds are considered defeased. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Airport's financial statements.

The Airport completed the advance refunding to reduce its total debt services payments over the next eight years by \$3,064 and to obtain an economic gain (difference between the present value of the old and new debt services payments) of \$2,102.

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to Basic Financial Statements

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

***Debt-Related Items Presented as Deferred Outflows of Resources***

In accordance with GASB 65, the loss on bond defeasance has been recorded as a deferred outflow of resources, net of the accumulated amortization and will be recognized as a component of interest expense using the bonds outstanding method over the life of the new bonds or of the old bonds, whichever is less. The detail of the debt-related items recognized as deferred outflows of resources is presented below:

***Debt-Related Deferred Outflow of Resources***

	<b>2015</b>
Loss on bond defeasance	\$ 15,865
Deferred outflow of resources	\$ 15,865

Management is not aware of any violations of significant bond covenants with respect to the above issues at June 30, 2015.

As of June 30, 2015, the Airport's aggregate debt service requirements for the next five years and in five-year increments thereafter are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year(s) ending June 30:			
2016	\$ 39,785	37,117	76,902
2017	38,400	35,522	73,922
2018	40,475	33,446	73,921
2019	42,585	31,254	73,839
2020	36,150	29,175	65,325
2021–2025	197,360	116,041	313,401
2026–2030	210,130	62,507	272,637
2031–2035	121,125	11,909	133,034
	<u>\$ 726,010</u>	<u>356,971</u>	<u>1,082,981</u>

In prior years, the Airport advance-refunded various 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 Airport's financial statements. At June 30, 2015, \$17,890 of these outstanding bonds related to 2005 Series is considered defeased.

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to Basic Financial Statements

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

**(7) Use Agreements and Leases with Signatory Air Carriers**

Effective July 1, 2011, the Airport entered into long-term use and lease agreements with signatory air carriers that will expire on June 30, 2016. Under the terms of the use and lease agreements, 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:

- (a) 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 that is calculated as the difference between estimated and actual costs incurred and estimated and actual landing weights. These revenues are included in aviation revenue – airfield.
- (b) 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 that is calculated as the difference between estimated and actual costs incurred. These revenues are included in aviation revenue – terminal and concourses, hangars and other buildings, or cargo buildings.
- (c) Miscellaneous income is derived from the air carriers for their use of sanitary disposal facilities and airline service buildings.

During fiscal year 2015, revenues from signatory air carriers accounted for 53.1% 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.

The following is a summary of aviation revenue by category and source from signatory and nonsignatory air carriers for the year ended June 30, 2015:

	<b>Signatory</b>	<b>Nonsignatory</b>	<b>Total</b>
Airfield	\$ 51,409	13,086	64,495
Terminal and concourses	22,473	2,492	24,965
Hangars and other buildings	509	602	1,111
Cargo buildings	127	230	357
	<u>\$ 74,518</u>	<u>16,410</u>	<u>90,928</u>

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to Basic Financial Statements

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

No assurance can be given as to the levels of aviation activity that 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 any past or future terrorist 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 total revenues generated at the Airport. However, Airport management believes the risk of significant variance in Airport revenues is mitigated by the Airport Use Agreements, concession agreements, and other leases, which contain minimum annual revenue guarantees.

**(8) Use Agreement with Signatory Air Carriers – Southwest Airlines and American Airlines, Inc.**

Southwest Airlines (Southwest) and American Airlines, Inc. (American) represent the major air carriers providing air passenger service at the Airport.

Southwest provided 27% of the Airport's total operating revenues and 51% of total revenues from participating air carriers for the fiscal year ended June 30, 2015. Accounts receivable at June 30, 2015 contained \$641 and relating to amounts owed to the Airport by Southwest. These amounts include \$1,986 of unbilled aviation revenue credits at June 30, 2015.

American provided 8% of the Airport's total operating revenues and 15% of total revenues from signatory air carriers for the fiscal year ended June 30, 2015. Accounts receivable at June 30, 2015 contained \$502 relating to amounts owed to the Airport by American. These amounts include \$491 of unbilled aviation revenue credits at June 30, 2015.

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to Basic Financial Statements

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

**(9) Operating Leases**

The Airport 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 noncancelable operating leases, other than leases with signatory airlines, pursuant to long-term use agreements:

Year(s) ending June 30:		
2016	\$	22,837
2017		22,091
2018		21,836
2019		21,619
2020		16,281
2021–2025		26,669
2026–2030		11,391
2031–2035		7,324
2036–2039		62
Total minimum future rentals		\$ <u><u>150,110</u></u>

The above amounts do not include contingent rentals that may be received under certain leases. Such contingent rentals amounted to \$4,197 for the year ended June 30, 2015.

Unearned lease revenues included in other long-term liabilities in the amount of \$5,190 as of June 30, 2015 represent the upfront lease revenues received by the Airport for the lease of certain land.

The Airport leases computer and other equipment and has service agreements under noncancelable arrangements that expire at various dates through April 2019. Expenses for operating leases and service agreements were \$67 for the year ended June 30, 2015. Future minimum payments are as follows:

Year ending June 30:		
2016	\$	40
2017		22
2018		9
2019		3
Total minimum future rentals		\$ <u><u>74</u></u>

**(10) Concessions Revenues**

During fiscal year 2015, revenues from concessionaires accounted for 18% of total Airport operating revenues.

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**

(An Enterprise Fund of the City of St. Louis, Missouri)

## Notes to Basic Financial Statements

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

Following is a summary of rental revenues received by type of concessionaire for the years ended June 30, 2015:

Advertising	\$	721
Transportation services		1,405
Automobile rental		11,985
General merchandise sales		4,598
Food and catering services		5,044
Other		1,909
	\$	<u>25,662</u>

**(11) Parking Revenue, net**

Parking revenues, net represents revenues collected in conjunction with the operations of the Airport parking facilities, net of related expenses. Gross parking revenue and parking expenses for the year ended June 30, 2015 as follows:

Parking revenues	\$	30,635
Parking expenses		<u>(11,699)</u>
Parking revenues, net	\$	<u>18,936</u>

**(12) Impairment of Capital Assets**

Airport management performed an evaluation of capital assets, including whether prominent events or changes in circumstances affecting capital assets occurred, which may be indicative of impairment. As a result of evaluation of capital assets performed, and subsequent measurement of potential impairment losses, the Airport did not identify any impairments of capital assets during the years ended June 30, 2015.

**(13) Related-Party Transactions**

During the year ended June 30, 2015, the City charged the Airport \$1,459 for services rendered by various City departments, which are included in the Airport's operating expenses as interfund services used.

Each year, the Airport pays the City a gross receipts tax equal to 5% of the Airport's gross receipts. During the year ended June 30, 2015, gross receipts tax amounted to \$6,407 and is reflected as transfers-out in the accompanying basic financial statements. As of June 30, 2015, \$1,730 remain unpaid.

**(14) Retirement Plans**

All employees of the Airport are covered by the following Citywide employee retirement plans. Financial information has been taken directly from the financial statements that were audited by other auditors and whose reports have been furnished to us. The employees of the Airport Fire Department are covered by the Firemen's Retirement System of St. Louis (FRS), a single-employer defined-benefit retirement plan. Effective February 1, 2013, the City passed Ordinances #69149 and #69245 (amended by #69353) and Judge

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to Basic Financial Statements

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

Dierker's ruling (Board Bill 109) replaced the FRS with a new retirement system, The Firefighters' Retirement Plan (FRP). All other employees are covered by the Employees' Retirement System of the City of St. Louis (Employees' System), a cost-sharing, multiple-employer, public defined-benefit retirement plan. Each system is administered by a separate Board of Trustees, members of which are appointed by City officials and plan participants.

**Firemen's Retirement System of St. Louis (FRS)**

**(a) System Description**

The FRS 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 S. Broadway; St. Louis, Missouri, 63104.

The following disclosures are based on the September 30, 2013 financial statements and the October 1, 2013 actuarial valuation. The valuation as of October 1, 2013, reflects the changes attributable to Ordinances #69245 and #69353, and Judge Dierker's subsequent ruling (Board Bill 109). Key changes to the FRS are as follows:

- FRS is frozen as of February 1, 2013. That is, benefits paid from FRS will be based on the member's service and salary earned as of February 1, 2013. Participants with benefit service in FRS are classified as "grandfathered" members.
- Firefighters hired after February 1, 2013 are not members of FRS.
- Vesting and eligibility service earned after February 1, 2013 in the newly established Firemen's Retirement Plan of St. Louis (FRP) will count toward vesting and eligibility service in FRS.
- Ancillary benefits, for disability or death occurring after February 1, 2013, are assumed to be paid from the newly established FRP to the extent that benefits do not depend on service earned prior to February 1, 2013.
- Employer contributions to the frozen FRS will continue to be calculated under the Frozen Initial Liability cost method.
- Member contributions after February 1, 2013 from "grandfathered" participants in FRS will be paid to the FRP.
- Grandfathered members with 20 or more years of service as of February 1, 2013 are eligible to retire with unreduced FRP benefits if retirement commences before age 55.
- Grandfathered members with less than 20 years of service as of February 1, 2013 are eligible to retire with actuarially reduced FRP benefits if retirement commences before age 55.

As a result of Board Bill 109, the following assumptions were made:

- Since benefits paid under FRS will no longer depend on future salary increases, future salary increase assumptions have been eliminated in the projection of pay and valuation of benefits.

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to Basic Financial Statements

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

Costs will continue to be spread over the present value of future salary, which includes future salary increases.

- It is assumed that grandfathered members with less than 20 years of service as of February 1, 2013 will not retire prior to age 55. The retirement rates were adjusted to reflect accelerated retirement when these members first become eligible at age 55.
- It was assumed the FRS frozen benefit relating to service and pay as of February 1, 2013 will be used to offset postretirement survivor benefits paid under FRP.
- The overall rates of disability were not changed, but the proportion of ordinary accidental disabilities was changed from 20% ordinary and 80% accidental to 60% ordinary and 40% accidental.

Plan liabilities for FRS after Board Bill 109 are predominantly for retired members and their beneficiaries. That is, the proportion of retired liabilities to total plan liabilities is projected to be over 80% within 10 years.

An agreement between the City and FRS was reached regarding the recognition of City contributions under Board Bill 109. The City made contributions to FRS from February 1, 2013 to September 30, 2013. The contributions for this period recognize the impact of Board Bill 109, certain excess FRS City contributions were transferred from FRS to FRP.

The FRS, in accordance with Ordinance #62994 of the City, initiated during the Firemen's 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 1% from the normal 8%. During participation in the DROP plan, the member will not receive credit for employer contributions or credit for service. 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 and accrued sick leave, if elected, are available to the member in a lump sum or in installments.

**(b) Funding Policy**

Firefighters contributed 8% of their salary to the FRS, as mandated per State statute and adopted by City ordinance through February 1, 2013 (date frozen). The City is required to contribute the remaining amounts necessary to fund the FRS. The City's policy is that the Airport pays 10% of the contribution for FRS.

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to Basic Financial Statements

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

**(c) Net Pension Liability (Asset)**

The Airport's net pension liability (asset) for the FRS as of June 30, 2015 was measured as of September 30, 2014 and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of October 1, 2014.

	<b>Total pension liability (TPL) (a)</b>	<b>Fiduciary net Position (FNP) (b)</b>	<b>Net pension liability (asset) (NPL) (c)</b>
Balances at July 1, 2014	\$ 45,230	49,222	(3,992)
Changes for the year:			
Interest	3,445	—	3,445
Refunds	(121)	(121)	—
Benefit payments	(3,400)	(3,400)	—
Contributions – employer	—	100	(100)
Net investment income	—	4,827	(4,827)
Benefit payments	—	(1,027)	1,027
Administrative expenses	—	(142)	142
Net changes	(76)	237	(313)
Balances at June 30, 2015	\$ 45,154	49,459	(4,305)

**(d) Actuarial Methods and Assumptions**

No contributions were made to the FRS by the Airport during the fiscal year ended June 30, 2015. The contribution consisted of \$0 of normal cost, plus \$0 in unfunded actuarial accrued liability amortization payments in accordance with actuarially determined contribution requirements based on an actuarial valuation performed at October 1, 2014.

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to Basic Financial Statements

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

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

Date of actuarial valuation	October 1, 2014
Actuarial cost method	30-year closed period from establishment
GASB 67 reporting	Entry Age Normal
Funding	Entry Age - frozen initial liability
Remaining amortization period	None - No unfunded actuarial liability
Asset valuation method	3-year smoothed average of market value
Inflation	3.00%
Investment rate of return	7.625%, net of investment and administrative expenses 7.925%, gross of administrative expenses
Projected salary increases	Benefits frozen as of February 1, 2013; therefore no salary increases have been assumed
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2010 valuation pursuant to an experience study of the October 1, 2005, through September 30, 2010. The rates were adjusted slightly for members with less than 20 years of service as of February 1, 2013, due to the freezing of FRS benefits and the implementation of FRP.
Mortality	RP2000 mortality table, sex distinct, with rates projected to 2015

The long-term expected rate of return on the FRS investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan's target asset allocation as of October 1, 2014, these best estimates are summarized in the following table:

<b>Asset class</b>	<b>Target allocation</b>	<b>Long-term expected real rate of return</b>
Fixed income	25%	(1.30)%
Domestic equity	26	4.30
International equity	24	4.70
Private equity	—	9.40
Real estate	15	4.80
Nondirectional hedge fund of funds	10	2.20
Total	100%	

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to Basic Financial Statements

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

The discount rate used to measure the total pension liability (asset) was 7.93%. The projection of cash flows used to determine the discount rate assumed that the Airport contribution rate and that contributions will be made at rates equal to the difference between would make the required contributions as defined by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset). For the October 1, 2014 actuarial valuation, a 7.93% discount rate was used. The sensitivity of the net pension liability to changes in the discount rate for the year ended June 30, 2015 for the Airport is as follows:

	<u>Discount rate</u>	<u>Net pension liability (asset)</u>
1% decrease	6.93%	\$ 66
Current rate	7.93	(4,305)
1% increase	8.93	(7,993)

**(e) Pension Expense**

For the fiscal year ended June 30, 2015, the Airport recognized pension expense of \$675. Annual pension expense consists of service cost, interest and administrative expenses on the pension liability less employee contributions and projected earnings on pension plan investments. The difference between actual and expected earnings is recorded as a deferred outflow/inflow of resources recognized in pension expense over a five year period. The pension expense for the Airport's fiscal year ended June 30, 2015 is summarized as follows:

Service cost	\$ —
Interest	3,444
Administrative expenses	142
Projected earnings on pension plan investments	(3,718)
Other changes – transfer due to settlement agreement	1,028
Recognized portion of current-period difference between projected and actual earnings on pension plan investments	<u>(221)</u>
Pension expense for year ended June 30, 2015	<u>\$ 675</u>

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to Basic Financial Statements

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

**(f) Deferred Outflows/Inflows of Resources Related to Pension**

In accordance with GASB Statements No. 67 and 68, the Airport recognizes differences between actual and expected experience with regard to economic or demographic factors, changes of assumptions about future economic or demographic factors, the difference between actual and expected investment returns, changes in proportion, and contributions subsequent to the measurement date as deferred outflows/inflows of resources. At June 30, 2015, the Airport reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources as follows:

	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
Net difference between projected and actual earnings on pension plan investments	\$ —	886
Total	\$ —	886

The Airport recognizes differences between actual and expected investment performance included in deferred outflows/inflows of resources on a straight-line basis over five years. Differences between expected and actual experience on actuarial assumptions are amortized over the average expected remaining service life of FRS employees. The following table summarizes the future recognition of these items:

<b>Year ended June 30</b>	<b>Recognition</b>
2016	\$ 222
2017	222
2018	221
2019	221
	\$ 886

**Firefighter's Retirement Plan (FRP)**

**(a) System Description**

The FRP administers a single-employer defined-benefit pension plan providing pension benefits to the City of St. Louis firemen.

The FRP issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to the Firefighters' Retirement Plan of the City of St. Louis; 1114 Market Street, Suite 900; St. Louis, Missouri 63101.

Effective February 1, 2013, benefit accruals under the Firemen's Retirement System of St. Louis (FRS) were frozen. The Firefighters' Retirement Plan of the City of St. Louis (FRP) was established

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to Basic Financial Statements

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

as of that date to provide retirement, disability and death benefits for service rendered after the effective date. Credited service accrued under the FRS counts toward benefit accruals under the FRP, but benefits attributable to such services are offset by the benefits payable by the FRS. Under the FRP, the plan provisions for members who were active as of February 1, 2013 (Grandfathered Participants) are substantially the same as the plan provisions for the FRS.

The FRP provides retirement benefits as well as death and disability benefits. Grandfathered members are those who were employed prior to February 1, 2013. Members can voluntarily retire after a minimum of 20 years of service and upon reaching the normal retirement age of 55. A member who has 20 years of service but has not yet reached the age of 55 may elect an early retirement with the normal retirement benefit deferred until reaching the age of 55. In lieu of a deferred retirement benefit, the member may elect to receive his/her retirement benefit beginning on his/her early retirement date or on the first day of any month thereafter prior to reaching age 55 with such benefit actuarially reduced from age 55. A member hired on or after the effective date of February 1, 2013 who terminates employment after completing 10 years of service, but before completing 20 years of service, is eligible for a full unreduced pension beginning at age 62. Such a member may elect to receive a refund of his/her contributions, plus interest, in lieu of a pension benefit.

The monthly allowance is determined by the average final monthly compensation over the last 5 years of service. For grandfathered members, the average is over the last 2 years of service. The monthly allowance consists of 40% of the applicable final 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 after 25 years with a maximum pension of 75%. Unused accrued sick pay accumulated before September 20, 2010 may increase the maximum pension beyond this limitation.

A grandfathered member with 20 or more years of credited service may elect to enter the DROP program and defer retirement for up to five years while continuing active employment. The benefit payments the participant would have received during that period are deposited into the DROP account and earn interest at a rate equal to the percentage rate of return of the Trust Fund's investment portfolio for that year. After five years or termination from the DROP plan, the participant may retire or return to regular active service. Upon termination of employment, the participant can choose to receive the DROP account with interest earned. If the participant dies prior to termination of employment, the DROP account is paid as a lump sum to the participant's beneficiary or estate. Active service while in the DROP program is not included in the credited service used to calculate the participant's final benefit amount.

Those members who elect to participate will continue active employment, will have a service retirement allowance credited monthly in the DROP account of the member, and the member's contributions will be reduced to 1% from the normal contribution percentage. During participation in the DROP, the member will not receive credit for City contributions or credit for service. A member may participate in the DROP only once for any period up to five years. At retirement the funds in the

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to Basic Financial Statements

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

member's DROP account plus: 1) interest and 2) accrued sick leave if elected are available to the member in a lump sum or in installments.

**(b) Funding Policy**

A grandfathered member with at least 20 years of service as of February 1, 2013 contribute 8% of their salary, after tax. All other members contribute 9% of their salary, pretax. The City is required to contribute the remaining amounts necessary to fund FRP. All members who terminate employment before becoming eligible to receive a retirement benefit will receive a refund of all contributions plus interest. Members hired after February 1, 2013 who terminate employment before reaching age 55 and elect a refund of contributions in lieu of a pension benefit will also receive a refund of their contributions plus interest, as will grandfathered members who terminate employment before completing 20 years of service. Contributions to the FRP made on or after the inception of the FRP are not refundable to a member who receives a service retirement benefit, ordinary disability benefit, or a service connected disability benefit, except that contributions to the FRP by a grandfathered member with at least 20 years of service as of inception who receives a service retirement benefit are refundable without interest.

An agreement between the City and FRS was reached regarding the recognition of City contributions under Board Bill 109. The City made contributions to FRS from February 1, 2013 to September 30, 2013. The contributions for this period recognize the impact of Board Bill 109, certain excess Firemen's System City contributions were transferred from the FRS to the FRP.

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to Basic Financial Statements

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

**(c) Net Pension Liability**

The Airport's net pension liability for FRP as of June 30, 2015 was measured as of September 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2014.

	<b>Total pension liability (TPL) (a)</b>	<b>Fiduciary net Position (FNP) (b)</b>	<b>Net pension liability (NPL) (a)-(b)</b>
Balances at July 1, 2014	\$ 4,726	165	4,561
Changes for the year:			
Service cost	641	—	641
Interest	408	—	408
Difference between expected and actual experience	(536)	—	(536)
Benefit payments	(5)	(5)	—
Refunds of member contributions	(8)	(8)	—
Contributions – employer	—	1,582	(1,582)
Contributions – employee	—	282	(282)
Net investment income	—	(10)	10
Administrative expenses	—	(20)	20
Net changes	500	1,821	(1,321)
Balances at June 30, 2015	\$ 5,226	1,986	3,240

The following were some of the significant actuarial assumptions used in the valuation of the Firefighter's Plan:

Date of actuarial valuation	October 1, 2013
Actuarial cost method	30-year closed period from establishment
GASB 67 reporting	Entry Age Normal Cost Method
Funding	Entry Age Normal
Remaining amortization period	Started February 1, 2013
Asset valuation method	Market value
Inflation	3.00%
Investment rate of return	7.625%, net of investment and administrative expenses
Projected salary increases	Varies based on employee's years of service
Mortality	RP-2000 mortality table, sex distinct, with rates projected to 2015

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to Basic Financial Statements

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

The long-term expected rate of return on the FRP investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan's target asset allocation as of September 30, 2014, these best estimates are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
Fixed income	40%	(1.30)%
International equity	60	4.70
Total	100%	

The discount rate used to measure the total pension liability was 7.63%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. For the October 1, 2014 actuarial valuation, a 7.63% discount rate was used. The sensitivity of the net pension liability to changes in the discount rate for the year ended June 30, 2015 for the Airport is as follows:

	Discount rate	Net pension liability
1% decrease	6.63%	\$ 3,901
Current rate	7.63	3,240
1% increase	8.63	2,659

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to Basic Financial Statements

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

**(d) Pension Expense**

For the fiscal year ended June 30, 2015, the Airport recognized pension expense of \$706. Annual pension expense consists of service cost, interest and administrative expenses on the pension liability less employee contributions and projected earnings on pension plan investments. The difference between actual and expected earnings is recorded as a deferred outflow/inflow of resources recognized in pension expense over a five year period. The pension expense for the Airport's fiscal year ended June 30, 2015 is summarized as follows:

Service cost	\$	641
Interest		408
Administrative expenses		20
Contributions – employee		(281)
Projected earnings on pension plan investments		(21)
Recognized portion of current-period difference between expected and actual experience		(67)
Recognized portion of current-period difference between projected and actual earnings on pension plan investments		6
Pension expense for year ended June 30, 2015	\$	<u><u>706</u></u>

**(e) Deferred Outflows/Inflows of Resources Related to Pension**

In accordance with GASB Statements No. 67 and 68, the Airport recognizes differences between actual and expected experience with regard to economic or demographic factors, changes of assumptions about future economic or demographic factors, the difference between actual and expected investment returns, changes in proportion, and contributions subsequent to the measurement date as deferred outflows/inflows of resources. At June 30, 2015, the Airport reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources as follows:

	<u><b>Deferred outflows of resources</b></u>	<u><b>Deferred inflows of resources</b></u>
Net difference between projected and actual earnings on pension plan investments	\$ 25	—
Differences between expected and actual experience	—	469
Total	\$ <u><u>25</u></u>	<u><u>469</u></u>

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to Basic Financial Statements

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

The Airport recognizes differences between actual and expected investment performance included in deferred outflows/inflows of resources on a straight-line basis over five years. Differences between expected and actual experience on actuarial assumptions are amortized over the average expected remaining service life of the Firefighters' Plan employees. The following table summarizes the future recognition of these items:

<u>Year ended June 30</u>	<u>Recognition</u>
2016	\$ (61)
2017	(61)
2018	(61)
2019	(61)
2020	(67)
Thereafter	<u>(133)</u>
	<u>\$ (444)</u>

**Employees' Retirement System of the City of St. Louis (ERS)**

**(a) System Description**

All non-uniformed employees of the Airport become members of the Employees' System upon employment, with the exception of employees hired after attaining age 60.

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; 1114 Market Street, Suite 900; St. Louis, Missouri 63101.

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. Employees retire with full retirement benefits after the age 65 or if the employee's age and creditable service combined equal or exceed 85. Employees may retire and receive a reduced benefit after age 60, with five years of creditable service; age 55, with 20 years of creditable service; or at any age after 30 years of creditable service. The monthly pension benefits of all retirees or their beneficiaries are adjusted according to the changes in the consumer price index of the U.S. Department of Labor. Increases are limited each year, with total increases to retirees or their beneficiaries limited to 25%.

On June 8, 2000, the Mayor of the City approved an ordinance passed by the Board of Aldermen, Authorizing a Deferred Retirement Option Plan (DROP), which became 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

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to Basic Financial Statements

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

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 and at the 10-year U.S. Treasury Bond yield as of September 30 for DROP participants enrolling February 1, 2003 and thereafter. 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.

**(b) Funding Policy**

The Employees System's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. If contributions are necessary, level percentage of payroll employer contribution rates are determined using the projected unit credit actuarial cost method.

Employer contribution rates are established annually by the Board of Trustees of the Employees' System based on an actuarial study. Deductions from plan net assets are financed from plan additions. The Board of Trustees established the required employer-contributions-rate-based active member payroll of 15.17% effective July 1, 2014.

Employees who became members of the Employees' System prior to October 14, 1977, and continue to make contributions, may make voluntary contributions to the Employees' System equal to 3% of their compensation until the employee's compensation equals the maximum annual taxable earnings under the Federal Social Security Act. Thereafter, employees may contribute 6% of their compensation for the remainder of the calendar year.

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to Basic Financial Statements

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

**(c) Net Pension Liability**

The Airport's net pension liability as of June 30, 2015 was measured as of September 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2014. The Airport's proportion of the net pension liability was based on the Airport's share of contributions to the Employees System relative to the contributions of all Employees System participating employers. At September 30, 2014, the Airport's collective proportion was 9.06 percent, which was a decrease of 0.26 from its proportion measured as of September 30, 2013.

	<b>Total pension liability (TPL) (a)</b>	<b>Fiduciary net Position (FNP) (b)</b>	<b>Net pension liability (NPL) (c)</b>
Balances at July 1, 2014	\$ 85,071	68,104	16,967
Changes for the year:			
Service cost	960	—	960
Interest	6,524	—	6,524
Difference between expected and actual experience	(331)	—	(331)
Difference in proportion	(480)	—	(480)
Benefit payments	(5,101)	—	(5,101)
Contributions – employer	—	3,332	(3,332)
Contributions – employee	—	12	(12)
Net investment income	—	6,351	(6,351)
Benefit payments	—	(5,102)	5,102
Administrative expenses	—	(61)	61
Net changes	1,572	4,532	(2,960)
Balances at June 30, 2015	\$ 86,643	72,636	14,007

**(d) Actuarial Methods and Assumptions**

The following were some of the significant actuarial assumptions used in the valuation of the Employee's System:

Date of actuarial valuation	October 1, 2013
Actuarial cost method	Entry age normal
Amortization method	Rolling 30-year level dollar amortization of unfunded liability
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation	3.125%
Discount rate	8.00%
Projected salary increases	Varies by age (3.50% to 7.02%)
Mortality	1994 Group Annuity Mortality Table

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to Basic Financial Statements

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

The long-term expected rate of return on the Employees System investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The discount rate used to measure the total pension liability was 8.09%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plans fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. For the October 1, 2014 actuarial valuation, an 8.09% discount rate was used. The sensitivity of the net pension liability to changes in the discount rate for the year ended June 30, 2015 for the Airport is as follows:

	<b>Rate</b>		<b>Net pension liability (NPL)</b>
1% decrease	7.09%	\$	22,480
Current rate	8.09%		14,007
1% increase	9.09%		6,753

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to Basic Financial Statements

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

**(e) Pension Expense**

For the fiscal year ended June 30, 2015, the Airport recognized pension expense of \$1,836. Annual pension expense consists of service cost, interest, and administrative expenses on the pension liability less employee contributions and projected earnings on pension plan investments. The difference between actual and expected earnings is recorded as a deferred outflow/inflow of resources recognized in pension expense over a five-year period. The pension expense for the fiscal year ended June 30, 2015 is summarized as follows:

Service cost	\$ 960
Interest	6,524
Administrative expenses	61
Recognized portion of current-period difference between expected and actual experience	(83)
Contributions – employee	(12)
Projected earnings on pension plan investments	(5,281)
Recognized portion of change in proportion	(120)
Recognized portion of current-period difference between projected and actual earnings on pension plan investments	(213)
Pension expense for year ended June 30, 2015	<u>\$ 1,836</u>

**(f) Deferred Outflows/Inflows of Resources Related to Pension**

In accordance with GASB Statements No. 67 and 68, the Airport recognizes differences between actual and expected experience with regard to economic or demographic factors, changes of assumptions about future economic or demographic factors, the difference between actual and expected investment returns, changes in proportion, and contributions subsequent to the measurement date as deferred outflows/inflows of resources. At June 30, 2015, the Airport reported deferred outflows of resources and inflows of resources related to pensions from the following sources as follows:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	\$ —	(248)
Net difference between projected and actual earnings on pension plan investments	—	(854)
Changes in proportion	—	(360)
Airport contributions subsequent to the measurement date	2,351	—
Total	<u>\$ 2,351</u>	<u>(1,462)</u>

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to Basic Financial Statements

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

The Airport recognizes differences between actual and expected investment performance included in deferred outflows/inflows of resources on a straight-line basis over five years. Differences between expected and actual experience on actuarial assumptions are amortized over the average expected remaining service life of the Employee System's employees. The following table summarizes the future recognition of these items:

Year ended June 30	<u>Recognition</u>
2016	\$ 1,934
2017	(416)
2018	(416)
2019	(213)
2020	—
Thereafter	—
Total	<u>\$ 889</u>

During fiscal year 2008, the City of St. Louis Municipal Finance Corporation issued \$46,700 in Taxable Leasehold Revenue and Refunding Bonds Series 2007 (Pension Funding Project) to fund the Employees System. While the Airport is not legally responsible for these bonds, \$5,510 of the proceeds was allocated to the Airport. A \$4,945 liability is reflected as an other liability on the balance sheet and is payable to the City of St. Louis by June 30, 2037.

**(15) Commitments and Contingencies**

At June 30, 2015, the Airport had outstanding commitments amounting to approximately \$20,228 resulting primarily from contracts for construction projects. In addition, the Airport has \$38,976 in outstanding commitments resulting from service agreements.

In connection with federal grant programs, the Airport is obligated to administer the related programs, spend the grant moneys in accordance with regulatory restrictions, and is subject to audit by the grantor agencies. In cases of noncompliance, the agencies involved may require the Airport to refund program moneys.

Finally, certain lawsuits were pending against the City that involved the Airport. In the opinion of Airport officials and legal counsel, these actions are not expected to have a material effect, individually or in the aggregate, on the financial position or results of operations of the Airport.

**(16) Risk Management**

The Airport 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 Airport participates in the Public Facilities Protection Corporation (PFPC), an internal service fund of the City of St. Louis, Missouri. The purpose of PFPC is to account for risks in which the City is self-insured, primarily workers' compensation,

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to Basic Financial Statements

June 30, 2015

(Dollars in thousands, unless otherwise indicated)

unemployment benefits, certain general liability, and various other claims and legal actions. All self-insured claims liabilities and payments are recorded in PFPC. The Airport reimburses PFPC for workers' compensation claims on a cost-reimbursement basis. During the year ended June 30, 2015, expenses related to the Airport's participation in PFPC amounted to \$1,030 and are reflected as interfund services used in the accompanying basic financial statements. At June 30, 2015 the Airport owed PFPC \$2,543 for unreimbursed workers' compensation claims.

The Airport purchases commercial insurance for other risks it considers significant, including general liability, public officials' liability, property damage, employee honesty bond, business auto, and insurance on its fine arts. Settled claims did not exceed commercial coverage in any of the last three years.

**(17) Pledged Revenues**

The Airport has pledged future specific revenue streams, net of specified operating expenses, to secure the repayment of \$726,010 in various long-term debt issuances, as outlined in note 6. The general purpose of the various long-term debt issuances is for land acquisition and construction of the capital assets at the Airport. The bonds are payable from Airport net revenues and are payable through July 2034. Annual principal and interest payments on the bonds are expected to require less than 80% of estimated Airport net revenues. As of June 30, 2015, the total principal and interest remaining to be paid on the bonds is \$1,082,981. Principal and interest paid was \$77,017 for the year ended June 30, 2015. The pledged net revenue recognized for the year ended June 30, 2015 was \$96,274.

**(18) Extraordinary Item – Natural Disaster**

On April 22, 2011, the Airport sustained a direct hit on Concourse C, in Terminal 1, from an F-4 Tornado. There was also additional damage to other areas of Terminal 1 as well as the parking lots and surrounding areas of the Airport. As of June 30, 2015, most of the rebuilding of Concourse C and other damaged areas were complete. Concourse C was reopened on April 2, 2012. Lexington Insurance Company settled the final insurance claim during fiscal year 2015.

In addition, on May 31, 2013, the Airport sustained additional damage from another tornado. Lexington Insurance Company advanced the Airport \$4,500 as of June 30, 2015 to cover storm-related repairs. Approximately 95% of all damages have been rebuilt or repaired.

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Analysis of Cash and Investment Accounts

Year ended June 30, 2015

(Dollars in thousands)

	Unrestricted			Unrestricted Funds Designated			Restricted Held by trustee bond fund			Restricted Other restricted funds			
	Unrestricted			Unrestricted Funds Designated			Restricted Held by trustee bond fund			Restricted Other restricted funds			
	Revenue fund	Revenue fund subaccount	Operation and maintenance fund	Development fund (ADF)/ Debt Service Stabilization fund (DSSF)	Construction fund	Debt service account	Debt service reserve account	Renewal and replacement fund	Passenger facility charge fund	Stabilization fund	Construction fund	DEA fund	Total
\$	18,317	2,462	15,935	60,306	(778)	58,357	38,396	3,500	28,488	38,211	17,999	1,965	283,158
Balance at June 30, 2014	158,833	—	—	—	—	—	518	—	23,147	—	—	—	181,980
Cash receipts	—	—	—	—	—	957	—	—	61	—	267	186	1,989
Transfer in accordance with ordinance	(155,121)	6,398	82,500	20,228	—	78,369	(1,546)	—	(36,822)	—	5,995	—	1
Vouchers and requisitions paid	(12,996)	—	(82,898)	—	(247)	—	—	—	—	—	(18,505)	(103)	(114,749)
Bond Proceeds	—	—	—	—	—	19,736	—	—	—	—	—	—	19,736
Payments	—	—	—	—	—	—	—	—	—	—	—	—	—
Interest	—	—	—	—	—	—	—	—	—	—	—	—	—
Redemption of bonds	—	—	—	—	—	(40,879)	(488)	—	—	—	(8)	—	(41,375)
Refunding of bonds	—	—	—	—	—	(37,560)	—	—	—	—	—	—	(37,560)
Payments to the City of 5% of gross receipts	—	—	—	—	—	(19,736)	—	—	—	—	—	—	(19,736)
Receipts from FAA and MoDOT	—	(4,604)	—	—	—	—	—	—	—	—	—	—	(4,604)
Capital appropriation	—	—	—	13,267	—	—	—	—	—	—	—	—	13,267
Capital expenditures	—	—	—	24,995	—	—	—	—	—	—	—	—	24,995
	—	—	—	(34,981)	—	—	—	—	—	—	—	—	(34,981)
\$	9,033	4,256	15,537	83,815	(1,025)	59,244	36,880	3,500	14,874	38,211	5,748	2,048	272,121

Balance at June 30, 2015

See accompanying independent auditors' report.

**Schedule II**

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Schedule of 2005 Revenue Refunding Bonds Payable

June 30, 2015

(Dollars in thousands)

<b>Maturity on July 1</b>	<b>Interest rate</b>	<b>Principal maturity</b>
2015	5.50%	\$ 15,880
2016	5.50	18,915
2017	5.50	20,075
2018	5.50	21,955
2019	5.50	21,705
2024	5.50	2,515
2025	5.50	2,655
2026	5.50	2,795
2027	5.50	24,545
2028	5.50	26,135
2029	5.50	27,570
2030	5.50	29,090
2031	5.50	30,690
		<u>\$ 244,525</u>

See accompanying independent auditors' report.

## Schedule III

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
 (An Enterprise Fund of the City of St. Louis, Missouri)

## Schedule of 2007A Revenue Refunding Bonds Payable

June 30, 2015

(Dollars in thousands)

<b>Maturity on July 1</b>	<b>Interest rate</b>	<b>Principal maturity</b>
2015	5.00%	\$ 3,725
2016	5.00	2,585
2017	5.00	2,645
2018	5.00	2,410
2019	4.00	2,530
2020	5.00	18,625
2021	5.00	22,150
2022	5.00	24,335
2023	5.00	20,865
2024	4.25–5.00	21,915
2025	5.00–5.25	22,935
2026	5.25	24,105
2027	4.25	3,700
2028	4.25	3,855
2029	4.25	4,015
2030	4.25	4,190
2031	4.25	4,365
2032	4.25	4,555
		<u>\$ 193,505</u>

See accompanying independent auditors' report.

**Schedule IV**

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**

(An Enterprise Fund of the City of St. Louis, Missouri)

**Schedule of 2007B Revenue Refunding Bonds Payable**

June 30, 2015

(Dollars in thousands)

<b>Maturity on July 1</b>	<b>Interest rate</b>	<b>Principal maturity</b>
2015	5.00%	\$ 6,260
2016	5.00	6,545
2017	5.00	6,850
2018	5.00	6,760
2019	5.00	7,105
2020	5.00	7,460
2021	5.00	7,830
2022	5.00	8,220
2023	5.00	8,635
2024	5.00	9,065
2025	5.00	9,520
2026	5.00	9,995
2027	5.00	10,490
		<u>\$ 104,735</u>

See accompanying independent auditors' report.

**Schedule V**

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Schedule of 2009A Revenue Bonds Payable

June 30, 2015

(Dollars in thousands)

<b>Maturity on July 1</b>	<b>Interest rate</b>	<b>Principal maturity</b>
2016	5.125%	\$ 3,195
2017	5.250	3,355
2018	5.375	3,535
2019	6.000	3,720
2020	6.125	3,945
2021	6.125	4,185
2022	6.125	4,445
2023	6.125	4,715
2024	6.125	5,005
2025	6.250	5,310
2026	6.250	5,645
2027	6.250	5,995
2028	6.250	6,370
2029	6.250	6,770
2030	6.625	7,190
2031	6.625	7,670
2032	6.625	8,175
2033	6.625	8,720
2034	6.625	9,295
		<u>\$ 107,240</u>

See accompanying independent auditors' report.

**Schedule VI**

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Schedule of 2011AB Revenue Refunding Bonds Payable

June 30, 2015

(Dollars in thousands)

<b>Maturity on July 1</b>	<b>Interest rate</b>	<b>Principal maturity</b>
2015	5.00%	\$ 5,750
		\$ 5,750

See accompanying independent auditors' report.

Confidential  
garvinm@stlouis-mo.gov  
2020-01-16 14:00:18 +0000

## Schedule VII

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**

(An Enterprise Fund of the City of St. Louis, Missouri)

## Schedule of 2012 Revenue Refunding Bonds Payable

June 30, 2015

(Dollars in thousands)

<b>Maturity on July 1</b>	<b>Interest rate</b>	<b>Principal maturity</b>
2015	5.00%	\$ 2,180
2016	5.00	925
2017	5.00	990
2018	5.00	1,040
2019	3.00	1,090
2020	3.25	1,130
2021	5.00	1,165
2022	5.00	1,220
2023	5.00	1,280
2024	5.00	1,345
2025	4.00	1,415
2026	5.00	1,465
2027	4.25	1,545
2028	5.00	1,610
2029	4.25	1,690
2030	—	—
2031	—	—
2032	5.00	7,185
		<u>\$ 27,275</u>

See accompanying independent auditors' report.

**Schedule VIII****LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

## Schedule of 2013 Revenue Refunding Bonds Payable

June 30, 2015

(Dollars in thousands)

<b>Maturity on July 1</b>	<b>Interest rate</b>	<b>Principal maturity</b>
2015	4.00%	\$ 5,990
2016	5.00	6,235
2017	5.00	6,560
2018	5.00	6,885
		<u>\$ 25,670</u>

See accompanying independent auditors' report.

## Schedule IX

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**

(An Enterprise Fund of the City of St. Louis, Missouri)

## Schedule of 2015 Revenue Refunding Bonds Payable

June 30, 2015

(Dollars in thousands)

<b>Maturity on July 1</b>	<b>Interest rate</b>	<b>Principal maturity</b>
2020	5.00%	\$ 6,775
2021	5.00	4,625
2022	5.00	3,670
2023	5.00	2,240
		<u>\$ 17,310</u>

See accompanying independent auditors' report.

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Schedule of Insurance

June 30, 2015

(Dollars in thousands)

<b>Insurer</b>	<b>Amount</b>	<b>Expiration date</b>	<b>Character of coverage</b>
Starr Aviation	\$ 350,000	10/1/2016	Airport Owners & Operators Liability
American Home/AIG	907,684	10/1/2016	Property damage and business interruption
Western World and Landmark	7,000	10/1/2016	Public official's and employee's liability
Granite States Insurance Company	1,000	10/1/2016	Business auto and excess
AIG	20,671	10/1/2016	Inland Marine/Property equipment
The Hartford Insurance Company	100	10/1/2016	Employee Honesty Bond
Nationwide Mutual	100	10/31/2016	Surety Bond US Customs
Lloyd's	5,410	10/31/2016	Property for Bridgeton Army Guard location

See accompanying independent auditors' report.

Confidential  
garvinm@stlouis-mo.gov  
2020-01-16 14:00:18 +0000