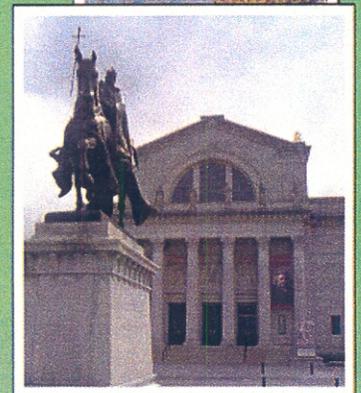
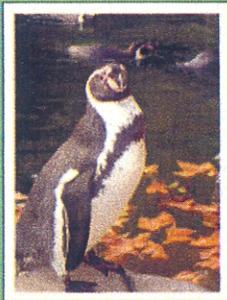
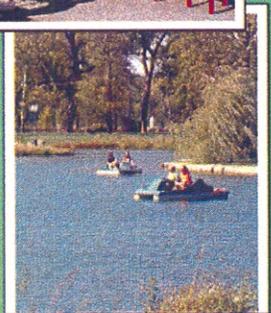
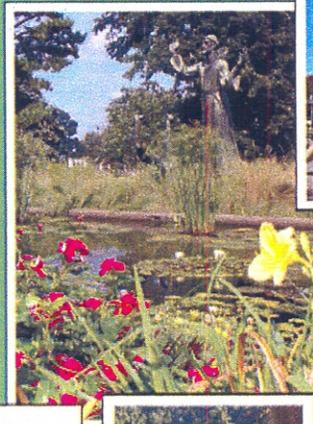
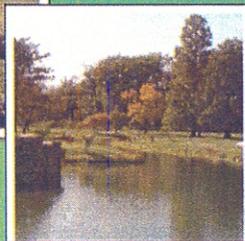


# Forest Park

*Celebrating 130 Years*



*St. Louis'  
Crown Jewel*

**2006 Comprehensive Annual Financial Report  
City of St. Louis, Missouri - Year Ended June 30**



**F**orest Park is one of St. Louis' most treasured resources. Located in the heart of the city, Forest Park belongs to all St. Louisans.

Owned and operated by the city of St. Louis, Forest Park is one of 105 city parks under the jurisdiction of the Department of Parks, Recreation and Forestry. Forest Park officially opened to the public on June 24, 1876. It is one of the largest urban parks in the United States at 1,293 acres, 500 acres larger than Central Park in New York City.

It is the home to the region's major cultural institutions—the Zoo, Art Museum, Missouri History Museum, Science Center and the outdoor Municipal Theater. It also serves as a sports center for golf, tennis, baseball, soccer, bicycling, boating, handball, ice skating, jogging, and more.

Forest Park is equally significant from a naturalistic perspective. In a city where 80 percent of the land is developed for business, industry or residential uses, the park serves as a natural oasis. It is an important source of green space, a respite for migrating birds, and an integrated ecosystem where humans and nature interact.

CITY OF ST. LOUIS, MISSOURI  
COMPTROLLER



COMPLIMENTS OF THE COMPTROLLER  
DARLENE GREEN

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The City of  
Saint Louis, Missouri



Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2006

*Prepared by  
Office of the Comptroller*

*Darlene Green  
Comptroller*

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OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



DARLENE GREEN  
Comptroller

212 City Hall  
(314) 622-3588  
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December 29, 2006

The Honorable Francis G. Slay, Mayor  
The Honorable Members of the Board of Aldermen  
and the Citizens of the City of St. Louis, Missouri:

The Comprehensive Annual Financial Report of the City of St. Louis, Missouri (City) for the fiscal year ended June 30, 2006 is hereby submitted.

This report has been prepared pursuant to, and to demonstrate compliance with, Article VIII, Section 10, of the City Charter. The Comprehensive Annual Financial Report (CAFR) is in conformance with the standards for financial reporting of the Governmental Accounting Standards Board (GASB) and the Government Finance Officers Association of the United States and Canada (GFOA).

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operation. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City's basic financial statements have been audited by KPMG LLP, an independent certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the City for the fiscal year ended June 30, 2006, are free of material misstatement. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's basic financial statements for the fiscal year ended June 30, 2006, are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditors' report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD & A). This letter of transmittal is designed to compliment MD & A and should be read in conjunction with it. The City's MD & A can be found immediately following the report of the independent auditors.



## REPORTING ENTITY

The City, an independent municipality not within any county of the State of Missouri, provides a full range of municipal as well as county services to the residents and businesses located within its borders. For financial reporting purposes, the City has included all funds, agencies, commissions, and boards for which, in the opinion of City officials, the City is financially accountable. The City is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either is able to impose its will on the organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific burden on, the primary government. In addition, the City is financially accountable for organizations that are fiscally dependent on it.

A number of other legally separate not-for-profit organizations are responsible for the provision of specific public services such as public financing. Due to the nature of the operations of not-for-profit organizations, they are considered to be component units of the City and are blended within the City's reporting entity for financial reporting purposes.

Police protection is provided to the residents of the City by the Metropolitan Police Department of the City (Police Department), the affairs of which are administered by an independent board appointed by the Governor of the State of Missouri. Although the activities of the Police Department are totally dependent on financial resources appropriated by and approved by the City's Board of Aldermen, the Police Department is a legally separate entity and is presented as a discrete component unit.

The St. Louis Development Corporation (SLDC), a not-for-profit organization which handles economic development, Harry S. Truman Restorative Center (HSTRC), a skilled nursing facility operated as a not-for-profit entity supported by the City and located in a City-owned building, and Solid Waste Management and Development Corporation (SWMDC), owner of the downtown underground pressurized steam transport pipe known as the steam loop, are also presented as discrete component units.

## CAFR FORMAT

There are three main sections in this report:

The Introductory Section includes this transmittal letter, the Certificate of Achievement for Excellence in Financial Reporting, a list of elected officials and the Comptroller's and the City's organizational charts.

The Financial Section includes the independent auditors' report, MD&A, basic financial statements for the City including footnotes, required supplementary information, as well as other supplementary information.

The Statistical Section includes selected financial and demographic information, generally presented on a multi-year basis.

## ACCOUNTING SYSTEM, INTERNAL CONTROLS, AND BUDGETARY CONTROL

The City utilizes a fully computerized Accounting Information Management System (AIMS). This system is based on a single input of information. The AIMS system provides: 1) integrated, general and subsidiary accounting of all funds; 2) appropriation/encumbrances accounting and control; and 3) the ability to generate cost/expenditure data in a multitude of formats useful for budgetary control and other managerial purposes.

In developing and evaluating the City's accounting system, consideration was given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding:

- The safeguarding of assets against loss from unauthorized use or disposition, and
- The reliability of financial records for preparing financial statements and maintaining accountability for assets.
- The concept of reasonable assurance recognizes that:
  - The cost of a control should not exceed the benefits likely to be derived, and
  - The evaluation of assets and benefits requires estimates and judgements by management.

All internal control evaluations occur within this framework. Therefore, the Comptroller's Office believes that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Through annual appropriations, the City maintains budgetary control at the fund level. Cost classifications are categorized in the following groups: personnel services, materials and supplies, rental and non-capital leases, non-capital equipment, capital assets, contractual and other services, and debt service and special extraordinary items.

Encumbrances are recorded by the Control Section (or in some cases by the requesting department) through an on-line budgetary control module before requisitions are sent to the Purchasing Division. If sufficient appropriations are not available to cover a purchase, the requisitions is returned to the originating department for transfer of appropriations between departments with prior approval of the Board of Estimate and Apportionment (E&A). A formal monthly expense monitoring procedure has been established to help eliminate rejected requisitions and related cancellations, and to minimize line item transfers. Encumbrances are detailed for current year budgetary presentations. While appropriation balances lapse at the end of the fiscal year, appropriation balances for encumbrances remain.

Within the Strategic Financial Plan for the city, major controls that, among other things, guide city officers in their deliberation over the financial wisdom of potential actions. One of those controls requires the city to informally reserve a minimum of 5% of the next year's general fund expenditures for appropriation only under severe circumstances. The reserve effectively reduces the funds available for appropriation.

## BUDGET PROCESS

The City's fiscal year is July 1 through June 30. The budget process begins in the preceding December with a revenue forecast for the upcoming fiscal year. By February, department budget requests are submitted to the Budget Division, and the review process begins immediately.

The Budget Division works closely with E&A in developing, within forecasted revenue constraints, the proposed budget. By law, E&A must recommend a balanced budget to the Board of Aldermen (the Board), the City's legislative body, sixty days prior to the start of a new fiscal year. The Board may decrease but not increase any recommended appropriation amount. The Board, however, may recommend changes in the proposed budget. Any changes must be mutually agreed upon between the Board and E&A. If a budget cannot be agreed upon prior to July 1, the final budget presented by E&A becomes the official budget.

As part of the long-term financial planning, the Budget Division prepares a 5-year projection of revenues and expenditures. The projection is based on known challenges facing the city as well as straight-line growth based on recent history. No formal action is taken on the projections.

## ECONOMIC OUTLOOK

The City is the core of a twelve county metropolitan area covering parts of both Missouri and Illinois (MSA). It is the employment and entertainment center of an area containing a population of more than 2.7 million residents. The downtown area is the office center, with over 13 million square feet of Class A and B office space. According to the Missouri Department of Labor and Industrial Relations there are approximately 1.4 million non-agricultural jobs in the MSA with 60,000 new jobs having been created in the past 5 years. Although the distribution of jobs across industry sectors has resulted in a decline in the City's share of jobs in the metropolitan area, the City remains a significant source of jobs in the region with nearly 15% of all the jobs. Job growth in the City has been in the service sector and the expectation is that long term employment growth in the City will be in the areas of medical and business services, as well as convention and tourism business.

## RISK MANAGEMENT

The City uses a combination of insurance and self-insurance for risk protection. Certain coverage has been obtained for high-risk activities or as required by law. All general liability cases are handled by the City Counselor's Office. The City's staff of attorneys attempts to settle or defend all claims made against the City. Each year an appropriation is made to a judgement account which is segregated in the Public Facilities Protection Corporation (PFPC), a not-for-profit corporation. PFPC implements programs to assure continued municipal and governmental services, which could be jeopardized by the escalating costs of insurance and /or exposure to claims and judgements that exceed fiscal abilities. It is administered by three City officials representing the Office of the Comptroller, the City Counselor's Office and the Budget Division, and treated as a blended component unit of the City. These officials are responsible for obtaining and maintaining adequate funding and reserves.

## RISK MANAGEMENT (Continued)

Additionally, PFPC administers all workers' compensation liabilities. A third party administrator was contracted to process all claims and make recommendations regarding workers' compensation concerns. The utilization of a third party administrator working with improved City safety efforts has resulted in a reduction in the number and severity of workers' compensation claims. This has also enabled the City to more timely process claims and payments, as well as provide more timely and accurate statistical data.

## INTERNAL AUDIT

It is the special responsibility of the Comptroller, as set out in the Charter, to provide City officials and taxpayers with reasonable assurance that public funds and property are adequately safeguarded and that financial transactions are authorized and properly recorded.

The Comptroller's internal audit staff audits various departments within the City testing for the methods employed by the department to safeguard the assets, ensuring the reliability of the accounting data, promoting efficient operations and ensuring compliance with established ordinances and the City Charter. Audits may also be performed on various corporations and not-for-profit organizations to ensure compliance with the various contractual agreements with the City. In addition to audits, the internal audit staff reviews the revenue collection procedures established by those departments and employees who receive or collect City revenue. As a result of these audits and reviews, the internal auditors develop recommendations of procedures that should be implemented to improve internal controls. These audits and reviews are performed on a continual basis.

## CERTIFICATE OF ACHIEVEMENT

The City's CAFR for the fiscal year ended June 30, 2005 was awarded the Certificate of Achievement for Excellence in Financial Reporting from the GFOA. This is the nineteenth year the City has received this prestigious award.

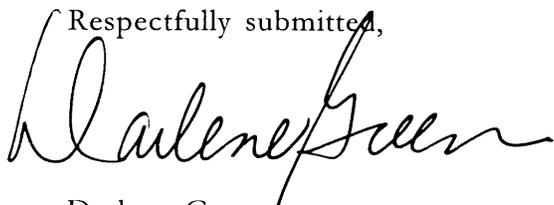
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. The report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for one year only. We believe that our current CAFR will continue to meet the Certificate of Achievement Program requirements and we will be submitting it to the GFOA to determine its eligibility for another certificate.

## ACKNOWLEDGMENT

I would like to express my appreciation to the staff members of the Comptroller's Office who assisted in the preparation of this report. I also extend my appreciation to the independent accounting firm of KPMG LLP whose many hours of professional service enabled this report to be produced. Contributions to the completion and publication of this financial history were made by staff of other departments to whom I also express my appreciation.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Darlene Green". The signature is written in black ink and is positioned to the left of the typed name.

Darlene Green  
Comptroller

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of St. Louis  
Missouri

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2005

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



President

Executive Director

The City of St. Louis, Missouri  
Elected Officials  
June 30, 2006



BOARD OF ALDERMEN

(Aldermen listed to numerical order by ward)

Francis G. Slay  
Mayor

Darlene Green  
Comptroller

James F. Shrewsbury  
President, Board of Aldermen

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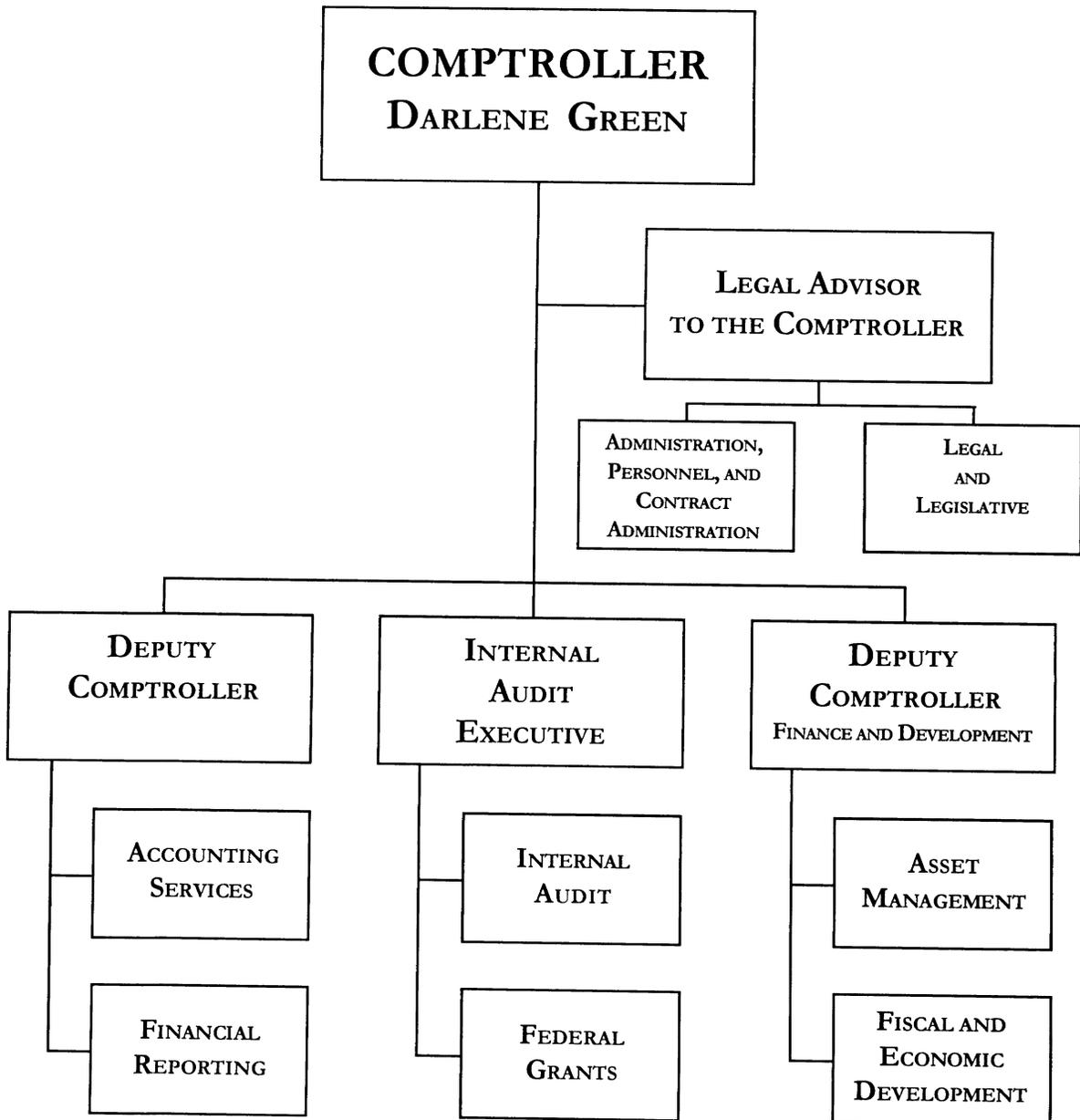
Charles Quincy Troupe	Jennifer Florida
Dionne Flowers	Donna Baringer
Freeman Bosley, Sr.	Joseph D. Roddy
O.L. Shelton	Terry Kennedy
April Ford-Griffin	Michael McMillan
Lewis E. Reed	Craig Schmid
Phyllis Young	Bennice Jones King
Stephen Conway	Jeffrey Boyd
Kenneth Ortmann	Kathleen Hanrahan
Joseph Vollmer	William Waterhouse
Matt Villa	Dorothy Kirner
Fred Heitert	Frank Williamson
Alfred Wessels, Jr.	Gregory Carter
Stephen Gregali	Lyda Krewson

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THE CITY OF ST. LOUIS, MISSOURI  
OFFICE OF THE COMPTROLLER



# Government of the City of St. Louis, Missouri

