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

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Louis, Missouri, as of and for the year ended June 30, 2006, which collectively comprise the City of St. Louis, Missouri's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of St. Louis, Missouri's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the pension trust funds and St. Louis Development Corporation. The assets and additions of the pension trust funds represent 91% and 100% of the assets and additions, respectively, of the aggregate remaining fund information. The assets and revenues of St. Louis Development Corporation represent 51% and 13% of the assets and revenues, respectively, of the aggregate discretely presented component units. The financial statements of the pension trust funds and St. Louis Development Corporation were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those funds and discretely presented component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the pension trust funds were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of St. Louis, Missouri's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, and the reports of other auditors, provides a reasonable basis for our opinions.

In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Louis, Missouri, as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards,* we have also issued our report dated December 29, 2006, on our consideration of the City of St. Louis, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 20, the Budgetary Comparison Information on pages 133 through 138, and the Firemen's Retirement System of St. Louis and Employees' Retirement System of the City of St. Louis Information on page 139 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of St. Louis, Missouri's basic financial statements. The combining and individual fund financial statements and schedules – other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

St. Louis, Missouri
December 29, 2006

CITY OF ST. LOUIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006

This section of the City of St. Louis's (the City) Comprehensive Annual Financial Report presents an easily readable analysis of the City's financial activities based on currently known facts, decisions, and conditions. The following discussion and analysis of the City's financial performance has been prepared by management to provide an overview of the basic financial statements of the City of St. Louis for the fiscal year ended June 30, 2006. For a comprehensive understanding of the financial statements, please review the transmittal letter at the front of this report along with the City's financial statements, including the footnotes that follow the Management's Discussion and Analysis.

FINANCIAL HIGHLIGHTS (excluding discretely presented component units)

- On a government-wide basis the City's total assets exceeded its liabilities for the most recent fiscal year by $1.6 billion.

- Governmental activities and business-type activities had net assets of $305.3 million and $1.3 billion, respectively.

- On a government-wide basis during the year, the City's total expenses were $12.5 million less than the $911.7 million revenue generated in charges for services, grants, taxes, and other revenues.

- The cost of services for the City's governmental activities was $654.1 million in fiscal year 2006 (excluding interest and fiscal charges).

- As of June 30, 2006, the City's governmental funds reported combined ending fund balances of $205.1 million. Of this amount, $99.0 million is unreserved fund balance and available for spending at the City's discretion.

- The unreserved fund balance for the general fund was $57.2 million or 13.7% of total general fund expenditures.

- The general fund revenues were higher than original budget estimates.

- In fiscal year 2006, the City issued $311.9 million in long-term debt to finance projects and refund debt. There was a net decrease of $34.9 million or 2.1% in bond debt during the current fiscal year.

- Total actual resources available in the General Fund were $8.4 million more than originally estimated and appropriated.

- Net pension obligations increased by $15.5 million and net pension asset decreased by $10.8 million due to the difference between the actuarial determined pension contributions to the three pension funds and the amounts actually contributed.

- Tax increment financing (TIF) debt increased liabilities in the amount of $28.1 million. There is no related asset for TIF debt, so net increases in TIF debt reduce unrestricted net assets by an equal amount.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The first set of financial statements is the government-wide statements which report information about the City as a whole using accounting methods similar to those used by private-sector companies. The two government-wide statements, **Statement of Net Assets** and **Statement of Activities**, report the City's net assets (excluding fiduciary activity) and how they have changed. In the government-wide statements, a distinction is made between governmental-type activities and business-type activities. Governmental-type activities are those normally associated with the operation of a government such as, public safety, parks, and streets. Business-type activities are those activities of the government that are designed to be self-supporting.

The **Statement of Net Assets** presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Increases and decreases in net assets may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating. The statement of net assets also provides information on unrestricted and restricted net assets and net assets invested in capital assets, net of related debt.

The **Statement of Activities** present information showing how the City's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of the timing of related cash flows.

The statement of activities presents the various functions of the City and the degree to which they are supported by charges for services, federal and state grants and contributions, tax revenues, and investment income.

The governmental activities of the City include general government, convention and tourism, parks and recreation, judicial, streets, public safety (fire, police, other), health and welfare, public service, community development as well as interest and fiscal charges. The business-type activities of the City include an airport, water division, and parking division.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate redevelopment agency, a legally separate police department for which the City is financially accountable, a not-for-profit skilled nursing facility supported by the City, and a legally separate corporation that owns and leases the downtown steam loop. Financial information for these component units is reported separately from the financial information presented for the primary government.

The government-wide financial statements also include blended component units within the primary government because of their governance. Included within the governmental activities of the government-wide financial statements are the operations of the Public Facilities Protection Corporation (PFPC), St. Louis Municipal Finance Corporation and St. Louis Parking Commission Finance Corporation.

Fund Financial Statements

The second set of statements is fund financial statements, which provide information about groupings of related accounts that are used to maintain control over resources for specific activities or objectives. The City uses fund accounting to demonstrate compliance with finance-related legal requirements. The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. The funds of the City can be divided into the following three categories: governmental funds, proprietary funds, and fiduciary funds.

1. *Governmental Funds***.** Governmental funds tell how general government services were financed in the short term as well as what financial resources remain available for future spending to finance City programs.

   The City maintains several individual governmental funds according to their type (general, special revenue, debt service, and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, capital projects fund and grants fund, which are considered to be major funds. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements.

2. *Proprietary Funds*. Proprietary funds offer short-term and long-term financial information about services for which the City charges customers, both external customers and internal departments of the City. The City maintains the following two types of proprietary funds:

   - *Enterprise Funds* are used to report information similar to business-type activities in the government-wide financial statements. The City uses the enterprise funds to account for the operations of the Lambert-St. Louis International Airport (Airport), Water Division, and the Parking Division.

   - *Internal Service Funds* are used to report activities that provide supplies and services for certain City programs and activities. The City uses internal service funds to account for its mail handling services, for payment of workers' compensation and various other claims, and health insurance.

3. *Fiduciary Funds.* Fiduciary funds are used to account for resources held for the benefit of individuals or units outside of the City. The City is the trustee or fiduciary responsible for assets which can be used only for the trust beneficiaries per trust arrangements. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. The City's pension trust funds and agency funds are reported under the fiduciary funds. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and notes to the financial statements, this report presents required supplementary information concerning the City's budgetary comparisons for the general fund and required supplementary information pertaining to the Firemen's Retirement System of St. Louis and the Employees' Retirement System of the City of St. Louis pension trust funds. The Police Retirement System of St. Louis uses the aggregate actuarial cost method, and accordingly, no required supplementary information is presented as this method does not identify or separately amortize unfunded actuarially accrued liabilities.

Combining Statements

The combining statements provide fund level detail for all nonmajor governmental funds, internal service funds, pension trust funds, and agency funds.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net assets. The City's combined net assets for fiscal years 2006 and 2005 were $1.6 billion and $1.5 billion, respectively. Looking at the net assets of governmental and business-type activities separately provides additional information.

The City of St. Louis, Missouri
Schedule of Net Assets
June 30, 2006 and 2005
(dollars in millions)

	Governmental activities		**Business-type activities**		**Total**	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**
Assets:						
Current and other assets $	336.0	345.2	362.8	457.3	698.8	802.5
Capital assets	768.7	777.5	1,972.6	1,860.5	2,741.3	2,638.0
Total assets	**1,104.7**	**1,122.7**	**2,335.4**	**2,317.8**	**3,440.1**	**3,440.5**
Liabilities:						
Long-term debt outstanding	735.8	719.8	993.8	1,012.4	1,729.6	1,732.2
Other liabilities	63.6	62.7	56.2	67.4	119.8	130.1
Total liabilities	**799.4**	**782.5**	**1,050.0**	**1,079.8**	**1,849.4**	**1,862.3**
Net assets:						
Invested in capital assets,						
Net of related debt	402.3	395.9	1,120.7	1,068.2	1,523.0	1,464.1
Restricted	108.9	121.3	145.3	153.7	254.2	275.0
Unrestricted	(205.9)	(177.0)	19.4	16.1	(186.5)	(160.9)
Total net assets $	**305.3**	**340.2**	**1,285.4**	**1,238.0**	**1,590.7**	**1,578.2**

ANALYSIS OF NET ASSETS

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by $1.6 billion in the current year and $1.5 billion in the previous year.

The largest portion of the City's net assets, 95.7% reflects its investments of $1.5 billion in capital assets (for example, infrastructure, land, buildings, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

Included in the City's total net assets at the end of fiscal year 2006 and fiscal 2005, respectively, is $254.2 million and $275.0 million, which represent resources that are subject to external restrictions on how they may used.

Total unrestricted net assets decreased by $25.6 million for the year ended June 30, 2006. Consequently, unrestricted governmental activities net assets showed a $205.9 deficit at the end of this year as compared to a $177.0 million deficit last fiscal year. This deficit does not mean that the City does not have resources available to pay its bills next year. Rather, it is the result of having long-term commitments that are greater than currently available resources. For example, the City's policy and practice is to budget for certain long-term expenses as they come due. Specifically, the City did not include in past annual budgets the full amounts needed to finance future liabilities arising from property and casualty claims and amounts to pay for unused employee vacation and sick days. The City will continue to include these amounts in future year's budgets as they come due.

In addition, three particular features of the City's recent financial activity affected the deficit in unrestricted governmental net assets. These activities over the past several years reflect debt to provide development stimulus for which the City received no offsetting asset. They include the following:

- Section 108 loan agreements, $63.7 million
- Joint venture financing agreement for the expansion of the convention center, $67.3 million
- Tax increment financing debt for economic development projects in the amount of $69.8 million

Although the net assets of the business-type activities demonstrated an increase of $47.4 million, these resources cannot be used to make up for the unrestricted net asset deficit in governmental activities. The City generally can only use these net assets to finance the continuing operations of the Airport, Water Division, and the Parking Division.

The City of St. Louis, Missouri
Changes in Net Assets
For the Fiscal Years ended June 30, 2006 and 2005
(dollars in millions)

		Governmental activities		**Business-type activities**		**Total**	
		2006	**2005**	**2006**	**2005**	**2006**	**2005**
Revenues:							
Program revenues:							
Charges for services	$	106.5	77.6	209.4	194.2	315.9	271.8
Operating Grants and Contributions		80.2	111.3	6.7	4.0	86.9	115.3
Capital Grants and Contributions		13.8	1.0	38.3	72.0	52.1	73.0
General revenues:							
Taxes		435.5	416.0			435.5	416.0
Investment Income		9.5	3.1	11.8	11.1	21.3	14.2
Total revenues		**645.5**	**609.0**	**266.2**	**281.3**	**911.7**	**890.3**
Expenses:							
General government		93.6	93.7			93.6	93.7
Convention and tourism		4.6	6.3			4.6	6.3
Parks and recreation		25.4	25.7			25.4	25.7
Judicial		46.6	47.7			46.6	47.7
Streets		59.1	56.2			59.1	56.2
Public Safety:						0.0	0.0
Fire		54.6	51.1			54.6	51.1
Police		134.6	130.6			134.6	130.6
Other		55.7	52.6			55.7	52.6
Health and welfare		46.1	40.6			46.1	40.6
Public service		67.5	62.6			67.5	62.6
Community Development		66.3	57.2			66.3	57.2
Interest on long-term debt		33.7	34.0			33.7	34.0
Airport				156.8	143.4	156.8	143.4
Water Division				40.5	39.8	40.5	39.8
Parking Division				14.1	13.6	14.1	13.6
Total expenses		**687.8**	**658.3**	**211.4**	**196.8**	**899.2**	**855.1**
Increase (decrease) in net assets							
before gain and transfers		**(42.3)**	**(49.3)**	**54.8**	**84.5**	**12.5**	**35.2**
Gain on sale			0.5		0.4		0.9
Transfers		7.4	7.1	(7.4)	(7.1)	0.0	0.0
Increase (decrease) in net assets		**(34.9)**	**(41.7)**	**47.4**	**77.8**	**12.5**	**36.1**
Net assets-beginning		340.2	381.9	1,238.0	1,160.2	1,578.2	1,542.1
Net assets-ending	$	**305.3**	**340.2**	**1,285.4**	**1,238.0**	**1,590.7**	**1,578.2**

Changes in net assets. The City's total revenue on a government-wide basis was $911.7 million, an increase of $21.4 million over the previous year. Taxes represent 47.8% of the City's revenue as compared to 46.7% last year. Additionally, 34.7% comes from fees charged for services, as compared to 30.5% of the previous year's revenue. The remainder is state and federal aid, interest earnings, and miscellaneous revenues.

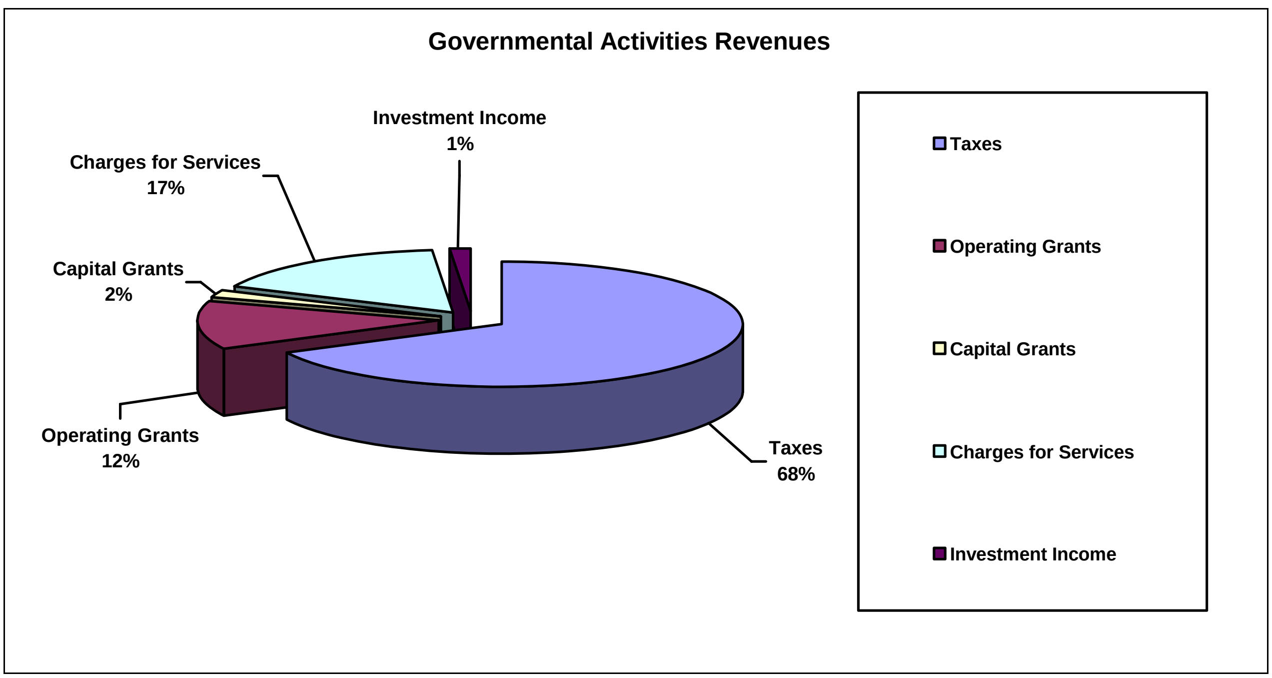
The total cost of all programs and services was $899.2 million, an increase from $855.1 million last year. The City's expenses cover a range of typical City/county services. The largest program was the Airport. The program with the largest burden on general revenues was public safety.

Governmental activities. As a result of this year's operations, the net assets of governmental activities decreased by $34.9 million or 10.3%. The net asset decrease is primarily related to the anticipated level of spending over the expected growth in revenues. Revenues increased by $36.5 million or 6.0%, while total expenses increased by $29.5 million or 4.5%.

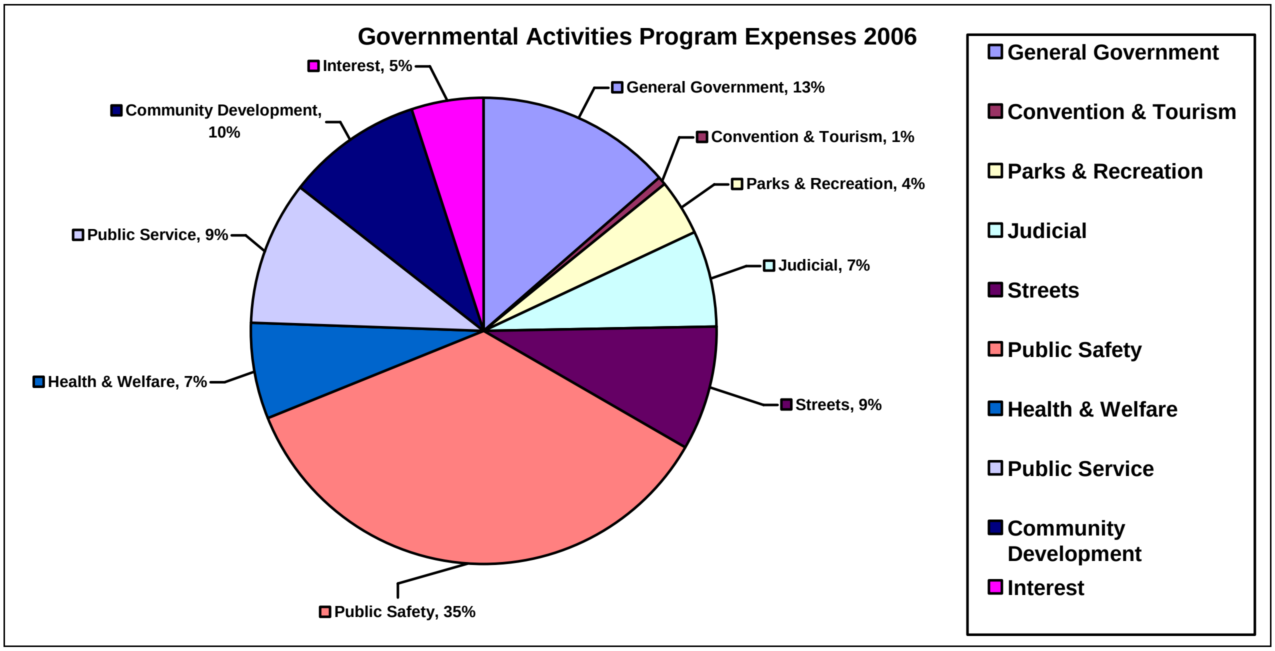
Several revenue sources exceeded final budget estimates. Of the budgeted revenue, taxes had a positive variance of $14.0 million or 4.4%; license and permits had a positive variance of $1.2 million or 6.6%; intergovernmental (motor fuel tax allocations, juvenile detention center) had a negative variance of $0.8 million or 3.9% and charges for services also had a negative variance of $0.8 million or 3.7%.

Although assessed values for real property have been increasing, the Missouri Constitution requires a rollback of tax rates to prevent a tax revenue windfall to municipal governments.

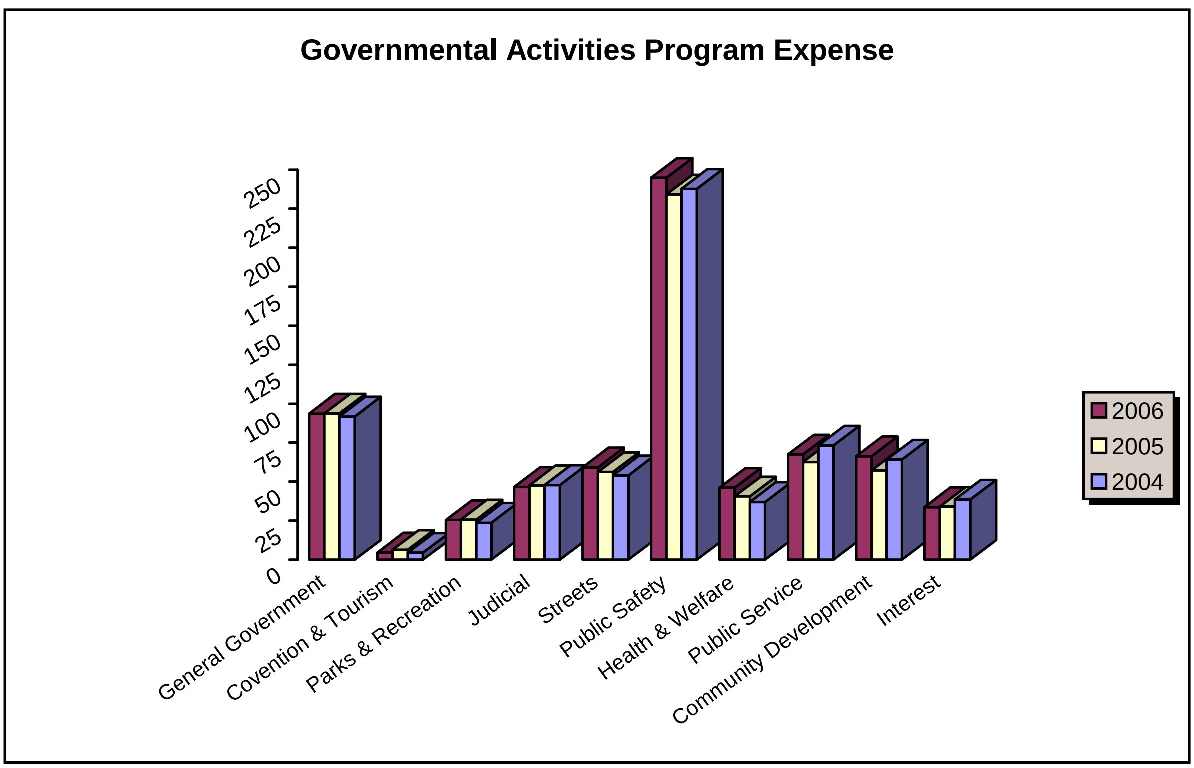
The following chart reflects the revenues by type as a percentage of total revenues for governmental activities for fiscal year 2006.



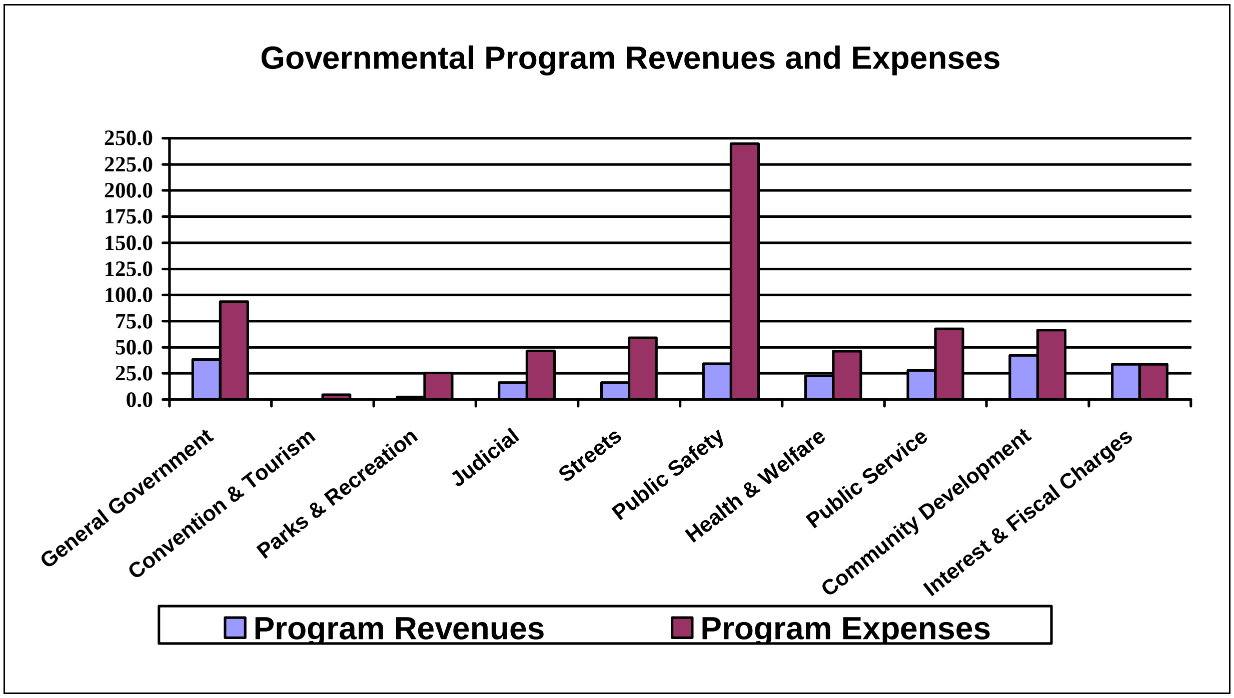
The following chart illustrates the City's governmental activities expenses by program. Total cost of governmental activities was $687.8, an increase of $29.5 million or 4.5% over the prior year. As shown, public safety is the largest function in expense (35.0%). The majority of the spending was the result of funding the Police Department $134.6 million and the Fire Department $54.6 million.



The following chart is a comparison of expense of governmental activities for fiscal years ended 2006, 2005, and 2004.



The following chart depicts the total expenses and total program revenues of the City's governmental functions. This format identifies the extent to which each governmental function is self-financing through fees, intergovernmental revenue, or general revenues.



The City of St. Louis, Missouri
Governmental Activities
(dollars in millions)

		Total Cost of Services			Net Cost of Services	
		2006	**2005**		**2006**	**2005**
General government	$	93.6	93.7		55.3	45.6
Convention and tourism		4.6	6.3		4.6	6.3
Parks and recreation		25.4	25.7		23.0	22.9
Judicial		46.6	47.7		30.3	27.2
Streets		59.1	56.2		42.8	45.9
Public Safety:						
Fire		54.6	51.1		47.3	44.4
Police		134.6	130.6		134.6	129.6
Other		55.7	52.6		28.8	39.1
Health and welfare		46.1	40.6		23.3	24.2
Public service		67.5	62.6		39.6	39.5
Community Development		66.3	57.2		24.0	9.8
Totals	$	**654.1**	**624.3**		**453.6**	**434.5**

The preceding charts represent the cost of governmental activities this year excluding interest and fiscal charges. The cost this year was $654.1 million compared to $624.3 million last year. However, as shown in the statement of activities, the amount that our taxpayers ultimately financed for these activities through City taxes was only $453.6 million. The difference of $200.5 million comprises charges for services ($106.5 million), operating grants and contributions ($80.2 million), and capital grants and contributions ($13.8 million).

Business-Type activities. Business-type activities reflect an increase in net assets of $47.4 million or 3.8%. The growth in net assets is due primarily to the increase in capital grants and contributions, and a decrease in operating expenses for the Airport, Water and Parking Division.

Lambert – St. Louis International Airport. The net assets of the Airport increased by $42.0 million or 3.9%. Operating income was $7.9 million this year versus an operating income of $4.3 million in 2005. Total operating revenues for 2006 was $115.7 million. Of this amount, major sources of operating revenue included aviation revenue (44.9%), concession revenue (20.8%), and lease revenue (3.9%). A form of non-operating revenue is passenger facility charges which accounts for (20.1%) of total revenues.

The new Runway W-1W was completed in fiscal year 2006 and approximately $532.0 million was closed from construction-in-progress.

At June 30, 2006, the Airport had bonded debt of $861.1 million.

Parking Division. The net assets of the Parking Division increased by $2.0 million or 10.8%. Operating income was $4.3 million this year versus an operating income of $3.0 million in 2005. Total operating revenues for 2006 was $14.6 million. Of this amount, major sources of operating revenue included parking meter revenue (22.8%), parking violations notices revenue (27.4%), and parking facilities revenue (47.5%).

At June 30, 2006, the capital assets balance was $66.4 million. This amount includes buildings and parking garages (net of accumulated depreciation) $43.0 million, parking meters and lot equipment $2.1 million, and land $21.3 million.

At June 30, 2006, the Parking Division had bonded debt of $64.5 million.

Water Division. The net assets of the Water Division increased by $3.1 million or 2.3%. Operating income was $6.1 million this year versus an operating income of $6.3 million in 2005. Total operating revenues for 2006 was $45.0 million. Of this amount, major sources of operating revenue included metered revenue (44.5%) and flat rate revenue (40.2%).

At June 30, 2006, the capital assets balance was $153.7 million. This amount includes buildings and structures (net of accumulated depreciation) with $18.9 million, reservoirs and water mains with $88.7 million, equipment with $37.5 million, land with $1.2 million and construction-in-progress with $7.4 million.

At June 30, 2006, the Water Division had bonded debt of $31.8 million.

The City of St. Louis, Missouri
Balance Sheet
Governmental Funds
June 30, 2006
(dollars in millions)

		2006	2005	2006 vs. 2005 $ Change	2006 vs. 2005 % Change
Total Assets	$	336.3	333.1	3.2	1.0
Total Liabilities		131.2	113.0	18.2	16.1
Fund Balances:					
Reserved:		106.1	101.7	4.4	4.3
Unreserved:					
General Fund		57.2	47.6	9.6	20.1
Special Revenue		49.0	43.1	5.9	13.8
Capital Projects		(7.2)	27.7	(34.9)	(126.0)
Total fund balances		205.1	220.1	(15.0)	(6.8)
Total liabilities and					
fund balance	$	**336.3**	**333.1**	**3.2**	**1.0**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

The focus of the City's governmental funds is to provide information on inflows, outflows and balances of current financial resources that are available for spending. An unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the unreserved fund balance of the general fund was $57.2 million, while the total general fund balance was $80.3 million. As of June 30, 2005, the balances were $47.6 million and $72.8 million respectively. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and transfers out. Unreserved fund balance of $57.2 million represents 13.7% of total general fund expenditures and transfers out of $418.5 million, while total general fund balance of $80.3 million represents 19.2% of total general fund expenditures and transfers out. This compares to 11.8% and 18.0%, respectively, in fiscal year 2005.

The total fund balance in the City's general fund increased by $7.5 million or 10.3% in the current fiscal year. The City's general fund decreased by $2.9 million or 4.1% in the prior fiscal year. Key factors in increasing the general fund balance are primarily due to:

1. Economically sensitive sources of revenue such as earnings tax, sales tax, payroll tax, and franchise taxes came in $7.7 million, $1.5 million, $4.2 million, and $0.6 million respectively, higher than budget estimates.

2. Building permits generated $0.9 million more than original estimates.

The capital projects fund ended the fiscal year with a negative unreserved fund balance of $7.2 million and a total positive fund balance of $60.3 million, as compared to a positive unreserved fund balance of $27.7 million and a total positive fund balance of $91.0 million in fiscal year 2005. Capital project bond proceeds were in place to cover all expenditures in excess of revenues for the capital projects fund.

The grants fund received $80.2 million in intergovernmental revenues and the Community Development Agency spent $36.8 million, or 45.9%, of these funds. Health and welfare spent $22.2 million, or 27.7%, of these funds.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the fiscal year, the unrestricted net assets for the Airport was $16.8 million, the Water Division $2.4 million, and the Parking Division was $1.4 million, as compared to $15.7 million, $1.3 million, and $0.5 million, respectively in 2005. The internal service funds which are used to account for certain governmental activities, also had negative unrestricted net assets in the amount of $2.4 million. Last year the unrestricted net assets were negative $18.9 million. The total growth in net assets for the enterprise funds was $47.2 million in the current year and $77.7 million the previous year. Factors contributing to the finances of these funds have been addressed earlier in the Management's Discussion and Analysis of the City's business-type activities.

Fiduciary Funds

The City maintains fiduciary funds for the assets of the pension trust funds for the Firemen's Retirement System, the Police Retirement System, and the Employee's Retirement System. As of the end of the current fiscal year, the net assets of the pension funds totaled $1.6 billion an increase of $112.1 million from the previous year. The net increase is primarily due to the increase in market value of the pension funds' investment.

The City is the custodian of the agency funds and the most common use of agency funds is for pass-through activity. Since, by definition, all assets of the agency funds are held for the benefit of other entities, there are no net assets to discuss. As of the end of the current fiscal year, the combined gross assets of the agency funds totaled $72.8 million. This amount comprises activity from the collector of revenue, property tax escrow, general insurance, bail bonds, license collector, and circuit clerk, and other miscellaneous agency activities.

General Fund Budgetary Highlights

The final budget for the City's General Fund represents the original budget plus any previously appropriated funds set aside for the purpose of honoring legally incurred obligations (prior year encumbrances and commitments) plus any additional supplemental appropriations that may occur during the fiscal year. The general fund budget includes appropriations for the police department that is a component unit of the city. This discussion presents the budget information on the budgetary basis as the Board of Alderman approves the budget.

In the fiscal year, $4.2 million had been set aside for prior year encumbrances and commitments, and there were no supplemental appropriations. The original general fund budget total of $416.4 million includes provisions for an additional payday. City employees are paid bi-weekly and normally have 26 paydays in a fiscal year. Once every 11 years, there are 27 paydays in a fiscal year. Fiscal year 2006 had 27 paydays. The budget for the prior year was $403.1 million and provided for 26 paydays. General fund revenues and other resources were originally estimated at $416.4 million. The estimate included a transfer from the reserve for the 27^{th} payday in the amount of $8.7 million. However during the fiscal year, actual revenues and other sources exceeded original estimates by $8.4 million.

With some under spending in salary and discretionary accounts, the General Fund ended the year with a budget basis surplus of $11.1 million, which includes internal reserves. As of June 30, 2006, the unreserved fund balance of the General Fund was $16.6 million per the cash basis.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City had invested $2.7 billion in a broad range of capital assets, including fire equipment, park facilities, roads, bridges, runways and water systems. This amount represents a net increase for the current fiscal year (including additions and deductions) of $103.4 million, or 3.9%, over last year.

The City of St. Louis, Missouri
Schedule of Changes in Capital Assets
Net of Accumulated Depreciation
(dollars in millions)

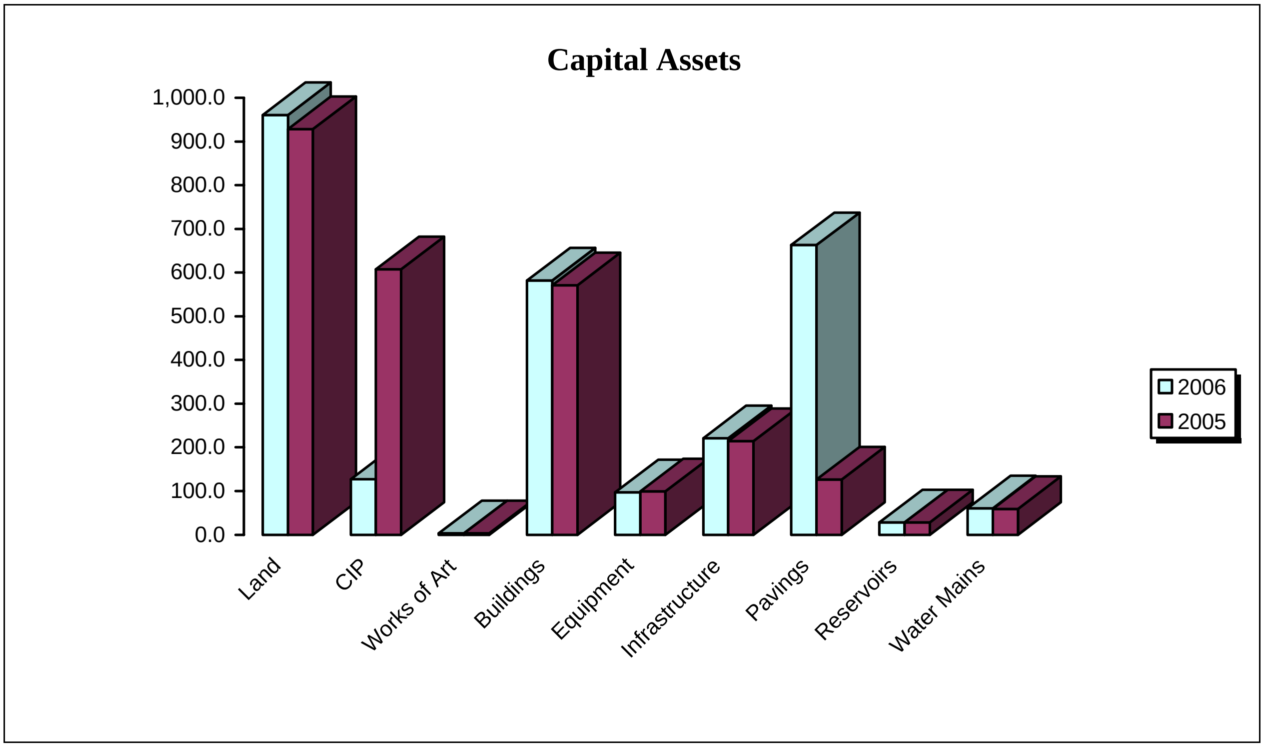
		Governmental activities		Business-type activities		Total	
		2006	**2005**	**2006**	**2005**	**2006**	**2005**
Land	$	77.4	77.4	883.1	851.5	960.5	928.9
Construction-in-progress		58.6	79.7	68.2	527.7	126.8	607.4
Works of art		3.0	3.0			3.0	3.0
Buildings and improvements		363.2	352.7	218.7	218.6	581.9	571.3
Equipment		45.9	50.5	51.0	49.0	96.9	99.5
Infrastructure		220.6	214.2			220.6	214.2
Paving				663.0	126.2	663.0	126.2
Reservoirs				27.9	28.5	27.9	28.5
Water mains, line, accessories				60.8	59.0	60.8	59.0
Total	$	**768.7**	**777.5**	**1,972.7**	**1,860.5**	**2,741.4**	**2,638.0**

This year's major capital asset additions included:

- $ 16.8 million construction-in-progress (CIP) addition in governmental activities
- $553.4 million in paving at the Airport (previously CIP)
- $ 37.0 million land additions at the Airport

The net decrease in construction-in-progress in business-type activities is due to the completion of the new Runway W1-W at Lambert-St. Louis International Airport. Its cost is now included in Paving.

There were no major capital asset additions for the Water Division or the Parking Division.



For government-wide financial presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Governmental fund financial statements record capital asset purchases as expenditures.

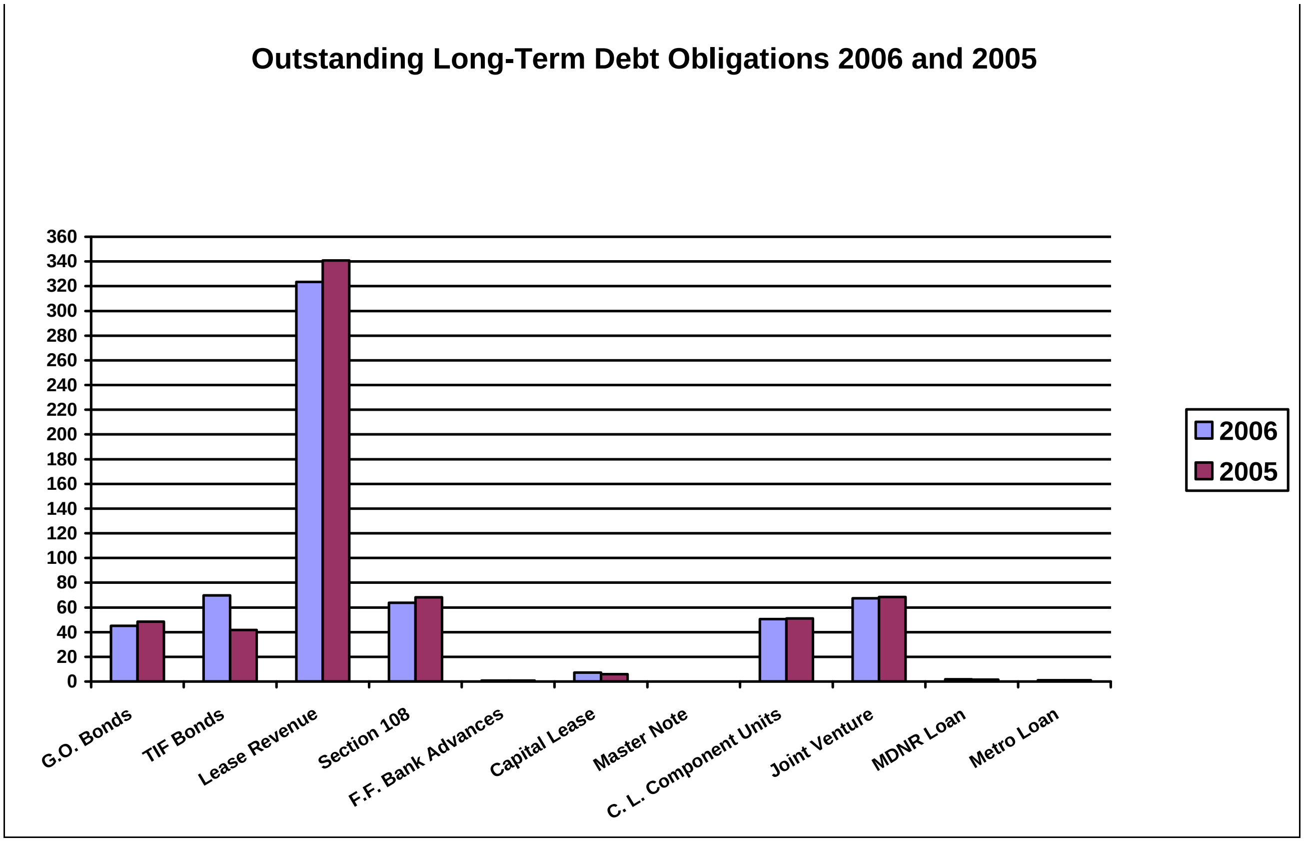
For additional information on capital assets, refer to note 7 in the notes to the basic financial statements.

Long-Term Debt

At the end of fiscal year 2006, the City had outstanding long-term debt obligations for governmental activities in the amount of $631.0 million compared to $628.0 million in fiscal year 2005. Of this amount, $45.2 million are general obligation bonds and $69.8 million are tax increment financing bonds. Lease revenue obligations outstanding totaled $323.5 million.

The City of St. Louis, Missouri
Outstanding Long-term Debt Obligations-Governmental Activities
(dollars in millions)

		Fiscal Year 2006	Fiscal Year 2005	% Change
General obligation bonds	$	45.2	48.5	(6.8)
Tax increment financing bonds		69.8	41.7	67.4
Lease revenue obligations		323.5	340.9	(5.1)
Section 108 loan guarantee assistance		63.7	68.2	(6.6)
Federal financing bank advances		0.7	0.8	(12.5)
Capital lease		7.2	6.0	20.0
Master note purchase agreement		0.1	0.1	(20.0)
Obligations under capital leases with component units		50.6	51.0	(0.8)
Joint venture financing agreement		67.3	68.3	(1.5)
Missouri Department of Natural Resources (MDNR) direct loan agreement		1.9	1.5	26.7
Metro loan agreement		1.0	1.0	0.0
Total	$	**631.0**	**628.0**	**0.5**



State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation. The City's authorized debt limit for calendar year 2006 was $388.3 million. The City's effective legal debt margin as of June 30, 2006 was $350.3 million. For additional information on long-term debt, refer to the notes 13 to 16 to the basic financial statements.

The City's underlying general obligation credit ratings remained unchanged for fiscal year 2006. The City ratings on uninsured general obligation bonds as of June 30, 2006 were:

Moody's Investor's Service, Inc.	A3
Standard and Poor's Corporation	A-
Fitch IBCA, Inc. Ratings	A-

The City of St. Louis, Missouri
Outstanding Long-Term Debt Obligations-Business Type Activities
(dollars in millions)

		Fiscal Year 2006	Fiscal Year 2005	$ Change	% Change
Airport	$	861.1	894.7	(33.6)	(3.8)
Water Division		31.8	34.3	(2.5)	(7.3)
Parking Division		64.5	66.3	(1.8)	(2.7)
Total	$	**957.4**	**995.3**	**(37.9)**	**(3.8)**

Outstanding revenue bonds of the business-type activities of the City as of June 30, 2006 and June 30, 2005 were $957.4 and $995.3 million. The amount reflects a decrease of $37.9 million, or 3.8%. This amount includes Airport bonds of $861.1 million, Water Division bonds of $31.8 million, and Parking Division bonds of $64.5 million. For additional information on revenue bonds of the business-type activities, refer to note 17 of the basic financial statements.

Economic Factors and Next Year's Budget

- The fiscal year 2007 annual operating budget allocates $828.4 million among all budgeted funds.
- The fiscal year 2007 general fund budget is $425.3 million compared to $416.0 million in the prior year.
- Fiscal year 2007 budget includes an allowance for a mid-year 3% cost of living increase for employees.
- $1.0 million in planned efficiency savings from an attrition reduction of management and administrative positions and resumption of a 26 pay day schedule after the occurrence of a cyclical 27th payday in fiscal year 2006.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives.

If you have any questions about this report or need additional information, please contact the Office of the Comptroller of the City of St. Louis, c/o Deputy Comptroller, City Hall, Room 311, Saint Louis, Missouri 63103.


THE COMMON SEAL OF
THE CITY OF ST. LOUIS.

City of St. Louis, Missouri
Statement of Net Assets
June 30, 2006
(dollars in thousands)

	Primary Government			Component Units			
	Governmental Activities	Business-type Activities	Total	SLDC	SLPD	HSTRC	SWMDC
ASSETS							
Cash and cash equivalents	$ 25,089	11,373	36,462	12,879	1,511	31	1,085
Investments	87,144	10,483	97,627	—	3,123	—	685
Receivables, net	132,366	35,366	167,732	8,757	712	—	—
Inventories	—	3,920	3,920	—	1,337	—	—
Restricted assets	70,455	284,549	355,004	2,128	690	—	—
Deferred charges	7,747	23,638	31,385	—	61	—	—
Internal balances	8,648	(8,648)	—	—	—	—	—
Other assets	30	2,111	2,141	966	1,754	—	—
Receivable from primary government	—	—	—	2,188	1,219	—	—
Receivable from component unit	1,589	—	1,589	—	—	—	—
Net pension asset	2,990	—	2,990	—	—	—	—
Property held for development	—	—	—	6,345	—	—	—
Capital assets, net:							
Non-depreciable	139,009	951,281	1,090,290	4,914	1,646	—	—
Depreciable	629,644	1,021,383	1,651,027	11,611	28,112	—	5,391
Total assets	1,104,711	2,335,456	3,440,167	49,788	40,165	31	7,161
LIABILITIES							
Accounts payable and accrued liabilities	18,631	23,735	42,366	1,534	542	31	—
Accrued salaries and other benefits	4,235	1,500	5,735	327	1,486	21	—
Accrued interest payable	30,211	23,852	54,063	—	—	—	—
Unearned revenue	358	5,759	6,117	—	231	—	—
Other liabilities	7,167	—	7,167	—	—	10	—
Commercial paper payable	—	1,000	1,000	—	—	—	—
Payable to primary government	—	—	—	308	1,281	—	—
Payable to component units	3,007	400	3,407	—	—	—	—
Long-term liabilities:							
Due within one year	65,484	26,750	92,234	3,399	12,055	—	—
Due in more than one year	670,323	967,032	1,637,355	23,978	65,899	—	—
Total liabilities	799,416	1,050,028	1,849,444	29,546	81,494	62	—
NET ASSETS							
Invested in capital assets, net of related debt	402,317	1,120,715	1,523,032	3,750	26,630	—	5,391
Restricted:							
Debt service	35,377	98,594	133,971	2,128	690	—	—
Capital projects	35,037	7,813	42,850	—	—	—	—
Passenger facility charges	—	38,912	38,912	—	—	—	—
Statutory restrictions	38,505	—	38,505	—	—	—	—
Unrestricted (deficit)	(205,941)	19,394	(186,547)	14,364	(68,649)	(31)	1,770
Total net assets	$ 305,295	1,285,428	1,590,723	20,242	(41,329)	(31)	7,161

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Activities
For the Year ended June 30, 2006
(dollars in thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets						
					Primary Government			Component Units			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	SLDC	SLPD	HSTRC	SWMDC
Primary Government:											
Governmental activities:											
General government	$ 93,572	37,617	645	—	(55,310)	—	(55,310)	—	—	—	—
Convention and tourism	4,594	20	—	—	(4,574)	—	(4,574)	—	—	—	—
Parks and recreation	25,366	2,248	129	—	(22,989)	—	(22,989)	—	—	—	—
Judicial	46,566	12,525	3,769	—	(30,272)	—	(30,272)	—	—	—	—
Streets	59,109	15,984	329	—	(42,796)	—	(42,796)	—	—	—	—
Public safety:											
Fire	54,625	6,562	803	—	(47,260)	—	(47,260)	—	—	—	—
Police— Payment to SLPD	134,631	—	—	—	(134,631)	—	(134,631)	—	—	—	—
Other	55,750	25,744	1,233	—	(28,773)	—	(28,773)	—	—	—	—
Health and welfare	46,070	511	22,228	—	(23,331)	—	(23,331)	—	—	—	—
Public service	67,544	5,301	8,837	13,760	(39,646)	—	(39,646)	—	—	—	—
Community development	66,286	—	42,241	—	(24,045)	—	(24,045)	—	—	—	—
Interest and fiscal charges	33,731	—	—	—	(33,731)	—	(33,731)	—	—	—	—
Total governmental activities	687,844	106,512	80,214	13,760	(487,358)	—	(487,358)	—	—	—	—
Business-type activities:											
Airport	156,824	149,169	6,673	38,239	—	37,257	37,257	—	—	—	—
Water Division	40,505	45,464	—	62	—	5,021	5,021	—	—	—	—
Parking Division	14,056	14,849	—	—	—	793	793	—	—	—	—
Total business-type activities	211,385	209,482	6,673	38,301	—	43,071	43,071	—	—	—	—
Total primary government	$ 899,229	315,994	86,887	52,061	(487,358)	43,071	(444,287)	—	—	—	—
Component Units:											
SLDC	$ 19,247	13,476	8,184	—	—	—	—	2,413	—	—	—
SLPD	145,555	2,770	5,922	1,522	—	—	—	—	(135,341)	—	—
HSTRC	18	8	—	—	—	—	—	—	—	(10)	—
SWMDC	394	463	—	77	—	—	—	—	—	—	146
Total component units	$ 165,214	16,717	14,106	1,599	—	—	—	2,413	(135,341)	(10)	146
General revenues:											
Taxes:											
Property taxes, levied for general purpose					$ 53,536	—	53,536	—	—	—	—
Property taxes, levied for debt service					5,750	—	5,750	—	—	—	—
Sales taxes					121,449	—	121,449	—	—	—	—
Earnings/payroll taxes					170,934	—	170,934	—	—	—	—
Gross receipts taxes (includes franchise tax)					81,162	—	81,162	—	—	—	—
Miscellaneous taxes					2,684	—	2,684	—	—	—	—
Unrestricted investment earnings					9,492	11,794	21,286	308	183	1	32
Support provided by City of St. Louis, Missouri					—	—	—	—	134,631	12	—
On-behalf payment for pension contribution from the City of St. Louis, Missouri					—	—	—	—	8,093	—	—
Gain on sale of capital assets					6	—	6	—	—	—	—
Transfers					7,401	(7,401)	—	—	—	—	—
Total general revenues and transfers					452,414	4,393	456,807	308	142,907	13	32
Change in net assets					(34,944)	47,464	12,520	2,721	7,566	3	178
Net assets—beginning of year					340,239	1,237,964	1,578,203	17,521	(48,895)	(34)	6,983
Net assets—end of year					$ 305,295	1,285,428	1,590,723	20,242	(41,329)	(31)	7,161

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Balance Sheet
Governmental Funds
June 30, 2006
(dollars in thousands)

	Major Funds			Nonmajor Funds	
	General Fund	**Capital projects Fund**	**Grants Fund**	**Other Governmental Funds**	**Total Governmental Funds**
ASSETS					
Cash and cash equivalents:					
Restricted	$ 5,067	811	—	8,900	14,778
Unrestricted	2,634	4,473	—	17,332	24,439
Investments:					
Restricted	16,755	38,922	—	—	55,677
Unrestricted	24,915	23,562	9,411	29,256	87,144
Receivables, net of allowances					
Taxes	87,235	2,765	—	24,597	114,597
Licenses and permits	2,637	—	—	—	2,637
Intergovernmental	3,841	3,177	4,597	1,019	12,634
Charges for services	303	—	—	1,154	1,457
Notes and loans	—	—	—	90	90
Other	833	2	—	116	951
Due from component units	1,281	—	—	308	1,589
Due from other funds	19,264	—	—	1,021	20,285
Total assets	$ 164,765	73,712	14,008	83,793	336,278
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	$ 4,926	6,885	5,697	696	18,204
Accrued salaries and other benefits	3,559	56	293	327	4,235
Due to component units	1,219	—	—	1,788	3,007
Due to other funds	515	5,241	8,080	699	14,535
Advance from other funds	12,700	—	—	—	12,700
Deferred revenue	55,870	1,240	—	14,210	71,320
Other liabilities	5,682	—	—	1,485	7,167
Total liabilities	84,471	13,422	14,070	19,205	131,168
Fund balances:					
Reserved:					
Encumbrances	1,604	32,457	—	6,496	40,557
Debt service	21,535	—	—	8,989	30,524
Capital projects	—	35,037	—	—	35,037
Unreserved, reported in:					
General fund	57,155	—	—	—	57,155
Special revenue funds	—	—	(62)	49,103	49,041
Capital projects fund	—	(7,204)	—	—	(7,204)
Total fund balances	80,294	60,290	(62)	64,588	205,110
Total liabilities and fund balances	$ 164,765	73,712	14,008	83,793	336,278

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2006
(dollars in thousands)

Total fund balances—governmental funds—balance sheet	$	205,110
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities (excluding internal service fund capital assets) are not financial resources, and therefore, are not reported in the fund financial statements.		768,584
Various taxes related to fiscal year 2006 will be collected beyond the 60-day period used to record revenue in the fund financial statements. Revenue for this amount is recognized in the government-wide financial statements.		16,234
Property taxes are assessed by the City on January 1st of each calendar year, but are not due until December 31st. Taxes assessed on January 1, 2006 and payable on December 31, 2006 are deferred within the fund financial statements. However, revenue for this amount is recognized in the government-wide financial statements.		54,728
Internal service funds are used by management to charge the cost of risk management and mailroom services to the individual funds, generally on a cost reimbursement basis. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets, net of amounts due from enterprise funds.		(1,099)
The City reports a net pension asset on the statement of net assets to the extent contributions to the City's retirement plan exceeds the annual required contribution. This asset is not reported within the fund financial statements, as it is not available to liquidate current financial obligations.		2,990
Bond issuance costs are reported in the governmental funds financial statements as expenditures when debt is issued, whereas the amounts are deferred and amortized over the life of the debt on the government-wide financial statements.		7,747
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly, are not reported as liabilities within the fund financial statements. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities—both current and long-term—are reported on the government-wide statement of net assets. Also, during the year the City issued new debt and refunded some of its existing debt. Discounts, premiums, bond issuance costs, and deferred amounts on refunding are reported in the governmental fund financial statements when the debt was issued, whereas these amounts are deferred and amortized over the life of the debt on the government-wide financial statements.		
Balances as of June 30, 2006 are:		
Accrued compensated absences		(25,843)
Net pension obligation		(62,711)
Accrued interest payable on bonds		(30,211)
Landfill closure liability		(228)
Capital lease		(57,801)
Bonds and notes payable		(573,191)
Unamortized discounts		739
Unamortized premiums		(12,859)
Unamortized deferred amounts on refunding		13,106
Total net assets—governmental activities—statement of net assets	$	305,295

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year ended June 30, 2006
(dollars in thousands)

	Major Funds			Nonmajor Funds	
	General Fund	**Capital Projects Fund**	**Grants Fund**	**Other Governmental Funds**	**Total Governmental Funds**
REVENUES					
Taxes	$ 323,848	19,082	—	89,209	432,139
Licenses and permits	20,009	—	—	3,699	23,708
Intergovernmental	25,331	13,144	80,214	3,643	122,332
Charges for services, net	16,301	72	—	12,000	28,373
Court fines and forfeitures	7,893	—	—	1,034	8,927
Investment income	5,800	1,908	2	1,782	9,492
Interfund services provided	4,009	—	—	—	4,009
Miscellaneous	4,265	967	—	5,916	11,148
Total revenues	407,456	35,173	80,216	117,283	640,128
EXPENDITURES					
Current:					
General government	53,941	920	647	13,503	69,011
Convention and tourism	204	—	—	158	362
Parks and recreation	18,667	3,160	129	1,235	23,191
Judicial	40,427	—	3,769	2,641	46,837
Streets	27,930	7,644	329	1,512	37,415
Public Safety:					
Fire	53,119	—	803	37	53,959
Police	131,054	1,304	—	2,273	134,631
Other	46,641	—	1,233	7,930	55,804
Health and welfare	3,511	—	22,228	20,166	45,905
Public services	23,122	5,746	8,837	29,895	67,600
Community development	—	—	36,797	29,758	66,555
Capital outlay	—	35,290	—	—	35,290
Debt service:					
Principal	5,097	16,325	2,820	6,691	30,933
Interest and fiscal charges	11,828	9,141	2,624	5,263	28,856
Total expenditures	415,541	79,530	80,216	121,062	696,349
Excess (deficiency) of revenues over expenditures	(8,085)	(44,357)	—	(3,779)	(56,221)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	—	514	—	—	514
Issuance of leasehold revenue bonds	—	15,485	—	—	15,485
Premium on leasehold revenue bonds	—	504	—	—	504
Issuance of capital lease	—	1,990	—	—	1,990
Issuance of tax increment revenue notes	—	—	—	30,043	30,043
Issuance of loan agreement	—	782	—	—	782
Payment to refunded bond escrow agent	—	(15,421)	—	—	(15,421)
Transfers in	18,536	9,840	—	1,533	29,909
Transfers out	(2,954)	—	—	(19,554)	(22,508)
Total other financing sources (uses), net	15,582	13,694	—	12,022	41,298
Net change in fund balances	7,497	(30,663)	—	8,243	(14,923)
Fund balances:					
Beginning of year	72,797	90,953	(62)	56,345	220,033
End of year	$ 80,294	60,290	(62)	64,588	205,110

See accompanying notes to basic financial statements.

City of St Louis, Missouri
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2006
(dollars in thousands)

Net change in fund balances—governmental funds—statement of revenues, expenditures, and changes in fund balances		$ (14,923)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets, meeting the capitalization threshold, is allocated over their estimated useful lives and recorded as depreciation expense. Additionally, contributions of capital assets to the City are recorded as capital contributions on the statement of activities. This is the amount by which capital outlays and capital contributions, meeting the capitalization threshold, exceeded depreciation expense in the current year.		(8,914)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements. These amounts represent the extent to which revenues not providing current financial resources in the current fiscal year exceeded revenues not providing current financial resources in the prior fiscal year (which are recognized in the fund financial statements in the current year). Such amounts are attributable to the following factors:		
Revenues received after the 60-day accrual period	7,467	
Property taxes due in the fiscal year following the fiscal year in which they were assessed	(2,102)	
		5,365
Internal service funds are used by management to charge the cost of risk management and mailroom services to the individual funds. The net income of internal service funds attributable to governmental activities is reported on the statement of activities.		16,249
The City reports a net pension asset or obligation on the statement of net assets to the extent actual contributions to the City's retirement plans exceed or fall below the annual required contribution. This asset or obligation is not reported in the fund financial statements. Fluctuations in net pension assets or obligations are reported in the statement of activities.		1,073
Bond proceeds are reported as financing sources in governmental funds financial statements and thus contribute to the net change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayments of principal is an expenditure in the governmental funds financial statements, but reduces the liability in the statement of net assets.		
Debt issued during the current year:		
Series 2005 Justice Center Leasehold Revenue Refunding bonds	(15,485)	
Loan agreement with Missouri Department of Natural Resources	(782)	
Capital lease—rolling stock	(1,990)	
Tax increment financing bonds and notes payable	(30,043)	
Repayments during the current year:		
Advance refunding of Series 2000A Justice Center Leasehold Revenue Bonds	14,360	
Annual principal payments on bonds and notes payable	29,755	
Annual principal payments on capital leases	1,174	
		(3,011)
Under the modified accrual basis of accounting used in the governmental funds financial statements, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.		
This adjustment combines the net changes of the following:		
Accrued compensated absences	(25,843)	
Accrued interest payable on bonds	(5,437)	
Landfill closure liability	15	
Discounts on debt issuances, net of amortization	(50)	
Premiums on debt issuances, net of amortization	932	
Deferred bond issuance costs, net of amortization	(73)	
Deferred advanced refunding differences on debt issuances, net of amortization	(327)	
		(30,783)
Change in net assets—governmental activities—statement of activities		$ (34,944)

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Fund Net Assets
Proprietary Funds
June 30, 2006
(dollars in thousands)

	Major Funds—Enterprise Funds				
	Lambert—St. Louis International Airport	Water Division	Parking Division	Total Enterprise Funds	Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents:					
Restricted cash and cash equivalents	$ 61,548	3,545	7,190	72,283	—
Unrestricted cash and cash equivalents	5,945	2,085	3,343	11,373	650
Investments - unrestricted	—	6,645	3,838	10,483	—
Receivables, net of allowances:					
Intergovernmental	14,891	—	—	14,891	—
Charges for services	9,441	6,034	77	15,552	—
Passenger facility charges	4,247	—	—	4,247	—
Accrued interest	613	63	—	676	—
Prepaid assets	—	—	—	—	30
Due from other funds	—	—	—	—	3,938
Advance to other funds	—	—	—	—	12,700
Inventories	1,813	2,107	—	3,920	—
Other current assets	2,096	—	15	2,111	—
Total current assets	100,594	20,479	14,463	135,536	17,318
Noncurrent assets:					
Investments - restricted	193,102	13,405	5,759	212,266	—
Capital assets:					
Property, plant, and equipment	1,312,900	254,439	57,800	1,625,139	236
Less accumulated depreciation	(481,637)	(109,432)	(12,687)	(603,756)	(167)
	831,263	145,007	45,113	1,021,383	69
Land	860,588	1,238	21,260	883,086	—
Construction-in-progress	60,787	7,408	—	68,195	—
Capital assets, net	1,752,638	153,653	66,373	1,972,664	69
Deferred charges and other assets	20,460	489	2,689	23,638	—
Total noncurrent assets	1,966,200	167,547	74,821	2,208,568	69
Total assets	2,066,794	188,026	89,284	2,344,104	17,387
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	3,374	1,933	188	5,495	427
Accrued salaries and other benefits	1,027	369	104	1,500	—
Accrued vacation, compensatory, and sick time benefits	5,173	3,195	195	8,563	—
Contracts and retainage payable	18,240	—	—	18,240	—
Accrued interest payable	22,533	722	597	23,852	—
Current portion of revenue bonds	13,960	2,645	1,582	18,187	—
Commercial paper payable	1,000	—	—	1,000	—
Due to other funds	3,236	2,725	1,428	7,389	2,299
Due to component unit	—	—	400	400	—
Claims payable	—	—	—	—	17,019
Deferred revenue	2,274	1,414	2,071	5,759	—
Total current liabilities	70,817	13,003	6,565	90,385	19,745
Noncurrent liabilities:					
Revenue bonds payable, net	862,894	28,058	60,579	951,531	—
Deposits held for others	—	1,904	—	1,904	—
Other liabilities	7,894	4,413	1,290	13,597	—
Total noncurrent liabilities	870,788	34,375	61,869	967,032	—
Total liabilities	941,605	47,378	68,434	1,057,417	19,745
NET ASSETS					
Invested in capital assets, net of related debt	991,086	123,168	6,461	1,120,715	69
Restricted:					
Debt service	78,414	7,231	12,949	98,594	—
Capital projects	—	7,813	—	7,813	—
Passenger facility charges	38,912	—	—	38,912	—
Unrestricted (deficit)	16,777	2,436	1,440	20,653	(2,427)
Total net assets	$ 1,125,189	140,648	20,850	1,286,687	(2,358)

Amounts reported for business-type activities in the government-wide statement of net assets are different because:

Certain internal service fund activities are included within business-type activities	(1,259)
Net assets of business-type activities—government-wide statement of net assets	$ 1,285,428

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Revenues, Expenses, and
Changes in Fund Net Assets
Proprietary Funds
For the Year ended June 30, 2006
(dollars in thousands)

	Major Funds—Enterprise Funds				
	Lambert—St. Louis International Airport	**Water Division**	**Parking Division**	**Total Enterprise Funds**	**Internal Service Funds**
OPERATING REVENUES					
Aviation revenues	$ 74,463	—	—	74,463	—
Concessions	21,606	—	—	21,606	—
Water sales	—	41,949	—	41,949	—
Lease revenue	6,543	—	—	6,543	—
Parking	13,123	—	14,654	27,777	—
Charges for services	—	—	—	—	33,869
Miscellaneous	—	3,011	—	3,011	—
Total operating revenues	115,735	44,960	14,654	175,349	33,869
OPERATING EXPENSES					
Claims incurred	—	—	—	—	13,919
Premiums	—	—	—	—	3,204
Personal services	37,899	14,887	6,005	58,791	227
Material and supplies	4,392	7,636	243	12,271	19
Purchased power	—	2,517	—	2,517	—
Contractual services	32,848	4,173	1,299	38,320	—
Miscellaneous	—	2,927	484	3,411	—
Depreciation and amortization	31,025	4,503	2,254	37,782	13
Interfund services used	1,694	2,265	50	4,009	—
Total operating expenses	107,858	38,908	10,335	157,101	17,382
Operating income	7,877	6,052	4,319	18,248	16,487
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental revenue	6,673	—	—	6,673	—
Investment income	10,302	802	690	11,794	—
Interest expense	(39,594)	(1,655)	(3,634)	(44,883)	—
Passenger facility charges	33,434	—	—	33,434	—
Amortization of bond issue costs	(872)	(55)	—	(927)	—
Loss on disposal of capital assets	—	(11)	(99)	(110)	—
Miscellaneous, net	(210)	504	195	489	—
Total nonoperating revenues (expenses), net	9,733	(415)	(2,848)	6,470	—
Income before transfers, contributions and other	17,610	5,637	1,471	24,718	16,487
Transfers in	—	—	1,092	1,092	—
Transfers out	(5,407)	(2,561)	(525)	(8,493)	—
Capital contributions	38,239	62	—	38,301	—
Impairment of capital assets	(8,392)	—	—	(8,392)	—
Change in net assets	42,050	3,138	2,038	47,226	16,487
Total net assets—beginning of year	1,083,139	137,510	18,812		(18,845)
Total net assets—end of year	$ 1,125,189	140,648	20,850		(2,358)

Change in net assets reported for business-type activities in the government-wide statement of activities are different because:

Certain internal service fund activities are included within business-type activities	238
Change in net assets of business-type activities—government-wide statement of activities	$ 47,464

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Cash Flows
Proprietary Funds
For the Year ended June 30, 2006
(dollars in thousands)

		Major Funds—Enterprise Funds				
		Lambert—St. Louis International Airport	Water Division	Parking Division	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	$	110,657	43,972	14,252	168,881	21,093
Other operating cash receipts		141	—	341	482	—
Payments to suppliers of goods and services		(38,013)	(16,298)	(2,022)	(56,333)	(20,520)
Payments to employees		(35,343)	(14,165)	(5,792)	(55,300)	(227)
Payments for interfund services used		(2,617)	(2,768)	—	(5,385)	—
Net cash provided by operating activities		34,825	10,741	6,779	52,345	346
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers from other funds		—	—	1,092	1,092	—
Transfers to other funds		(5,407)	(2,534)	(525)	(8,466)	—
Net cash provided by (used in) noncapital financing activities		(5,407)	(2,534)	567	(7,374)	—
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Cash collections from passenger facility charges		29,187	—	—	29,187	—
Receipts from federal financing assistance		33,478	—	—	33,478	—
Acquisition and construction of capital assets		(157,205)	(5,417)	(575)	(163,197)	(31)
Proceeds from issuance of refunding bonds		303,217	—	—	303,217	—
Proceeds from issuance of commercial paper		4,000	—	—	4,000	—
Principal paid on commercial paper		(4,000)	—	—	(4,000)	—
Cash paid for bond issuance costs		(8,080)	—	—	(8,080)	—
Principal paid on revenue bond maturities		(23,390)	(2,500)	(1,727)	(27,617)	—
Cash paid for bond refunding		(296,007)	—	—	(296,007)	—
Cash paid for interest		(44,716)	(1,467)	(3,491)	(49,674)	—
Other capital and financing activities		—	372	208	580	—
Net cash used in capital and related financing activities		(163,516)	(9,012)	(5,585)	(178,113)	(31)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments		(1,725,091)	(138,118)	(28,429)	(1,891,638)	—
Proceeds from sales and maturities of investments		1,811,270	137,578	27,046	1,975,894	—
Investment income		11,028	787	692	12,507	—
Net cash provided by (used in) investing activities		97,207	247	(691)	96,763	—
Net increase (decrease) in cash and cash equivalents		(36,891)	(558)	1,070	(36,379)	315
Cash and cash equivalents:						
Beginning of year:						
Unrestricted		8,162	2,396	7,290	17,848	335
Restricted		96,222	3,792	2,173	102,187	—
		104,384	6,188	9,463	120,035	335
End of year:						
Unrestricted		5,945	2,085	3,343	11,373	650
Restricted		61,548	3,545	7,190	72,283	—
	$	67,493	5,630	10,533	83,656	650
Reconciliation of operating income to net cash provided by operating activities:						
Operating income	$	7,877	6,052	4,319	18,248	16,487
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:						
Depreciation and amortization		31,025	4,503	2,254	37,782	13
Changes in assets and liabilities:						
Receivables, net		(6,332)	(632)	—	(6,964)	—
Inventories		101	(138)	—	(37)	—
Other assets, net		(96)	—	(280)	(376)	16
Accounts payable and accrued liabilities		(579)	(162)	23	(718)	(39)
Accrued salaries and other benefits		(19)	(269)	(143)	(431)	—
Claims payable		—	—	—	—	(385)
Deferred revenue		1,550	12	(61)	1,501	—
Due to/from other funds		58	151	311	520	(3,042)
Advance to other funds		—	—	—	—	(12,700)
Deposits held for others		—	286	—	286	—
Other long term liabilities		1,240	938	356	2,534	(4)
Total adjustments		26,948	4,689	2,460	34,097	(16,141)
Net cash provided by operating activities	$	34,825	10,741	6,779	52,345	346

Supplemental disclosure for noncash financing activities
During the year ended June 30, 2006, the Airport recorded an impairment of capital assets of $8,392, which was recorded as a reduction to the carrying value of capital assets

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006
(dollars in thousands)

		Pension Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents—unrestricted	$	8,996	36,867
Investments—unrestricted		—	9,765
Pension trust investments—unrestricted:			
U. S. government securities		119,887	—
Corporate bonds		66,516	—
Domestic bond funds		40,045	—
Stocks		660,098	—
Foreign government obligations		15,783	—
Mortgage-backed securities		98,880	—
Collective investment funds		401,238	—
Real estate group annuity and equities		75,230	—
Investment property		1,854	—
Money market mutual funds and other short term investments		36,934	—
Managed international equity funds		118,323	—
Total investments		1,634,788	—
Securities lending collateral		39,130	—
Receivables, net of allowances:			
Taxes		—	25,202
Contributions		4,190	—
Accrued interest		3,480	—
Other		9,155	923
Capital assets		467	—
Total assets		1,700,206	72,757
LIABILITIES			
Accounts payable and accrued liabilities		1,758	947
Deposits held for others		1,116	36,536
Due to other governmental agencies		—	35,274
Securities lending collateral liability		39,130	—
Other liabilities		24,822	—
Total liabilities		66,826	72,757
NET ASSETS			
Net assets held in trust for pension benefits	$	1,633,380	—

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2006
(dollars in thousands)

		Pension Trust Funds
ADDITIONS		
Contributions:		
Members	$	6,642
Employers		28,262
Investment income:		
Interest and dividends		28,451
Net appreciation in fair value of investments		169,211
		197,662
Less investment expense		(6,242)
Net investment income		191,420
Total additions		226,324
DEDUCTIONS		
Benefits		98,157
Refunds of contributions		13,613
Administrative expense		2,454
Total deductions		114,224
Net increase		112,100
Net assets held in trust for pension benefits:		
Beginning of year		1,521,280
End of year	$	1,633,380

See accompanying notes to basic financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

a. Reporting Entity

The City's financial reporting entity has been determined in accordance with governmental standards for defining the reporting entity and identifying entities to be included in its basic financial statements. The City's financial reporting entity consists of the City of St. Louis (the primary government) and its component units.

1) Blended Component Units

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

Public Facilities Protection Corporation (PFPC)

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

St. Louis Municipal Finance Corporation (SLMFC)

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

St. Louis Municipal Finance Corporation (SLMFC—II)

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

On November 1, 2005, the Secretary of State for the State of Missouri issued a Certificate of Termination for the SLMFC—II to the City upon the City's execution of Articles of Termination. This Certificate of Termination administratively dissolved the SLMFC—II on that date.

St. Louis Parking Commission Finance Corporation (SLPCFC)

The SLPCFC, established in 2003, is governed by a five-member board as appointed by the Parking Commission. The SLPCFC finances the purchase of and owns, leases and sells certain real property on behalf of the Parking Commission. SLPCFC is considered to be a component unit of the City because the Parking Division of the City of St. Louis (the Parking Division) is financially accountable for SLPCFC, as it appoints all of SLPCFC's directors and is able to impose its will on SLPCFC. The SLPCFC provides services entirely to the Parking Division and is reported as if it were part of the Parking Division because its sole purpose is to lessen the burden on the Parking Division by coordinating real property transactions.

2) Discretely Presented Component Units

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

St. Louis Development Corporation (SLDC)

The SLDC was organized in 1988 to improve the efficiency and effectiveness of the economic development activity of the City. SLDC combined the administrative staffs of six independent development agencies for the purpose of coordinating administrative services for all six agencies. The agencies that are considered component units of SLDC are the Land Reutilization Authority, the Land Clearance for Redevelopment Authority (LCRA), the St. Louis Industrial Development Authority, the Planned Industrial Expansion Authority, the Local Development Company, and the St. Louis Port Authority. SLDC is included as a component unit of the City because the City is financially accountable for SLDC, as SLDC is fiscally dependent upon the City. SLDC is considered to be fiscally dependent on the City because SLDC may not legally issue bonded debt or implement a budget for its redevelopment activities until the City's Board of Alderman has approved the redevelopment project and declared the redevelopment area blighted.

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

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

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

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

The dissolution of HSTRC and plan of liquidation was announced on March 13, 2003. HSTRC continued operations until the last resident was discharged on May 9, 2003. Activities relating to the operations of HSTRC ceased on May 31, 2003. The accompanying financial statements of HSTRC were therefore valued on a liquidation basis and are as of May 31, 2006. Separate financial statements are not prepared for HSTRC.

Solid Waste Management and Development Corporation (SWMDC)

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

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

St. Louis Development Corporation
1015 Locust Street
St. Louis, Missouri 63101

The Metropolitan Police Department of the City of St. Louis, Missouri
1200 Clark Avenue
St. Louis, Missouri 63103

3) Related Organizations

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

4) Joint Venture

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

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

b. Government-wide and Fund Financial Statements

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

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

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

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

1) Governmental Fund Types

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

The following are the City's governmental major funds:

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

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

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

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

2) Proprietary Fund Types

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

The following are the City's proprietary fund types:

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

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

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

3) Fiduciary Fund Types

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

c. Measurement Focus and Basis of Accounting

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

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting, as are the proprietary fund, pension trust fund, and discretely presented component unit financial statements. Agency funds adhere to the accrual basis of accounting, and do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

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

Under the modified accrual basis of accounting, revenues are recorded when both measurable and available. The term “available” is defined as collectible within the current period or soon enough thereafter to be used to pay the liabilities of the current period. For the City, available is defined as expected to be received within 60 days of fiscal year-end, except for government grants, which is within 120 days of fiscal year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due (that is, matured).

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

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

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

Intergovernmental revenues, representing grants and assistance received from other governmental units, are generally recognized as revenues in the period when all eligibility requirements, as defined by GASB Statement No. 33, have been met. Any resources received before eligibility requirements are met are reported as deferred revenues.

Charges for services in the governmental funds, which are exchange transactions and are, therefore, not subject to the provisions of GASB Statement No. 33, are recognized as revenues when received in cash because they are generally not measurable until actually received.

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

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

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

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

d. Property Taxes

Taxes are levied annually in November based on the assessed valuation of all real and personal property located in the City as of the previous January 1. The City tax rate levied in November 2005 was $1.4402 per $100 (in dollars) of assessed valuation of which $1.3074 (in dollars) is for the general fund and $0.1328 (in dollars) is for the debt service fund. Taxes are billed in November and are due and collectible on December 31. All unpaid taxes become delinquent on January 1 of the following year and attach as an enforceable lien on the related property at that date.

e. Cash and Investments

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

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

f. Inventories

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

g. Capital Assets

1) Governmental Activities Capital Assets

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

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

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

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

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

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

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

	Years
Buildings	40 to 99
Improvements other than buildings	20 to 40
Equipment	5 to 15
Infrastructure	18 to 50

City management has evaluated prominent events or changes in circumstances affecting capital assets to determine whether any impairments of capital assets have occurred. Such events or changes in circumstances that were considered by the City 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.

2) Business-type Activities Capital Assets

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

(dollars in thousands)

3) Airport

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

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

4) Water Division

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

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

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

5) Parking Division

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

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

6) Mailroom

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

7) Component Unit—SLDC

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

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

8) Component Unit—SLPD

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

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

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

9) Component Unit—SWMDC

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

h. Long-term Liabilities

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

i. Passenger Facility Charges (PFCs)

The Airport collects a $4.50 (in dollars) facility charge per enplaned passenger to fund approved Federal Aviation Administration (FAA) projects. The PFC is withheld by the respective airlines for each ticket purchased and passenger transfer made in St. Louis and remitted to the Airport one month after the month of receipt, less an $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.

j. Capital Contributions

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

k. Capitalization of Interest

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

l. Amortization

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

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

m. Compensated Absences

The City grants vacation to full-time and part-time employees who work 50% of full-time or more based on years of continuous service. Compensatory time is granted to certain employees for hours worked in excess of a normal week that are not taken within the current bi-weekly pay period. These benefits are allowed to accumulate and carry over, with limitations, into the next calendar year and will be paid to employees upon departure from service for any reason. The entire accrued benefit liability related to the City's compensated absences has been recorded in the government-wide financial statements and in the proprietary funds in the fund financial statements. Certain amounts have been recorded in the governmental fund financial statements, since such amounts came due (that is, matured) during the fiscal year ended June 30, 2006.

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

Component Unit—SLPD

Banked overtime is granted to certain employees for hours worked in excess of their normal workday that are not taken within the current bi-weekly pay period. Banked overtime is allowed to accumulate up to 40 hours and will be paid to employees upon resignation, retirement, or death.

Vacation is granted to all full-time employees based on years of continuous service.

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

n. Encumbrances

Within the governmental fund financial statements, fund balance is reserved for outstanding encumbrances, which serves as authorization for expenditures in the subsequent year. Of encumbrances outstanding at year-end, $40,019 will remain in force and will be liquidated under the current year's budget and $538 will automatically be re-appropriated and re-encumbered as part of subsequent year budgets.

o. Interfund Transactions

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

1) Transfers

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

2) Interfund Services Provided/Used

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

Within the accompanying activity from the statement of activities, interfund services provided and used are not eliminated from the various functional categories. Transfers are eliminated from the various functional categories.

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

p. Reserved Fund Balance

Within the governmental fund financial statements, reserved fund balance represents the portion of fund balance that is not available for subsequent year appropriation and is legally segregated for a specific future use. In addition to encumbrances, reserved fund balances at June 30, 2006 are comprised of the following:

1) General Fund

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

2) Capital Projects Fund

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

3) Other Governmental Funds

Cash and investments with a trustee to be used for debt service of tax increment financing bonds and notes payables and other bond principal payments, use tax funding for affordable housing, health and building demolition, transportation sales tax, sewer lateral repair program funds and gaming revenue.

q. Net Assets

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

1) Invested in Capital Assets, Net of Related Debt

This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or those assets.

2) Restricted

This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. Net assets restricted by statutory restrictions represent tax and other revenue sources that are required by statute to be expended only for a specific purpose or purposes.

3) Unrestricted

This consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

r. Statement of Cash Flows

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

s. Use of Estimates

The preparation of the basic financial statements in conformity with 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 basic financial statements, and the reported amounts of revenue, expenses, and expenditures during the reporting period. Actual results could differ from those estimates.

(dollars in thousands)

t. Individual Fund Deficit

At June 30, 2006, the grants fund has a deficit fund balance of $(62). This amount will be offset by future commissions. The mail room services internal service fund and the health internal service fund have deficit net assets of $(84) and $(2,274), respectively. These accumulated deficits will be offset by charges for services to other funds in future years.

2. DEPOSITS AND INVESTMENTS

a. Primary Government

The following is a reconciliation of the City's deposit and investment balances as of June 30, 2006:

		Cash and Cash Equivalents	**Investments**	**Restricted Assets**	**Total**
Government-wide statement of net assets	$	36,462	97,627	355,004	489,093
Fiduciary statement of fiduciary net assets—agency funds		36,867	9,765	—	46,632
Total primary government excluding pension trust funds		73,329	107,392	355,004	535,725
Fiduciary statement of fiduciary net assets—pension trust funds:					
Firemen's System		3,659	409,333	—	412,992
Police System		5,180	698,918	—	704,098
Employees' System		157	526,537	—	526,694
Total pension trust funds		8,996	1,634,788	—	1,643,784
Total primary government	$	82,325	1,742,180	355,004	2,179,509

As the investment strategies and associated risks for the Firemen's Retirement System of St. Louis (Firemen's System), Police Retirement System of St. Louis (Police System), and Employees' Retirement System of the City of St. Louis (Employees' System) are substantially different than those of the remainder of the primary government, the deposit and investment disclosures for the Firemen's System, Police System, and Employees' System are presented separately from those of the remainder of the primary government.

(dollars in thousands)

1) Primary Government Excluding Pension Trust Funds

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.

Certificates of deposit are defined as investments for statement of net assets/balance sheet/statement of fund net assets 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 on the statement of net assets/balance sheet/statement of fund net assets, but as investments for custodial risk disclosure.

As of June 30, 2006, the primary government (excluding the pension trust funds) had the following cash deposits and investments:

Federal National Mortgage Association	$	59,063
Federal Home Loan Mortgage Corp.		180,845
Federal Farm Credit Discount Note		6,717
Federal Home Loan Bank		49,290
United States Treasuries		26,135
Government Backed Trusts		927
Guaranteed Investment Contract		10,987
Commercial Paper		7,722
Money Market Mutual Funds		40,972
Certificates of Deposit		33,091
Other Cash Deposits		119,976
	$	535,725

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, the City, or any city within the state with a population of 400,000 inhabitants or more; or time certificates of deposit; provided, however, that no such investment shall be purchased at a price in excess of par. In addition, the City may enter into repurchase agreements maturing and becoming payable within 90 days secured by U.S. Treasury obligations or obligations of the United States Government agencies or instrumentalities of any maturity as provided by law. City funds in the form of cash on deposit or time certificates of deposit are required to be insured or collateralized by authorized investments held in the City's name.

Additionally, the City's indentures with its bond trustees also permit City bond proceeds to be invested in commercial paper having an original maturity of 270 days or less and rated "A-l" or better by Standard & Poor's Corporation and "P-l" by Moody's Investors Service, money market funds rated "AAAM" or "AAAM-G" by Standard & Poor's Corporation, and other obligations fully and unconditionally guaranteed by the U.S. government. These investments, while permitted by the indentures with the bond trustees, are not permitted by the Investment Policy for the City of St. Louis, Missouri (Investment Policy).

(dollars in thousands)

Interest Rate Risk

The City 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 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 of the primary government (excluding the pension trust funds) had the following maturities on June 30, 2006:

			Investment maturities (in years)			
		Fair Value	**Less than 1**	**1-5**	**6-10**	**More than 10**
Federal National Mortgage Association	$	59,063	53,510	—	3,369	2,184
Federal Home Loan Mortgage Corp.		180,845	180,109	—	—	736
Federal Farm Credit Discount Note		6,717	6,717	—	—	—
Federal Home Loan Bank		49,290	49,290	—	—	—
United States Treasuries		26,135	25,810	—	—	325
Government Backed Trusts		927	—	—	927	—
Guaranteed Investment Contract		10,987	—	—	—	10,987
Commercial Paper		7,722	7,722	—	—	—
	$	341,686	323,158	—	4,296	14,232

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.

(dollars in thousands)

The investments of the primary government (excluding the pension trust funds) were rated as follows by Standard & Poor's Corporation as of June 30, 2006:

	Fair Value	AAA	AA-	A-1+	A-1	Not Rated
Federal National Mortgage Association	$ 59,063	54,494	—	4,569	—	—
Federal Home Loan Mortgage Corp.	180,845	128,701	736	51,408	—	—
Federal Farm Credit Discount Note	6,717	6,717	—	—	—	—
Federal Home Loan Bank	49,290	11,746	—	37,544	—	—
United States Treasuries	26,135	—	—	—	—	26,135
Government Backed Trusts	927	927	—	—	—	—
Guaranteed Investment Contract	10,987	—	—	—	—	10,987
Commercial Paper	7,722	—	—	—	7,722	—
	$ 341,686	202,585	736	93,521	7,722	37,122

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a counterparty, the City 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 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, 2006, the following City investments are held by the counterparty's trust department or agent, and are not in the City's name: $18,341 of Federal National Mortgage Association securities, $9,520 of Federal Home Loan Mortgage Corporation securities, $2,225 of Federal Home Loan Bank securities, $6,548 of U.S. Treasury securities, and the $10,987 guaranteed investment contract. All remaining City investments and collateral securities pledged against City deposits are held by the counterparty's trust department or agent in the City's name.

(dollars in thousands)

Concentration of Credit Risk

The Investment Policy provides that, with the exception of U.S. Treasury Securities, no more than 35% of the City's total investment portfolio will be invested in a single security type or with a single financial institution.

At June 30, 2006, the concentration of the City's deposits and investments was as follows:

Federal National Mortgage Association	11.03	%
Federal Home Loan Mortgage Corp.	33.79	
Federal Farm Credit Discount Note	1.25	
Federal Home Loan Bank	9.21	
United States Treasuries	4.88	
Government Backed Trusts	0.17	
Guaranteed Investment Contract	2.05	
Commercial Paper	1.44	
Money Market Mutual Funds	7.65	
Certificates of Deposit	6.18	
Other Cash Deposits	22.35	
	100.00	

2) Primary Government—Pension Trust Fund—Firemen' s System

As of September 30, 2005, the Firemen's System had the following cash deposits and investments:

Common Stock	$	168,922
Collective Investment—Equity		120,332
Corporate Obligations		115
Collective Investment—Bonds		114,748
U.S. Government Securities		6
Money Market Funds		5,210
Other Cash Deposits		3,659
	$	412,992

The Firemen's System's investments are continuously exposed to various types of inherent risks. These risks are mitigated by the Firemen's System's development and continual monitoring of sound investment policies. The Investment Maturities, Credit Rating by Investment, and Foreign Currency Exposures by Asset Class schedules are presented below to provide an illustration of the Firemen's System's current level of exposure to various risks.

(dollars in thousands)

The following schedule provides a summary of the investment maturities by investment type, which helps demonstrate the current level of interest rate risk assumed by the Firemen's System as of September 30, 2005:

				Investment maturities (in years)			
		Fair Value	No Maturity	Less than 1	1-5	6-10	More than 10
Common Stock	$	168,922	168,922	—	—	—	—
Collective Investment— Equity		120,332	120,332	—	—	—	—
Corporate Obligations		115	—	—	—	—	115
Collective Investment— Bonds		114,748	—	746	114,002	—	—
U.S. Government Securities		6	—	—	—	—	6
Money Market Funds		5,210	5,210	—	—	—	—
	$	409,333	294,464	746	114,002	—	121

The Firemen's System's current level of exposure to credit risk, or the risk that an issuer or other counterparty to an investment will not fulfill its obligations, is demonstrated by the following table as of September 30, 2005:

Credit Rating Level		Common Stock	Collective Investment	Corporate Obligations	Government Securities	Money Market
Agency	$	—	—	—	6	—
AAA		—	746	115		—
AA		—	114,002	—	—	—
A		—	—	—	—	—
BBS		—	—	—	—	—
BB		—	—	—	—	—
Not Rated		168,922	120,332	—		5,210
	$	168,922	235,080	115	6	5,210

(dollars in thousands)

Foreign Currency Risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Firemen's System's policy is to allow the individual investment managers to decide what action to take regarding their respective portfolio's foreign currency exposure. The following table demonstrates the Firemen's System's current level of foreign currency exposure as of September 30, 2005:

	Money Market	Equities	Fixed Income	Total
Australian Dollar	$ —	1,873	—	1,873
Bermuda Dollar	—	208	—	208
British Pound Sterling	—	7,656	—	7,656
Canadian Dollar	—	3,433	—	3,433
Danish Krone	—	322	—	322
Euro	—	15,383	—	15,383
Hong Kong Dollar	—	977	—	977
Japanese Yen	—	15,078	—	15,078
Norwegian Krone	—	950	—	950
Portugal Escudo	—	282	—	282
Spanish Peseta	—	2,964	—	2,964
Swedish Krona	—	1,227	—	1,227
Swiss Franc	—	2,276	—	2,276
Taiwan Dollar	—	1,603	—	1,603
Total Foreign Currency	—	54,232	—	54,232
United States Dollar	5,210	235,022	114,869	355,101
Total	$ 5,210	289,254	114,869	409,333

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Firemen's System's minimum credit quality rating for each issue shall be "BBB-" (or its equivalent) at the time of purchase. In the event of a split-rating, the higher rating shall apply. The fixed income portfolio should have an average quality rating of at least "A" (or its equivalent). Commercial paper issues must be rated at least "Al" (or its equivalent) at the time of purchase. In the event of a split-rating, the higher rating shall apply. In the event of a downgrade below investment grade by any rating agency, the Investment Manager is required to notify the Board and Investment Consultant as soon as possible and to refrain from any further investment in the downgraded issue.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Firemen's System does not have a written investment policy covering interest rate risk.

(dollars in thousands)

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the Firemen's System's investment in a single issuer. The Firemen's System's policy does not allow the concentration per issuer to exceed 5% at purchase or 10% with capital appreciation of the market value of the investment manager's portfolio, with the exception of cash, cash equivalents, U. S. Treasury, or Agency securities. Furthermore, the Investment Manager may not hold more than 5% of the outstanding shares of any single issuer with exception of U. S. Treasuries or Agencies. It is the Firemen's System's policy to invest in each asset class ranging between a minimum and maximum as shown below:

Asset Class as a Percent of Total Assets

Asset Class	**Minimum**	**Target Mix**	**Maximum**
Domestic Equity:			
Large Cap	35%	40	45
Small Cap	8	10	12
Domestic Fixed Income	27	30	33
International Equities	12	15	18
Real Estate	2	5	8

Investments which exceed 5% or more of net assets held in trust for pension benefits for the Firemen's System are as follows:

PanAgora Bond Index Fund	$114,748
PanAgora Equity Index	81,279
Artisan International Stock	39,052

The Firemen's System participates in securities lending programs in order to enhance investment yield. In a securities lending transaction, the Firemen's System transfers possession—but not title—of the security to the borrower. Collateral consisting of cash, letter of credit, or government securities is received and held by a financial institution. The collateral maintained is at least 100% of the market value of the securities lent. The Firemen's System maintains all the rights in the collateral of a secured lender under the Uniform Commercial Code. The Firemen's System continues to earn income on the loaned security. In addition, the Firemen's System receives 60% of the net lending fees generated by each loan of securities. At September 30, 2005, $32,129 in loans was outstanding to borrowers. The Firemen's System earned income of $100 for its participation in the securities lending program for the year ended September 30, 2005.

(dollars in thousands)

3) Primary Government—Pension Trust Fund—Police System

As of September 30, 2005, the Police System had the following cash deposits and investments:

Equities:		
Common Stock	$	253,348
Collective Investment Funds		166,158
Real Estate Equities		19,001
Mortgaged-Backed Securities—Government		72,860
Mortgaged-Backed Securities—Nongovernment		26,020
Corporate Bonds		46,273
Government Securities		87,198
Short-Term Notes and Commercial Paper		3,761
Money Market Funds		22,445
Investment Property		1,854
Other Cash Deposits		5,180
	$	704,098

The Police System's investments are continuously exposed to various types of inherent risks. These risks are mitigated by the Police System's development and continual monitoring of sound investment policies. The Investment Maturities, Credit Rating by Investment, and Foreign Currency Exposures by Asset Class schedules are presented below to provide an illustration of the Police System's current level of exposure to various risks.

(dollars in thousands)

The following schedule provides a summary of the investment maturities by investment type, which helps demonstrate the current level of interest rate risk assumed by the Police System as of September 30, 2005:

	Fair Value	No Maturity	Investment maturities (in years): Less than 1	1-5	6-10	More than 10
Equities:						
Common Stock	$ 253,348	253,348	—	—	—	—
Collective Investment Funds	166,158	166,158	—	—	—	—
Real Estate Equities	19,001	19,001	—	—	—	—
Mortgaged-Backed Securities— Government	72,860	—	—	472	425	71,963
Mortgaged-Backed Securities— Nongovernment	26,020	—	—	2,152	1,572	22,296
Corporate Bonds	46,273	—	5,435	8,511	21,502	10,824
Government Securities	87,198	—	4,683	44,123	22,268	16,124
Short-Term Notes and Commercial Paper	3,761	3,761	—	—	—	—
Money Market Funds	22,445	22,445	—	—	—	—
Investment Property	1,854	1,854	—	—	—	—
	$ 698,918	466,567	10,118	55,258	45,767	121,207

The Police System's current level of exposure to credit risk, or the risk that an issuer or other counterparty to an investment will not fulfill its obligations, is demonstrated by the following table as of September 30, 2005:

Credit Rating Level	Equities	Government Mortgage Backed Securities	Nongovernment Mortgage Backed Securities	Corporate Bonds	Government Securities	Short-term Notes and Commercial Paper	Money Market Fund	Investment Property
Agency	$ —	72,860	—	—	14,186	—	—	—
AAA	—	—	20,508	3,348	71,294	—	—	—
AA	—	—	1,768	2,686	957	—	—	—
A	—	—	1,589	22,925	368	—	—	—
BBB	—	—	405	11,052	393	—	—	—
BB	—	—	—	1,798	—	—	—	—
B	—	—	—	3,534	—	—	—	—
Not Rated	438,507	—	1,750	930	—	3,761	22,445	1,854
	$ 438,507	72,860	26,020	46,273	87,198	3,761	22,445	1,854

(dollars in thousands)

Foreign Currency Risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Police System's policy is to allow the individual investment managers to decide what action to take regarding their respective portfolio's foreign currency exposure. The following table demonstrates the Police System's current level of foreign currency exposure as of September 30, 2005:

		Money Money Market/ Commercial Paper	Investment Property	Equities	Fixed Income	Total
Australian Dollar	$	—	—	—	431	431
Bazilian Real		—	—	—	433	433
British Pound Sterling		—	—	2,456	862	3,318
Canadian Dollar		—	—	2,963	384	3,347
Cayman Islands Dollar		—	—	302	728	1,030
Chilean Peso		—	—	—	758	758
Euro		—	—	3,480	1,535	5,015
Indian Rupee		—	—	588	—	588
Israeli Shekel		—	—	402	—	402
Mexican Peso		—	—	846	580	1,426
Norwegian Krone		—	—	—	276	276
Polish Zloty		—	—	—	31	31
Swedish Krona		—	—	336	—	336
Swiss Franc		—	—	1,780	—	1,780
Total Foreign Currency		—	—	13,153	6,018	19,171
United States Dollar		26,206	1,854	425,354	226,333	679,747
Total	$	26,206	1,854	438,507	232,351	698,918

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Fixed Income Portfolio must have an average rating of "A" or better in the aggregate as measured by at least one credit rating service. In cases where the yield spread adequately compensates for additional risk, securities rated lower than "A" may be purchased, provided overall fixed income quality is maintained. All issues will be of investment grade quality (BBB or Baa rated) or higher at the time of purchase. Up to 15% of the total market value of fixed income securities may be invested in BBB or Baa rated securities. In cases where credit rating agencies assign different quality ratings to a security, the lower rating will be used. Should the rating of a fixed income security fall below minimum investment grade, the Investment Manager may continue to hold the security if they believe the security will be upgraded in the future, there is low risk of default, and buyers will continue to be available throughout the anticipated holding period. The Investment Manager has the responsibility of notifying the Board of Trustees through their designee whenever an issue falls below investment grade.

(dollars in thousands)

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The average effective duration of the aggregate portfolio, reflecting all instruments including Collateralized Mortgage Obligations and Asset-Backed Securities, must be maintained at plus or minus one year of the duration of the Salomon Brothers Broad Investment Grade Bond Index.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the Police System's investment in a single issuer. It is the Police System's policy to invest in each asset class ranging between a minimum and maximum as shown below:

Asset Class as a Percent of Total Assets

Asset Class	Minimum	Target Mix	Maximum
Fixed Income	33%	35	37
Real Estate Equity	3	5	7
Large Cap U.S. Stocks	38	40	42
Small Cap U.S. Stocks	8	10	12
Non-U.S. Stocks	8	10	12

Investments which exceed 5% or more of net assets held in trust for pension benefits for the Police System are as follows:

MFB Daily S&P 500 Equity Index	$94,763
CF Clay Finlay Group Trust	36,030
CF TBC International Equity Pooled	35,363

The Police System participates in securities lending programs in order to enhance investment yield. In a securities lending transaction, the Police System transfers possession—but not title—of the security to the borrower. Collateral consisting of cash, letter of credit, or government securities is received and held by a financial institution. The broker/dealer collateralizes their borrowing (usually in cash) to 102% of the security value plus accrued interest, and this collateral is adjusted daily to maintain the 102% level. The Police System maintains all the rights in the collateral of a secured lender under the Uniform Commercial Code. The Police System continues to earn income on the loaned security. In addition, the Police System receives 60% of the net lending fees generated by each loan of securities. The financial institution receives the remaining 40% of the net lending fees as compensation for its services provided in the securities lending program. The financial institution indemnifies operational risk and counterparty risk. The Police System authorizes the lending of domestic securities, U. S. Treasuries, corporate bonds, and equities. The Police System does not have the ability to pledge or sell collateral securities without borrower default. Therefore, for accounting purposes, the financial statements do not reflect an increase in assets or liabilities associated with securities lent. At September 30, 2005, outstanding loans to borrowers were $104,020. The Police System earned income of $126 for its participation in the securities lending program for the year ended September 30, 2005.

(dollars in thousands)

4) Primary Government—Pension Trust Fund—Employees' System

As of September 30, 2005, the Employees' System had the following cash deposits and investments:

Stocks	$	237,828
Managed International Equity Funds		118,323
Corporate Bonds and Debentures		20,128
Foreign Governmental and Corporate Obligations		15,783
Domestic Bond Funds		40,045
Real Estate Fund		56,229
United States Government and Agency Securities		32,683
Temporary Cash Investments		5,518
Other Cash Deposits		157
	$	526,694

Foreign Currency Risk

The Employees' System does not have a formal policy to limit foreign currency risk. Risk of loss arises from changes in currency exchange rates. The Employees' System's exposure to foreign currency risk is presented on the following table:

		Short-Term	Debt	Equity	Total
Canadian Dollar	$	—	1,253	—	1,253
Euros		—	8,895	—	8,895
Japanese Yen		—	3,047	—	3,047
Total	$	—	13,195	—	13,195

(dollars in thousands)

Credit Risk of Debt Securities

The Employees' System's rated debt investments as of September 30, 2005 were rated by Standard & Poor's, and the ratings are presented using the Standard & Poor's rating scale. The Employees' System's policy to limit credit risk is that fixed income securities shall be limited to those with a Standard & Poor's rating of investment grade (BBB/Baa) or better.

	AAA	AA+	AA-
Corporate Bonds and Debentures	$ 3,740	—	968
Foreign Government and Corporate Obligations	8,508	834	2,262
Domestic Bond Funds	31,315	1,962	—
U.S. Government Securities	18,688	—	—
U.S. Government Agency Securities	10,755	—	—
Total	$ 73,006	2,796	3,230

	A+	A	A-
Corporate Bonds and Debentures	$ 4,150	4,367	2,088
Foreign Government and Corporate Obligations	1,039	135	250
Domestic Bond Funds	—	3,524	—
U.S. Government Securities	—	—	—
U.S. Government Agency Securities	—	—	—
Total	$ 5,189	8,026	2,338

	BBB+	BBB	BBB-	Unrated
Corporate Bonds and Debentures	$ 2,667	1,071	1,003	74
Foreign Government and Corporate Obligations	128	—	—	2,627
Domestic Bond Funds	—	3,244	—	—
U.S. Government Securities	—	—	—	—
U.S. Government Agency Securities	—	—	—	3,240
Total	$ 2,795	4,315	1,003	5,941

(dollars in thousands)

Interest Rate Risk

The Employees' System does not have a formal policy to limit interest rate risk. Risk of loss arises from changes in interest rates which have significant affects on fair values of investments.

			Investment maturities (in years)			
		Fair Value	**Less than 1**	**1 – 5**	**6 – 1 0**	**More than 10**
U.S. Government Securities	$	12,155	—	4,269	7,886	—
Agency Securities		20,528	2,090	7,952	2,190	8,295
Corporate Bonds and Debentures		20,128	2,547	7,554	7,387	2,640
Foreign Government and Corporate Obligations		15,783	—	7,285	5,838	2,660
Domestic Bond Funds		40,045	5,206	13,215	19,622	2,002
	$	108,639	9,843	40,275	42,923	15,597

The Employees' System permits its investment manager to utilize financial derivative instruments such as forwards, futures, and options. The use of these financial derivatives is defensive in nature, that is, used only to manage duration and foreign currency exposure and bond exposure. Open currency exposure shall not exceed 10% of the global fixed income portfolio. As of September 30, 2005, the Employees' System had a net receivable of $354 (cost $0) based on current market values.

The Employees' System participates in a securities lending program administered by a financial institution. Brokers who borrow the securities provide collateral, usually in the form of cash valued at 102% for domestic securities. There are no restrictions on the amount of securities that can be lent at one time. At September 30, 2005, the term to maturity of the securities lent is matched with the term to maturity of the investment of the cash collateral. These loans can be terminated on demand by either the lender or borrower. The Employees' System cannot pledge or sell non-cash collateral unless the borrower defaults. As of September 30, 2005, the Employees' System has lending arrangements outstanding with a market value for securities lent of $38,262 and a total market value for securities received as collateral of $39,130 resulting in no credit risk for the Employees' System.

(dollars in thousands)

Concentration of Credit Risk

At September 30, 2005, the Employees' System has the following concentrations, defined as investments (other than those issued or guaranteed by the U.S. government) in any one organization, that represent five percent or more of total investments:

State Street Global Advisors	
Passive Bond Market Index Fund	$40,045
Silchester International Investors	
International Value Equity Group Trust	$65,366
Walter Scott & Partners Limited	
Group Trust International	$52,956
Principal Global Investors	
Real Estate Group Annuity Contract	$56,228

b. Component Unit—SLDC

State statutes and SLDC investment policies are the same as for the primary government. SLDC funds, in the form of cash on deposit or certificates of deposit, are required to be insured or collateralized by authorized investments held in SLDC's name. At June 30, 2006, all of SLDC's cash deposits were covered by federal depository insurance or collateral held by the pledging institution's trust department or agent in SLDC's name. At June 30, 2006, the market value of investments approximates the carrying value of $27.

c. Component Unit—SLPD

Investments are recorded at fair value, which is determined by closing market prices at year-end as reported by the investment custodian. Investments with an original maturity date of less than one year are carried at cost plus earned interest, which approximates fair value.

As of June 30, 2006, the SLPD had the following cash deposits and investments:

Federal Home Loan Discount Notes	$	3,123
Money Market Mutual Funds		690
Other cash deposits		1,511
Total	$	5,324

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

Interest Rate Risk

The SLPD seeks to minimize its exposure to fair value losses arising from changes in interest rates by selecting investments in adherence to the Board of Police Commissioner's (Investment Policy). The Investment Policy provides that, to the extent possible, the SLPD shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the SLPD 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 SLPD for deposits in connection with a repurchase agreement shall not exceed five years without the written approval of the 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 investment had the following maturities on June 30, 2006:

	Maturity		Carrying Value
Federal Home Loan Discount Notes	July 26, 2006	$	3,123

Credit Risk

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

The SLPD's investments in Federal Home Loan Discount Notes as of June 30, 2006, were rated AAA by Moody's Investor Service and Standard & Poor's.

Custodial Credit Risk

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

(dollars in thousands)

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, 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 SLPD securities and securities pledged as collateral must be held in a segregated account on behalf of the SLPD by an independent third-party with whom the SLPD has a current custodial agreement and has been designated by the Board of Police Commissioners to serve in such capacity.

At June 30, 2006, all SLPD investments and all collateral securities pledged against SLPD deposits are held by the counterparty's trust department or agent in the SLPD's name.

Concentration of Credit Risk

The SLPD has no investment policy related to the concentration of credit risk. At June 30, 2006, the concentration of the SLPD's investments (excluding cash deposits) was as follows:

	Concentration
Federal Home Loan Discount Note	82%
Money Market Mutual Funds	18%
	100%

d. Component Unit—HSTRC

At May 31, 2006, the carrying amount of HSTRC's cash deposits was $31 and was insured by the Federal Deposit Insurance Corporation (FDIC).

(dollars in thousands)

e. Component Unit—SWMDC

At June 30, 2006, all of SWMDC's cash deposits were covered by federal depository insurance or collateral held by the pledging institution's trust department or agent in the City's name. SWMDC's investments of $685 at year-end consisted entirely of Federal Home Loan Mortgage Corporation and Federal National Mortgage Securities with less than one year to maturity and rated AAA by Standard & Poor's Corporation.

3. RECEIVABLES, NET

		Taxes	Intergovern-mental	Charges for Services	Notes and Loans	Other	Total Receivables
Governmental activities:							
General fund	$	87,235	3,841	303	—	3,470	94,849
Capital projects fund		2,765	3,177	—	—	2	5,944
Grants fund		—	4,597	—	—	—	4,597
Other governmental funds		24,597	1,019	1,154	90	116	26,976
Internal service funds		—	—	—	—	—	—
Total governmental activities	$	114,597	12,634	1,457	90	3,588	132,366
Business-type activities:							
Airport	$	—	14,891	9,441	—	4,860	29,192
Water Division		—	—	6,034	—	63	6,097
Parking Division		—	—	77	—	—	77
Total business-type activities	$	—	14,891	15,552	—	4,923	35,366

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

(dollars in thousands)

4. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

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

Governmental activities:		
Taxes receivable—general fund	$	903
Taxes receivable—other governmental funds		130
Charges for services receivable—general fund		63
Charges for services receivable—other governmental funds		352
Business-type activities:		
Charges for services receivable—Airport		746
Charges for services receivable—Water Division		3,276
	$	5,470

5. COMPONENT UNIT—SLDC RECEIVABLES

SLDC receivables consist principally of small business commercial loans to facilitate development activities. The commercial loans were financed utilizing funds provided by the Community Development Agency (CDA) of the City, the Economic Development Administration, and the State. The proceeds from any repayment of these loans are payable back to the funding source or re-loaned in accordance with the lending program. Thus, a corresponding liability has been recorded.

6. RESTRICTED ASSETS

a. Airport

Cash and investments, restricted in accordance with City ordinances and bond provisions, are as follows at June 30, 2006:

Airport bond fund:		
Debt service account	$	36,872
Debt service reserve account		40,929
Airport renewal and replacement fund		3,500
Passenger facility charge fund		30,018
Airport development fund		62,650
Airport construction fund		78,429
Drug enforcement agency funds		2,252
	$	254,650

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

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

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

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

4) *Airport Renewal and Replacement Fund:* an amount equal to $57, provided that no deposit shall be required to be made into said fund whenever and as long as uncommitted 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.

5) *A sub-account 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 sub-account 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 sub-account may be paid to the City during the Airport's fiscal year. The final installment may only be paid to the City upon delivery of the Airport's audited financial statements to the Airport Bond Fund Trustee.

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

(dollars in thousands)

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

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

b. Water Division

Cash and investments restricted in accordance with City ordinances at June 30, 2006 are as follows:

Bond funds:		
Waterworks bond and interest account	$	3,371
Water revenue bond reserve account		3,146
Water replacement and improvement account		714
Total bond funds		7,231
Construction funds		7,813
Customer deposits		1,906
	$	16,950

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

1) 1994 Water Revenue Bond Funds

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

To the Waterworks Bond and Interest Account, an amount at least equal to 1/6 of the amount of interest that will come due on the next interest payment date, plus an amount at least equal to 1/12 of the aggregate principal amount of bonds that will come due on the next bond maturity date. This account is to be used only for the payments of bonds principal and interest, as the same shall become due.

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

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

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

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

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

3) <u>Construction Funds</u>

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

4) <u>Customer Deposits</u>

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

5) <u>Service Line Maintenance</u>

In accordance with a City ordinance, the Water Division collects a $3.00 (in dollars) per quarter surcharge from flat-rate and metered residential customers having six or less dwelling units. These funds are deposited in the service line maintenance account. This account, including interest earned, is used to pay for the repair of certain portions of the water lines for these customers.

(dollars in thousands)

c. Parking Division

Cash and investments restricted in accordance with revenue bond indentures at June 30, 2006 are as follows:

Series 2002, 1999, and 1996 bonds:		
Debt service reserve	$	5,773
Repair and replacement		2,631
Debt service		463
Parking trust—Parking Division accounts		3,735
Total series 2002, 1999, and 1996 bonds		12,602
Series 2003A and 2003B bonds:		
Gross revenues		141
Bond		68
Repair and replacement		30
Operating reserve		100
Redemption		8
Total series 2003A and 2003B bonds		347
	$	12,949

The June 30, 2006 restricted assets are required by the Series 2003A, 2003B, 2002, 1999, and 1996 bond indentures. Descriptions of the above funds required by the Series 2002, 1999, and 1996 Bond indentures are as follows:

1) *Debt service reserve*—Maintains funds from the proceeds of the respective bond series to be available to pay principal of and interest on the respective bonds if other funds are not available

2) *Construction*—Used to pay construction costs to complete the respective projects

3) *Debt Service*—Moneys deposited into this account pay principal and accrued and unpaid interest on the respective bonds

4) *Parking Trust*—Parking Division Accounts—Maintains funds transferred from the respective bond account to be available to pay principal and interest on the respective refunded bonds if other funds are not available

5) *Repair and Replacement* – Provides for the repair and upkeep of the Kiel Parking Garage.

The Series 1999 and 1996 Bond indentures specify how funds are to be deposited into these restricted accounts. Payment for the bonds will be made first from net project revenues. The treasurer is required to collect on a daily basis all net project revenues and, by the 10th business day of each month, the treasurer is required to deposit into the Treasurer's Parking Facilities Debt Service Account such net project revenues in the following order of priority, first for transfer to the trustee for deposit (a) into the Debt Service Fund for each series of bonds outstanding the amount of moneys required to meet the debt service requirements for such series for at least one bond year; (b) into the Debt Service Reserve Fund for each series of bonds outstanding amounts, if any, required to cure any deficiency in such Debt Service Reserve Fund; (c) into the series account in the Parking Trust Fund for each series of bonds outstanding to repay, on a pro rata basis, but subject to the Indenture, any amounts drawn from the Parking Division Account in the Parking Trust Fund and the Traffic Violations Bureau (TVB) account in the Parking Trust Fund in connection with the bonds; and (d) into the Treasurer's Parking Facilities Renewal and Replacement Account to the extent required in the indenture. If there are insufficient net project revenues to make the payments provided herein as the same become due, a pro rata amount shall be deposited for each series of bonds and the treasurer shall pay out of the net project revenues received by the treasurer during the next succeeding months, to the extent there are surplus funds remaining after the required deposits for such months, such sums as are necessary to make up such shortfalls.

The Series 2002 Bonds are subordinated bonds, meaning that Parking Division revenues are applied to the Series 2002 Bond accounts only after the other bond accounts have been satisfied. Payment for the Series 2002 Bonds will be made first from net project revenues. The treasurer is required to collect on a daily basis all receipts from the financed facilities and deposit such funds in the Treasurer's Parking Facilities Subordinated Revenue Account. By the 10th day of each month, net project revenues attributable to the financed facilities, on a modified cash basis, for the preceding month, shall be transferred to the trustee for deposit in the net project revenues account of the Revenue Fund. Promptly upon receipt, the trustee shall transfer moneys held in the net Project Revenues Account, first, to the Interest Account of the Debt Service Fund until the amount on deposit in such account equals the amount required to pay interest on the bonds on the next interest payment date and, second, to the Principal Account of the Debt Service Fund until the amount on deposit therein equals the amount required to pay the principal of, including any redemption premium related to, the bonds on the next principal payment date which is not more than one year after the date of deposit. Any moneys remaining after such deposits shall be transferred; first, to the Debt Service Reserve Fund until the amount on deposit therein is equal to the Debt Service Reserve Fund requirement; second, to the Special Reserve Fund, if and to the extent required by the indenture; third, to the Treasurer's Parking Facilities Subordinated Renewal and Replacement Account, until the amount on deposit therein is equal to the amount, if any, established by the treasurer based on the recommendation of a consultant selected by the Parking Commission of the City of St. Louis and any moneys remaining thereafter shall then be released to the treasurer free and clear of the lien of the indenture.

Descriptions of the funds required by the Series 2003A and 2003B bond indenture are as follows:

1) *Gross Revenues*—Maintains revenues resulting from the operations of the Cupples Garage and uses these to pay the operating and debt service costs associated with the Cupples Garage

2) *Bonds*—Moneys deposited into this account pay principal and accrued and unpaid interest on the Series 2003A and 2003B Bonds

3) *Repair and Replacement*—Provides for the repair and upkeep of the Cupples Garage

(dollars in thousands)

4) *Operating Reserve*—Maintains operating reserve as required by the Bond indenture

5) *Redemption*—Maintains funds set aside for the future redemption of the Series 2003A and 2003 Bonds

As specified by the Series 2003A and 2003B bond indenture, the revenues from the operation of the Cupples Garage are deposited into the Gross Revenues Fund. By the 25th of each month, the Trustee is required to first pay from the Gross Revenue Fund all operating expenses associated with the Cupples Garage, all rent for surface lots surrounding the Cupples Garage, and all fees due to the Trustee. Secondly, the Trustee is required to transfer from the Gross Revenues Fund to the Bond Fund an amount equal to the debt service required to be paid on the next interest payment date for the Series 2003A and 2003B Bonds. Thirdly, the Trustee is required to transfer 1% of the gross revenues received during the month to the Repair and Replacement Fund, provided that the balance in the Repair and Replacement Fund does not exceed $250. Fourthly, the Trustee is required to transfer from the Gross Revenue Fund to the Operating Reserve Fund any amount necessary to bring the Operating Reserve Fund to the $100 balance required by the Bond indenture. Fifthly, the Trustee is required to transfer 75% of the remaining balance in the Gross Revenue Fund to the Redemption Fund. Finally, the Trustee is required to transfer any remaining balance in the Gross Revenue Fund to the Parking Division as a management fee.

d. Component Unit—SLDC

Restricted cash and investments at June 30, 2006 are as follows:

Bond funds	$	2,128

Cash and investments restricted in accordance with the SLDC Parking Facilities Revenue Refunding Bonds, Series 1999, Bond Indenture consist of a Bond Reserve Account in the amount of $2,128.

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

e. Component Unit—SLPD

SLPD restricted assets of $690 at June 30, 2006 represent mutual funds restricted in accordance with debt covenants.

(dollars in thousands)

7. CAPITAL ASSETS

a. Primary Government

The following is a summary of changes in capital assets—governmental activities for the year ended June 30, 2006:

	Balance June 30, 2005	Additions	Retirements	Transfers	Balance June 30, 2006
Governmental activities:					
Capital assets not being depreciated:					
Land	$ 77,419	12	(79)	—	77,352
Construction in progress	79,755	16,848	—	(38,000)	58,603
Works of art	2,955	—	—	99	3,054
Total capital assets not being depreciated	160,129	16,860	(79)	(37,901)	139,009
Capital assets being depreciated:					
Buildings	395,907	1,224	(96)	19,024	416,059
Improvements other than buildings	73,158	1,947	—	275	75,380
Equipment	99,021	2,057	(2,372)	—	98,706
Infrastructure	409,667	6,953	—	18,602	435,222
Total capital assets being depreciated	977,753	12,181	(2,468)	37,901	1,025,367
Less accumulated depreciation for:					
Buildings	100,743	9,978	—	—	110,721
Improvements other than buildings	15,627	1,925	—	—	17,552
Equipment	48,506	6,355	(2,039)	—	52,822
Infrastructure	195,457	19,171	—	—	214,628
Total accumulated depreciation	360,333	37,429	(2,039)	—	395,723
Total capital assets being depreciated, net	617,420	(25,248)	(429)	37,901	629,644
Governmental activities capital assets, net	$ 777,549	(8,388)	(508)	—	768,653

Construction in progress consists primarily of firehouse renovations and street and bridge projects.

Included in the governmental activities capital assets is an idle capital asset that the City has determined to be impaired. This capital asset's carrying value is $5,294 at June 30, 2006. No impairment loss was recognized for the year ended June 30, 2006 as the asset was already carried at the lower of cost or fair market value.

(dollars in thousands)

The following is a summary of changes in capital assets – business-type activities for the year ended June 30, 2006. Business-type activities for the City include the Airport, Water Division, and Parking Division.

	Balance June 30, 2005	Additions	Retirements	Transfers	Balance June 30, 2006
Business-type activities:					
Combined:					
Capital assets not being depreciated:					
Land	$ 851,481	37,001	(5,444)	48	883,086
Construction-in-progress	527,706	106,271	—	(565,782)	68,195
Total capital assets not being depreciated	1,379,187	143,272	(5,444)	(565,734)	951,281
Capital assets being depreciated:					
Buildings and structures	466,758	6,926	(126)	8,293	481,851
Equipment	72,185	3,950	(1,675)	2,042	76,502
Pavings	310,841	668	(5,398)	553,422	859,533
Parking meters and lot equipment	6,041	19	(263)	—	5,797
Reservoirs	34,448	65	—	—	34,513
Boiler plant equipment	661	—	—	—	661
Pumping equipment	8,592	—	—	276	8,868
Purification basins and equipment	38,226	5	—	1,701	39,932
Water mains, lines, and accessories	105,814	3,128	(10)	—	108,932
Motor vehicle equipment	8,353	438	(241)	—	8,550
Total capital assets being depreciated	1,051,919	15,199	(7,713)	565,734	1,625,139
Less accumulated depreciation for:					
Buildings and structures	248,183	15,056	(121)	—	263,118
Equipment	58,445	4,469	(1,640)	—	61,274
Pavings	184,615	13,073	(1,120)	—	196,568
Parking meters and lot equipment	3,696	428	(166)	—	3,958
Reservoirs	5,980	664	—	—	6,644
Boiler plant equipment	615	4	—	—	619
Pumping equipment	7,470	155	—	—	7,625
Purification basins and equipment	10,056	737	—	—	10,793
Water mains, lines, and accessories	46,786	1,312	(6)	—	48,092
Motor vehicle equipment	4,768	538	(241)	—	5,065
Total accumulated depreciation	570,614	36,436	(3,294)	—	603,756
Total capital assets being depreciated, net	481,305	(21,237)	(4,419)	565,734	1,021,383
Business-type activities capital assets, net	$ 1,860,492	122,035	(9,863)	—	1,972,664

Construction-in-progress consists primarily of various improvements at the Airport to the airfield and terminal buildings, as well as property purchased on which the Airport's expansion facilities will be constructed. Additionally, construction-in-progress consists of various improvements to the waterworks system.

(dollars in thousands)

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

Governmental activities:		
General government	$	5,009
Convention and tourism		4,228
Parks and recreation		2,481
Judicial		352
Streets		22,160
Public safety:		
Fire		1,793
Other		767
Health and welfare		426
Public service		213
Total depreciation expense, governmental activities	$	37,429
Business-type activities:		
Airport	$	29,791
Water Division		4,503
Parking Division		2,142
Total depreciation expense, business-type activities	$	36,436

(dollars in thousands)

b. Component Unit—SLDC

The following is a summary of changes in SLDC capital assets for the year ended June 30, 2006:

	Balance June 30, 2005	Additions	Retirements	Balance June 30, 2006
Capital assets not being depreciated:				
Land	$ 4,914	—	—	4,914
Total capital assets not being depreciated	4,914	—	—	4,914
Capital assets being depreciated:				
Leasehold improvements	3,000	—	—	3,000
Equipment	648	10	—	658
Parking facilities	18,897	—	—	18,897
Total capital assets being depreciated	22,545	10	—	22,555
Less accumulated depreciation for:				
Leasehold improvements	900	200	—	1,100
Equipment	639	4	—	643
Parking facilities	8,599	602	—	9,201
Total accumulated depreciation	10,138	806	—	10,944
Total capital assets being depreciated, net	12,407	(796)	—	11,611
SLDC capital assets, net	$ 17,321	(796)	—	16,525

(dollars in thousands)

c. Component Unit—SLPD

The following represents a summary in SLPD's capital assets for the year ended June 30, 2006:

	Balance June 30, 2005	Additions	Retirements	Balance June 30, 2006
Capital assets not being depreciated:				
Land	$ 1,646	—	—	1,646
Total capital assets not being depreciated	1,646	—	—	1,646
Capital assets being depreciated:				
Buildings and improvements	38,729	973	—	39,702
Furniture, fixtures, and other equipment	2,829	206	—	3,035
Automotive equipment	8,966	1,959	1,086	9,839
Communications equipment	4,691	16	212	4,495
Computers and software	2,856	321	—	3,177
Aircraft	258	—	—	258
Total capital assets being depreciated	58,329	3,475	1,298	60,506
Less accumulated depreciation for:				
Buildings and improvements	15,968	702	—	16,670
Furniture, fixtures, and other equipment	1,717	420	—	2,137
Automotive equipment	6,695	1,495	998	7,192
Communications equipment	4,036	219	211	4,044
Computers and software	1,687	410	—	2,097
Aircraft	250	4	—	254
Total accumulated depreciation	30,353	3,250	1,209	32,394
Total capital assets being depreciated, net	27,976	225	89	28,112
SLPD capital assets, net	$ 29,622	225	89	29,758

(dollars in thousands)

d. Component Unit—SWMDC

	Balance June 30, 2005	Additions	Retirements	Balance June 30, 2006
Capital assets being depreciated:				
Infrastructure	$ 7,940	116	—	8,056
Total capital assets being depreciated	7,940	116	—	8,056
Less accumulated depreciation for:				
Infrastructure	2,411	254	—	2,665
Total accumulated depreciation	2,411	254	—	2,665
SWMDC capital assets, net	$ 5,529	(138)	—	5,391

8. COMPONENT UNIT—SLDC PROPERTY HELD FOR DEVELOPMENT

SLDC property held for development consists primarily of land and property held for sale or other development purposes. This land and property is reported in SLDC's financial statements based on management's intent of ultimate disposition of the property. Proceeds received upon the sale of most of these properties will revert back to the funding source. At June 30, 2006, SLDC has established a reserve for impairment of $5,841 on its properties held for development.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Vendors	Contracts and retainage payable	Total
Governmental activities:			
General fund	$ 4,610	316	4,926
Capital projects fund	3,978	2,907	6,885
Grants fund	5,697	—	5,697
Other governmental funds	635	61	696
Internal service	427	—	427
Total governmental activities	$ 15,347	3,284	18,631
Business-type activities:			
Airport	$ 3,374	18,240	21,614
Water Division	1,933	—	1,933
Parking Division	188	—	188
Total business-type activities	$ 5,495	18,240	23,735

(dollars in thousands)

10. RETIREMENT PLANS

The City contributes to three defined benefit retirement plans. The Firemen's Retirement System of St. Louis (Firemen's System) and the Police Retirement System of St. Louis (Police System) are single – employer plans. The Employees' Retirement System of the City of St. Louis (Employees' System) is a cost-sharing multiple-employer plan. However, due to the City's participation in the Employees' System being greater than 99% of the total participation of all employers, the disclosures provided for the Employees' System are those for a single-employer plan. Each system is administered by a separate board of trustees, who are partially appointed by City officials, plan participants, and the governor of the State (Police System only). For financial reporting purposes, these retirement systems are included as fiduciary pension trust funds of the City. Financial information for these funds has been included within the accompanying basic financial statements as of each System's fiscal year-end, which falls within the City's current fiscal year-end as follows:

System	System Fiscal Year-end
Firemen's	September 30, 2005
Police	September 30, 2005
Employees'	September 30, 2005

a. *Firemen's Retirement System of St. Louis*

1) System Description

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

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

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

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

The Firemen's System, in accordance with Ordinance 62994 of the City, initiated during the Firemen's System's fiscal year ended August 31, 1994, the Deferred Retirement Option Plan (DROP). The DROP is available to members of the Firemen's 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, 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 member's DROP account plus interest and accrued sick leave, if elected, is available to the member in a lump sum or in installments.

(dollars in thousands)

2) Funding Policy

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

3) Annual Pension Cost and Net Pension Asset

The City's annual pension cost and net pension asset to the Firemen's System for the year ended June 30, 2006 are as follows:

Annual required contribution	$	(14,766)
Interest on net pension asset		1,050
Adjustment to annual required contribution		(1,180)
Annual pension cost		(14,896)
Contributions made		4,110
Decrease in net pension asset		(10,786)
Net pension asset, beginning of year		13,776
Net pension asset, end of year	$	2,990

The net pension asset of $2,990 as of June 30, 2006, is reflected as a net pension asset within governmental activities in the government-wide financial statements.

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

Fiscal Year		Annual Pension Cost (APC)	Percentage of APC Contributed			Net Pension Asset
2006	$	14,896	28	%	$	2,990
2005		9,926	21			13,776
2004		4,517	46			21,647

(dollars in thousands)

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

Date of actuarial valuation	October 1, 2005
Actuarial cost method	Entry age-frozen liability method
Amortization method	30 years from establishment, closed-period
Remaining amortization period	Various
Asset valuation method	3-year smooth market
Inflation rate	3.500%, per year
Investment rate of return	7.625%, compounded annually
Projected salary increases	4.500%, per year to retirement age
Projected postretirement benefit increases	5.000% with a maximum of 25% in increases after age 60

4) Lawsuit

The Firemen's System has filed lawsuits against the City and the Board of Estimate and Apportionment to require the City to contribute the actuarially determined annual contribution for the Firemen's System for the City's 2004, 2005 and 2006 fiscal years. The City received an unfavorable ruling in the initial court proceedings relative to the fiscal year 2004 suit, and appealed the decision. In August 2006, the Missouri Court of Appeals affirmed the lower court's decision but transferred the case to the Missouri Supreme Court. The fiscal year 2005 and 2006 suits are pending the outcome of the fiscal year 2004 suit. The City has determined that it is probable that it will be required to remit these contributions. However, no additional liability has been recorded as the net pension asset already recorded reflects the City's overpayment or underpayment of actuarially determined annual required contributions to the Firemen's System Plan at June 30, 2006. A similar lawsuit has been filed against the City by the Firemen's System relating to fiscal year 2007 contributions.

b. Police Retirement System of St. Louis

1) System Description

All persons who become police officers and all police officers that enter or reenter SLPD after October 1, 1957 become members of the Police System and are thereby eligible to participate from their date of hire. The Police System issues a publicly available financial report that includes financial statements and supplementary information. That information may be obtained by writing to the Police Retirement System of St. Louis; 2020 Market Street, St. Louis, Missouri 63103.

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

(dollars in thousands)

System also provides death and disability benefits. Benefits vest after 20 years of service. Such benefits are established by the State statute.

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

2) Funding Policy

Police officers are required to contribute 7% of their compensation to the Police System per State statute. The City is required to contribute the remaining amounts necessary to fund the Police System, determined in accordance with City ordinances. Upon leaving employment due to service retirement, death, or disability due to an accident in the actual performance of duty (prior to October 1, 2001, only if 100% disabled), the member's contributions are refunded. Members whose employment terminates prior to retirement are entitled to a lump-sum distribution of their contribution plus interest thereon.

3) Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation to the Police System for the year ended June 30, 2006 are as follows:

Annual required contribution	$	(14,940)
Interest on net pension obligation		(999)
Adjustment to annual required contribution		1,521
Annual pension cost		(14,418)
Contributions made		8,093
Increase in net pension obligation		(6,325)
Net pension obligation beginning of year		(12,898)
Net pension obligation end of year	$	(19,223)

The net pension obligation of $(19,223) is reflected as a long-term liability within governmental activities in the government-wide financial statements.

(dollars in thousands)

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

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2006	$ 14,418	56 %	$ (19,223)
2005	11,485	35	(12,898)
2004	9,576	43	(5,460)

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

Date of actuarial valuation	October 1, 2005
Actuarial cost method	Aggregate cost method (this method does not identify or separately amortize unfunded actuarially accrued liabilities)
Asset valuation methods	5-year smoothed average of market value
Inflation rate	3.00%, per year
Investment rate of return	7.75%, per year
Cost-of-living adjustments	3.00%, per year
Projected salary increases	3.50 – 7.00%, varying by age
Projected postretirement benefit increases	3.00% maximum per year, cumulative 30% cap

4) Lawsuit

The Police System has filed lawsuits against the City and the Board of Estimate and Apportionment to require the City to contribute the actuarially determined annual contribution for the Police System for the City's 2004, 2005 and 2006 fiscal years. The City received an unfavorable ruling in the initial court proceedings relative to the fiscal year 2004 suit, and appealed the decision. In August 2006, the Missouri Court of Appeals affirmed the lower court's decision but transferred the case to the Missouri Supreme Court. The fiscal year 2005 and 2006 suits are pending the outcome of the fiscal year 2004 suit. The City has determined that it is probable that it will be required to remit these contributions. However, no additional liability has been recorded as the net pension obligation already recorded reflects the City's liability to the Police System plan at June 30, 2006. A similar lawsuit has been filed against the City by the Police System relating to fiscal year 2007 contributions.

c. *Employees' Retirement System of the City of St. Louis*

1) System Description

All non-uniformed employees of the City and certain other public entities funded by or providing services to residents of the City become members of the Employees' Retirement System upon employment with the exception of employees hired after attaining age 60.

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

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

On June 8, 2000, the mayor of the City approved an ordinance passed by the board of aldermen, which established a DROP effective January 1, 2001. This plan states that when members reach retirement age, they are allowed to work for five additional years and defer receipt of their retirement allowance. The calculation of average salary for retirement benefits will not include the additional years of service after entry into DROP. The amount that would have been received as retirement benefit is put in a special DROP account monthly. The DROP account will not be adjusted for cost of living increases as the normal retirement benefits are. The DROP account earns interest at the actuarial valuation rate of return 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.

2) Funding Policy

Employer contribution rates are established annually by the board of trustees based on an actuarial study. Deductions from plan net assets are financed from plan additions. The board of trustees established the required employer contributions at a rate of 13.19% effective July 1, 2005 and 13.53% of active member payroll effective July 2004. The City contributed 6% of active member payroll effective July 2003 through the present.

Employees who became members of the Employees' System prior to October 14, 1977, and continued 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 in effect on January 1 of the calendar year. Voluntary contributions of employees who enrolled in the Employees' System after October 13, 1977 may be made up to 6% of qualified employee compensation for the remainder of the calendar year. These voluntary contributions vest immediately.

(dollars in thousands)

3) Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation to the Employees' System for the year ended June 30, 2006, are as follows:

Annual required contribution	$	(29,243)
Interest on net pension obligation		(3,788)
Adjustment to annual required contribution		4,207
Annual pension cost		(28,824)
Contributions made		15,148
Increase in net pension obligation		(13,676)
Net pension obligation, beginning of year		(47,358)
Net pension obligation, end of year	$	(61,034)

The net pension obligation of $(61,034) is reflected as a long-term liability within the accompanying basic financial statements as follows:

Governmental activities	$	(43,488)
Business-type activities		(11,604)
Component unit—SLPD		(5,942)
	$	(61,034)

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

Fiscal Year		Annual Pension Cost (APC)	Percentage of APC Contributed			Net Pension Obligation
2006	$	28,824	53	%	$	(61,034)
2005		30,665	42			(47,358)
2004		31,837	41			(29,682)

(dollars in thousands)

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

Date of actuarial valuation	October 1, 2005
Actuarial cost method	Projected unit credit
Amortization method and remaining period	Level dollar amount for unfunded liability, open
Remaining amortization period	30 years as of October 1, 2005
Actuarial value of assets	The market value of assets less unrecognized returns in each of the last five years, but no earlier than October 1, 2005. Initial unrecognized return is equal to the difference between the actual market return and expected market return, and is recognized over a five-year period. The actuarial value is further adjusted, if necessary, to be within 20% of the market value. The actuarial asset value was initialized at the market value as of October 1, 2005.
Investment rate of return	8.00%
Projected salary increases	3.825% to 7.255%
Projected postretirement benefit increases	5.00% per year, maximum cumulative increase of 25%.

d. *Component Unit—SLDC*

The SLDC Employees Retirement Plan and Trust (SLDC plan) is a defined contribution plan and became effective January 1, 1989. Required year-ended June 30, 2006 contributions of $267, which amount to 9% of current covered payroll, were made by SLDC. For the year ended June 30, 2006, SLDC's current covered payroll was $2,971 and total payroll amounted to $3,129. Employees are not required to contribute to the SLDC Plan; however, they can contribute up to 5 ½ % of their monthly compensation if they so elect. In order to be eligible under the SLDC Plan, the participant must be a full-time employee, have attained the age of 18, and have completed at least six months of active service. The employees vest at a rate of 33% per annum with full vesting occurring after the end of their third year of service. The SLDC Plan does not hold any employer or related-party securities. All plan investments are self-directed by the respective plan participants, within the limitations of the plan.

11. COMPONENT UNIT—SLPD POSTEMPLOYMENT HEALTHCARE AND LIFE INSURANCE

SLPD is obligated under Chapter 84.160 RSMo to provide healthcare and life insurance benefits for former civilian and commissioned employees who retired subsequent to 1969. Currently, SLPD provides healthcare insurance for 1,208 retirees, while 1,297 retirees were provided life insurance benefits. Under the life insurance plan, retirees are obligated to pay 12.6 cents for every $1,000 (in dollars) of coverage on a monthly basis. SLPD covers healthcare and other life insurance benefits for participants. These costs are accounted for on a pay-as-you-go basis and the cost to SLPD of providing these benefits to retirees was $3,881 (in dollars) per retiree for healthcare and $10 (in dollars) per retiree for life insurance for the fiscal year ending June 30, 2006.

(dollars in thousands)

12. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City and SLPD employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

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

13. LONG-TERM LIABILITIES

a. Changes in Long-Term Liabilities

Following is a summary of the changes in long-term liabilities for the year ended June 30, 2006:

		Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006	Due Within One Year
Governmental activities:						
General obligation bonds payable	$	48,465	—	(3,245)	45,220	3,400
Section 108 Loan Guarantee Assistance Programs		68,220	—	(4,550)	63,670	4,850
Federal Financing Bank advances		765	—	(40)	725	45
Tax increment financing bonds and notes payable		41,678	30,043	(1,935)	69,786	2,997
Master note purchase agreement		121	—	(40)	81	
Loan agreement with Missouri Department of Natural Resources		1,473	782	(338)	1,917	459
Loan agreement with Metro		1,000	—	—	1,000	1,000
Capital lease—rolling stock		5,970	1,990	(754)	7,206	1,877
Capital leases—Obligations with component units		51,015	—	(420)	50,595	440
Leasehold revenue improvement and refunding bonds		340,899	15,485	(32,915)	323,469	20,620
Joint venture financing agreement		68,376	—	(1,053)	67,323	3,261
Unamortized discounts, premiums, and deferred amounts on refunding		(432)	(556)	2	(986)	—
Net pension obligation		47,231	15,480	—	62,711	—
Accrued vacation, compensatory, and sick time benefits		27,339	13,771	(15,267)	25,843	16,746
Landfill closure		243	—	(15)	228	228
Claims and judgments payable		17,404	14,161	(14,546)	17,019	9,561
Governmental activities long-term liabilities	$	719,767	91,156	(75,116)	735,807	65,484

(dollars in thousands)

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

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006	Due Within One Year
Business-type activities:					
Airport:					
Revenue bonds payable	$ 894,735	263,695	(297,345)	861,085	13,960
Net pension obligation	4,650	1,594	—	6,244	—
Other	2,004	—	(354)	1,650	—
Accrued vacation, compensatory, and sick time benefits	5,065	3,214	(3,106)	5,173	5,173
Unamortized discounts, premiums, and deferred amounts on refunding	(261)	15,710	320	15,769	—
Total Airport	906,193	284,213	(300,485)	889,921	19,133
Water Division:					
Revenue bonds payable	34,320	—	(2,500)	31,820	2,645
Customer deposits	1,618	286	—	1,904	—
Net pension obligation	3,079	991	—	4,070	—
Other	396	—	(53)	343	—
Accrued vacation, compensatory, and sick time benefits	3,429	1,251	(1,485)	3,195	3,195
Unamortized discounts, premiums, and deferred amounts on refunding	(1,378)	—	261	(1,117)	—
Total Water Division	41,464	2,528	(3,777)	40,215	5,840
Parking Division:					
Revenue bonds payable	66,264	—	(1,727)	64,537	1,582
Net pension obligation	934	356	—	1,290	—
Accrued vacation, compensatory, and sick time benefits	161	362	(328)	195	195
Unamortized discounts, premiums, and deferred amounts on refunding	(2,528)	—	152	(2,376)	—
Total Parking Division	64,831	718	(1,903)	63,646	1,777
Business-type activities long-term liabilities	$ 1,012,488	287,459	(306,165)	993,782	26,750

b. General Obligation Bonds

In June 1999, the City issued $65,000 Public Safety General Obligation Bonds, Series 1999. The series consisted of $64,305 current interest serial bonds due in the years 2000 through 2008 and 2010 through 2019 with rates ranging from 4% to 5.125%. The 2009 maturity is entirely capital appreciation bonds in the amount of $695 sold to yield 5.15% and mature at $3,655 (collectively, the

(dollars in thousands)

Series 1999 bonds). The proceeds of the Series 1999 bonds are being used as follows: (i) $44,000 for new fire equipment, new fire communication equipment, reconstruction and renovation of various existing fire houses, and new construction of fire houses; (ii) $10,000 for new police laboratory equipment, reconstruction, and renovation of existing police buildings, and; (iii) $11,000 for demolition and abatement of various abandoned or condemned buildings under the control of the City. The Series 1999 bonds are payable from ad valorem taxes to be levied without limitation as to rate or amount upon all taxable, tangible property, real, and personal property within the City. The principal and interest on the Series 1999 bonds is guaranteed under a municipal bond new issue insurance policy issued by Financial Guaranty Insurance Company. Principal payments are made from other governmental funds.

On June 15, 2005, the City issued $37,555 in General Obligation Refunding Bonds, Series 2005, with an average interest rate of 4.48% to refund $37,710 in outstanding Series 1999 General Obligation Bonds with an average interest rate of 5.09%. The net proceeds of $39,621 (after the addition of a $2,645 premium and less a payment of $550 in issuance costs and a $29 discount), along with $642 of City funds, were deposited with the Escrow Agent to be applied on June 16, 2005 to the redemption of the Series 1999 bonds. After the refunding transaction, $10,215 in current interest Series 1999 bonds and $695 in capital appreciation Series 1999 bonds remained outstanding.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $1,911. This difference, reported in the accompanying financial statements as a reduction of bonds payable, is being charged to operations through year 2019 using the straight-line method, which approximates the effective interest method.

Principal and interest requirements are as follows:

		Principal	Interest	Total
Year ending June 30:				
2007	$	3,400	2,020	5,420
2008		3,570	1,856	5,426
2009		695	4,640	5,335
2010		3,085	1,680	4,765
2011		3,195	1,579	4,774
2012 – 2016		18,125	5,803	23,928
2017 – 2019		13,150	1,264	14,414
	$	45,220	18,842	64,062

c. Section 108 Loan Guarantee Assistance Programs

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

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

(dollars in thousands)

During 2001, the City issued a note in the amount of $50,000 for the Downtown Convention Headquarters Hotel project. Additionally, during 2001, the City received $5,000 in an advance funding draw for the Darst-Webbe Housing Redevelopment project. The $50,000 note is intended to spur redevelopment in the downtown area. The $50,000 note is a 20-year note at a variable rate of interest. The $5,000 received during 2001 was an advance funding draw note related to the $20,000 Darst-Webbe Housing Redevelopment project. During 2002, the City finalized each of the three loans at fixed rates ranging from 3.66% to 6.62%, and received the remaining $15,000 draw for the Darst-Webbe Housing Redevelopment project, as well as the $10,000 funding for neighborhood projects. The Darst-Webbe note is a 20-year note with final payment due in fiscal 2021.

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

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

		Principal	Interest	Total
Year ending June 30:				
2007	$	4,850	3,756	8,606
2008		2,740	3,557	6,297
2009		2,920	3,402	6,322
2010		3,110	3,234	6,344
2011		3,300	3,051	6,351
2012 – 2016		19,840	11,956	31,796
2017 – 2021		26,910	4,623	31,533
	$	63,670	33,579	97,249

d. Federal Financing Bank Advances

Federal Financing Bank Advances represent promissory notes issued by the Federal Financing Bank to the City for redevelopment projects. These notes were issued under Section 108 of the Housing and Community Development Act of 1974. Interest is payable semiannually based on rates established by the secretary of the treasury on the dates the notes are made. These notes and the related interest will be repaid from intergovernmental revenues of the grants fund. In 1997, the City signed a new contract and loan agreement under Section 108 in the amount of $1,000. The proceeds were used to fund a portion of a multi-modal distribution center, which integrates trucking, railway, and waterway transportation and distribution channels. The loan initially consisted of 20 variable rate notes, due in July of each year, to be retired over the 20 years ending July 2016. Interest, payable semiannually and calculated monthly, is based on the variable rate of LIBOR plus 0.2%. In October 1997, the notes were changed to fixed rates with interest due in February and August of each year. The notes currently bear interest at rates ranging from 5.87% to 7.08%.

(dollars in thousands)

Principal and interest requirements are as follows:

		Principal	Interest	Total
Year ending June 30:				
2007	$	45	48	93
2008		50	45	95
2009		50	42	92
2010		55	38	93
2011		60	35	95
2012 – 2016		375	101	476
2017		90	3	93
	$	725	312	1,037

e. Tax Increment Financing Bond and Notes Payable

In 1991, the City issued $15,000 in tax increment financing (TIF) bonds (Series 91 TIF Bonds) to provide funds to enable the City to acquire certain land and, upon such land, among other things, to widen and improve an existing street. Other governmental funds are used to account for the revenues, expenditures, including debt service, and other activities related to the Series 91 TIF Bonds. The Series 91 TIF Bonds constitute special obligations of the City, and are payable from payments in lieu of taxes from owners or property within the Scullin Redevelopment Tax Increment Financing Area (the 91 Area). In the event these payments are not sufficient to meet the debt service requirements, the Series 91 TIF Bonds are payable, first, from the additional tax revenue generated by increases in economic activities in the 91 Area, other than personal property tax revenue, and, second, from any moneys legally available in the City's general fund. During 2005, $620 of payments in lieu of taxes and $679 in economic activity taxes were received. The Series 91 TIF Bonds bear interest at the rate of 10% per year, mature on August 1, 2010, and are subject to mandatory redemption prior to maturity.

Additionally, from time to time, the City issues tax increment financing bonds and notes payable to developers in conjunction with various redevelopment projects throughout the City. These are special limited obligations of the City, payable solely from the payments in lieu of taxes and increased economic activity taxes generated by the redevelopment areas. No other City moneys are pledged to repay these bonds and notes and, should these financing sources be insufficient to repay the bonds and notes prior to their stated maturity dates, the City's obligation under the bonds and notes will cease. As of June 30, 2006, the City had $69,786 in TIF bonds and notes payable outstanding, at interest rates ranging from 5.75% to 9.5%, payable in various installments through 2026. The City issued $30,043 in TIF bonds and notes payable during fiscal year 2006.

(dollars in thousands)

Principal and interest requirements for the tax increment financing debt issues are as follows:

	Series 91 TIF Bonds		TIF Bonds and Notes	
	Principal	**Interest**	**Principal**	**Interest**
Year ending June 30:				
2007	$ 1,160	647	1,837	4,555
2008	1,275	525	1,970	4,422
2009	1,405	391	2,112	4,279
2010	1,545	244	2,266	4,125
2011	1,665	83	2,418	3,961
2012 – 2016	—	—	13,329	17,000
2017 – 2021	—	—	16,725	11,851
2022 – 2026	—	—	19,949	5,045
2027 – 2028	—	—	2,130	264
	$ 7,050	1,890	62,736	55,502

f. Master Note Purchase Agreement

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

In November 2001, the SLMFC, the City, and Fannie Mae amended the Series 2000 Note. Under the amendment, Fannie Mae purchased a Series 2001 Note in the amount of $460 from SLMFC. The amendment required the City to provide an additional deposit of $130 into a Series 2001 Note reserve account, and required SLMFC to pledge all payments of principal and interest from the homeowners as payment for the Series 2001 Note. A portion of the proceeds of the Series 2001 Note, along with a portion of the Series 2000 Note reserve account, was used to prepay a portion of the Series 2000 Note in the amount of $650. A portion of the Series 2001 Note provided additional funds for the CHIPS. The Series 2001 Note bears interest at the rate of 5.21% per annum and will mature on December 1, 2012, subject to prepayment based upon the payment of the second loans to homeowners. As of June 30, 2006, the balance of the note outstanding is $81.

g. Loan Agreement with Missouri Department of Natural Resources (DNR)

In July 2001, the City agreed to enter into a loan agreement with the DNR pursuant to the Missouri Energy Efficiency Leveraged Loan Program in the amount of $2,000 at an annual interest rate of

(dollars in thousands)

4.35%. The proceeds of the loan are to be used to complete energy conservation measures designated as approved by the DNR. During fiscal year 2004, the City made draws of $1,953 against the loan agreement. The purpose of this funding is to convert signal lights to LED fixtures resulting in a projected savings of $395 per year in electricity costs.

In April 2003, the City agreed to enter into a second loan agreement with the DNR pursuant to the Missouri Energy Efficiency Leveraged Loan Program in the amount of $1,613 at an annual interest rate of 2.95%. The proceeds of the loan are to be used to complete energy conservation measures designated as approved by the DNR.

In December 2005, the City entered into another agreement with the Missouri DNR (pursuant to the Energy Efficiency Leverage Loan Program) for the amount of $782 of which $9 was loan origination fee and the remaining $773 was the actual proceeds. The proceeds will be utilized for the purchase and installation of signal and walk lights throughout various locations in the City. The payments are due in semi-annual installments from 2007 to 2013 with an annual interest rate of 2.85%.

Principal and interest requirements under the loan agreement with the DNR are as follows:

		Principal	Interest	Total
Year ending June 30:				
2007	$	459	68	527
2008		481	47	528
2009		499	28	527
2010		158	13	171
2011		125	8	133
2012 – 2013		195	6	201
	$	1,917	170	2,087

h. Loan Agreement Metro

In July 2004, the City entered into an agreement with Bi-State Development Agency of Missouri-Illinois Metropolitan District doing business as Metro. The agreement provided for Metro to advance the City $1,000, interest free, for the replacement of the Landowne Bridge over River Des Peres. The City agreed to repay Metro on December 31, 2006 by appropriating funds in fiscal years 2005 and 2006.

Principal and interest requirements under the loan agreement with Metro are as follows:

		Principal	Interest	Total
Year ending June 30:				
2007	$	1,000	—	1,000
	$	1,000	—	1,000

(dollars in thousands)

i. Component Unit—SLDC Long-Term Liabilities

The following is a summary of changes in long-term liabilities for SLDC for the year ended June 30, 2006:

		Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006	Due Within One Year
Due to other governmental agencies	$	9,093	821	1,128	8,786	1,448
Notes payable		7,081	19	5,027	2,073	72
Other liabilities		2,452	2,706	1,415	3,743	1,569
Revenue bonds		13,060		285	12,775	310
	$	31,686	3,546	7,855	27,377	3,399

Maturities on notes payable are as follows:

		Principal	Interest	Total
Year ending June 30:				
2007	$	73	3	76
2008		—	—	—
2009		—	—	—
2010		2,000	—	2,000
	$	2,073	3	2,076

Revenue bonds outstanding at June 30, 2006 consist of LCRA Parking Facility Revenue Bonds Series 1999A (Series 1999A bonds), Parking Facility Revenue Refunding Bonds Series 1999B (Series 1999B bonds), and Parking Facility Revenue Refunding and Improvement Bonds Series 1999C (Series 1999C bonds) (Bonds). Collectively, the Bonds are dated October 21, 1999.

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

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

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

(dollars in thousands)

Debt service requirements to maturity for SLDC revenue bonds are as follows:

	Series 1999A		Series 1999B		Series 1999C	
	Principal	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
Year ending June 30:						
2007	$ 310	115	—	569	—	214
2008	335	86	—	569	—	214
2009	365	55	—	569	—	214
2010	425	19	220	562	—	214
2011	—	—	430	541	—	214
2012 – 2016	—	—	2,580	2,228	—	1,072
2017 – 2021	—	—	5,070	969	—	1,072
2022 – 2025	—	—	—	—	3,040	478
	$ 1,435	275	8,300	6,007	3,040	3,692

j. Component Unit— SLPD Long-Term Liabilities

The following is a summary of changes in long-term liabilities for SLPD for the year ended June 30, 2006:

	Balance June 30, 2005	**Additions**	**Reductions**	**Balance June 30, 2006**	**Due Within One Year**
Accrued banked overtime, vacation, and sick time leave	$ 27,725	7,224	6,912	28,037	5,875
Capital lease obligation	4,342	109	1,262	3,189	1,280
Workers' compensation	45,968	—	5,182	40,786	4,900
Net pension obligation	4,362	1,580	—	5,942	—
	$ 82,397	8,913	13,356	77,954	12,055

(dollars in thousands)

Police Patrol Buildings

In December 1987, SLPD entered into a lease-purchase agreement with the Missouri Economic Development, Export and Infrastructure Board (MEDB). In June 1994, the MEDB issued $13,725 of Leasehold Revenue Bonds, Series 1994 (SLPD Series 1994 Bonds). In February 2003, the Industrial Development Authority of the St. Louis Development Corporation (IDA) issued $6,665 in Series 2003 Leasehold Refunding Revenue Bonds (Series 2003 Bonds). Proceeds from the Series 2003 bonds were used to defease the previously issued Series 1994 Bonds.

The IDA acquired the police patrol buildings from the MEDB and leased them to SLPD in a lease purchase agreement dated February 1, 2003. Lease payments are payable from tax proceeds generated from the capital improvements sales tax, a 1/2 cent City sales tax increase approved by the voters on August 3, 1993. The Series 2003 Bonds are not legal obligations of SLPD or the City, but are to be paid by the lease payments described below:

		Principal	Interest	Total
Year ending June 30:				
2007	$	1,255	55	1,310
2008		1,945	21	1,966
		3,200	76	3,276
Unamortized premium		31		
Unamortized deferred amount on refunding		(93)		
	$	3,138		

Automotive Equipment

In September 2005, the SLPD entered into a lease-purchase agreement for the purchase of automotive equipment. Upon conclusion of the lease, the SLPD will attain title to the equipment. The SLPD's future lease payments under this lease-purchase are as follows:

		Principal	Interest	Total
Year ending June 30:				
2007	$	25	3	28
2008		26	1	27
	$	51	4	55

14. CAPITAL LEASES

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

a. Capital Lease—Rolling Stock

In March 2000, the City entered into a capital lease agreement with Banc One Leasing Corporation in the amount of $9,000 at a rate of 5.8%. Proceeds of the lease are to be used to purchase certain rolling stock, such as dump trucks and refuse trucks. In September 2002, the City refinanced its existing capital lease agreement with Banc One Leasing Corporation resulting in a new balance of $7,889. This revised capital lease agreement supercedes the capital lease agreement entered into during March 2000. In addition to refinancing the existing lease, the proceeds of the lease are to be used to purchase certain rolling stock, such as dump trucks and refuse trucks, and computer software and hardware. The lease agreement payments are due in semi-annual installments from 2003 through 2009 with an annual interest rate of 3.6%.

In June 2003, the City amended its capital lease agreement with Banc One Leasing Corporation to increase the capital lease by $4,002 in order to finance the acquisition of additional rolling stock. This portion of the capital lease is due in annual installments from 2004 through 2018 with an annual interest rate of 4.78%.

On July 7, 2004, the City amended its capital lease agreement with Banc One Leasing Corporation to increase the capital lease by $851 in order to finance the acquisition of additional rolling stock. This portion of the capital lease is due in annual installments from 2005 through 2007 with an annual interest rate of 3.19%.

In September 2005, the City amended its capital lease agreement with Chase Equipment Leasing Inc. resulting in new debt of $942. This capital lease agreement is included as part of the capital lease agreement entered into in March of 2000. The proceeds of the lease are to be used to purchase computer equipment. The lease agreement payments are due in semi annual installments from 2006 through 2009 with an annual interest rate of 3.9%.

In February 2006, the City amended its lease agreement with Chase Equipment Leasing Corporation resulting in new debt of $1,048. The proceeds of the lease are to be used to purchase equipment for a new 911 emergency system. The lease agreement payments are due in semi annual installments from 2007 to 2011 with an annual interest rate of 4.88%.

(dollars in thousands)

Principal payments of $754 were made on these lease agreements in fiscal year 2006. The following is a schedule of future minimum lease payments as of June 30, 2006.

Year ending June 30:		
2007	$	2,176
2008		1,360
2009		1,042
2010		750
2011		627
2012 – 2016		1,939
2017 – 2018		776
Total future minimum lease payments		8,670
Amount representing interest		(1,464)
Present value of net minimum lease payments	$	7,206

Capital assets (equipment) of $12,648 are recorded by the City on its statement of net assets in conjunction with these capital leases.

b. Capital Lease—Kiel Site Project—Obligation with Component Unit

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

SLDC subleases the Kiel Premises back to the City. In 1998, SLDC issued two series of bonds for the purpose of refunding the outstanding bonds on which the City's lease payments were based. Pursuant to the master lease agreement, the lease payments made by the City are to be used by SLDC to fund annual debt service payments for SLDC's Kiel Site Lease Revenue Refunding Bonds, Series 1997A and B in the original amount of $13,605. The Series 1997A and B bonds were issued by SLDC in September 1997, and the proceeds were used to retire SLDC's Station East Redevelopment Project Lease Revenue Bonds, Series 1990 and 1992. The capital lease obligation is recorded as a long-term liability. The City's lease payments are payable from the general fund.

(dollars in thousands)

The following is a schedule, by years, of the future minimum lease payments together with the present value of the net minimum payments for the Kiel Premises as of June 30, 2006.

Year ending June 30:		
2007	$	970
2008		973
2009		970
2010		944
2011		996
2012 – 2016		4,834
2017 – 2021		5,048
2022		980
Total future minimum lease payments		15,715
Amount representing interest		(5,120)
Present value of net minimum lease payments	$	10,595

No capital assets are recorded by the City on its statement of net assets in conjunction with this capital lease due to the proceeds of this obligation being used for demolition and site preparation.

c. Capital Lease—Convention Center Hotel—Obligation with Component Unit

The City is subject to a Third Supplemental and Restated Lease Purchase Agreement (the Agreement) between the City, SLMFC and SLDC, whereby SLMFC leases the Convention Center to the City. In 2000, SLDC issued Series 2000 Compound Interest Leasehold Revenue Bonds (Series 2000 Bonds) in the amount of $40,000 for the purpose of providing funding for the construction of a convention center hotel within the vicinity of the Convention Center. Under the Agreement, SLMFC has assigned its rights under the lease relative to the Series 2000 Bonds to SLDC. The City is required, beginning on July 15, 2011, to make lease payments to SLDC to fund the annual debt service payments for the Series 2000 Bonds. The City's obligation to make these lease payments to SLDC is subordinate to the City's obligation to meet the debt service requirements of the Series 1993A and Series 2003 Convention Center Leasehold Revenue Bonds (see note 15).

(dollars in thousands)

The capital lease obligation is recorded as a long-term liability. The City's lease payments are payable from the capital projects fund. The following is a schedule, by years, of the future minimum lease payments together with the present value of the net minimum payments for the capital lease as of June 30, 2006.

Year ending June 30:		
2007	$	—
2008		—
2009		—
2010		—
2011		3,525
2012 – 2016		35,575
2017 – 2020		61,180
Total future minimum lease payments		100,280
Amount representing interest		(60,280)
Present value of net minimum lease payments	$	40,000

No capital assets are recorded by the City on its statement of net assets in conjunction with this capital lease due to the proceeds of this obligation being used for construction of a convention center hotel that is not owned by the City.

15. LEASEHOLD REVENUE IMPROVEMENT AND REFUNDING BONDS

a. Civil Courts

On June 1, 2003, the SLMFC issued $23,400 in Leasehold Revenue Refunding Bonds (Series 2003A) with an average interest rate of 4.02% to advance refund $22,480 of Series 1994 Bonds with an average interest rate of 6.08%. The net proceeds of $24,434 (after the addition of a $1,811 premium less a payment of $777 in issuance costs) were deposited with the escrow agent under the escrow deposit agreement and, together with interest earnings thereon, were applied to the payment of principal and interest on the Series 1994 Bonds maturing on August 1, 2003 and 2004, and to the redemption on August 1, 2004 of the remaining Series 1994 Bonds.

b. Convention Center

On July 15, 1993, SLMFC issued $144,362 in Leasehold Revenue Refunding Bonds (Series 1993A Bonds). The Series 1993A Bonds were issued to refund bonds previously issued by SLDC (SLDC Bonds). Pursuant to the SLDC Bonds, SLDC held title to the Convention Center. Once the proceeds of the Series 1993A Bonds were deposited in an irrevocable trust to pay the principal and interest on the outstanding SLDC Bonds and certain other conditions were satisfied, the Convention Center property was conveyed to SLMFC. The Series 1993A Bonds consisted of current interest bonds ($51,330 serial bonds and $90,465 term bonds) and compound interest bonds with an initial offering price of $2,567 and a final maturity amount on July 15, 2014 of $9,615. The yield to maturity for the compound interest bonds at the initial offering price was 6.4%. Lease payments calculated to meet the principal, interest, and other costs related to the Series 1993A Bonds are paid for in the City's general fund.

On April 15, 2003, the SLMFC issued $118,575 in Leasehold Revenue Refunding Bonds (Convention Center Project) with an average interest rate of 4.67% to advance refund the current interest bonds portion of the Series 1993A Bonds with an average interest rate of 5.87%. The net proceeds of $125,373 (after the addition of a $9,439 premium less a payment of $2,641 in issuance cost) were deposited with the escrow agent under the escrow deposit agreement, and were applied on July 15, 2003 to the redemption of the $119,960 of Series 1993A current interest leasehold revenue bonds. Thus, as of June 30, 2006, only the compound interest bonds of the Series 1993A Bonds remain outstanding.

On May 26, 2005, the SLMFC issued Series 2005A and B Compound Interest Leasehold Revenue Bonds in the amount of $44,998 for the purpose of providing funding for the construction of the Convention Center Hotel, in addition to making debt service payments for other ongoing projects, within the vicinity of the Convention Center. Principal payments plus compounded interest (4.66%) will be made July 15, 2021 through 2030. The final maturity amounts on bonds are $54,050 and $62,430 for the Series 2005A and 2005B, respectively.

c. Justice Center

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

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

Proceeds from the Series 1996A Bonds were used to construct the City Justice Center, which replaced the former municipal jail that has been demolished and will house a total of 732 prisoners. The facility is a major addition to the City’s justice system, bringing total detention capacity to over 1,500 beds. The City Justice Center site is located east of City Hall, south of the city-owned Carnahan Building, and west of the Thomas F. Eagleton Federal Courthouse. The City Justice Center is designed to meet standards established by the American Correctional Association.

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

On September 1, 2001, the SLMFC issued $62,205 in City Justice Center Leasehold Revenue Bonds (Series 2001A bonds) with an average interest rate of 4.93% to advance refund $58,115 of Series 1996A Bonds with an average interest rate of 5.93%. As a result, this portion of the Series 1996A Bonds are considered to be defeased, and the liability for those bonds has been removed from the basic financial statements.

On September 1, 2005, the SLMFC issued $15,485 in Justice Center Leasehold Revenue Refunding Bonds, Series 2005 with an average interest rate of 4.56% to advance refund $14,360 in Series 2000A Leasehold Revenue Bonds with an average interest rate of 6.09%. The net proceeds of $15,421 were used to purchase investments that mature at such times in amounts that will be sufficient to pay the principal of, redemption premium, if any, and accrued interest on the Series 2000A refunded bonds.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $1,061. This difference, reported in the accompanying financial statements as a reduction of bonds payable, is being charged to operations through 2020 using the straight-line method, which approximates the effective interest method.

The City advance refunded the Series 2000A bonds to reduce its total debt service payments over the next 10 years by approximately $528 and to obtain an economic gain of $518.

The principal amount of the bonds outstanding is recorded as a long-term liability of the City. The City's payments for debt service are payable from the capital projects fund.

d. Forest Park

On December 1, 2004, the SLMFC issued $16,400 in Leasehold Revenue Refunding Bonds (Series 2004) with an average interest rate of 4.23% to advance refund $16,120 of outstanding Series 1997 Forest Park Leasehold Revenue Improvement Bonds with an average interest rate of 5.45%. The net proceeds of $16,349 (after the addition of a $428 premium and less a payment of $479 in issuance costs) plus $717 in City funds were deposited with the escrow agent under the escrow deposit agreement, and, together with interest earnings thereon, be applied to the payment of principal, premium, if any, and interest on the Series 1997 Bonds to their stated maturity or their February 15, 2006 redemption date, as the case may be. As a result, the Series 1997 bonds are considered defeased, and the liability for those bonds have been removed from the financial statements.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $938. This difference, reported in the accompanying financial statements as a reduction of bonds payable, is being charged to operations through the year 2022 using the straight-line method, which approximates the effective interest method.

e. Firemen's System

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

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

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

f. Carnahan Courthouse

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

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

(dollars in thousands)

g. Principal and Interest Requirements

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

	Civil Courts		Firemen's System	
	Principal	**Interest**	**Principal**	**Interest**
Year ending June 30:				
2007	$ 1,985	769	$ 2,325	784
2008	2,075	677	2,475	629
2009	2,155	589	2,635	465
2010	2,255	493	2,805	288
2011	2,360	381	2,990	98
2012 – 2015	7,730	466	—	—
	$ 18,560	3,375	$ 13,230	2,264

	Justice Center		Forest Park	
	Principal	**Interest**	**Principal**	**Interest**
Year ending June 30:				
2007	$ 5,980	5,144	$ 740	632
2008	6,285	4,836	760	610
2009	6,620	4,507	785	587
2010	6,925	4,202	805	563
2011	7,250	3,875	835	533
2012 – 2016	45,310	12,803	4,665	2,187
2017 – 2021	25,555	2,190	5,780	1,069
2022	—	—	1,315	56
	$ 103,925	37,557	$ 15,685	6,237

(dollars in thousands)

	Carnahan Courthouse		Convention Center	
	Principal	Interest	Principal	Interest
Year ending June 30:				
2007	$ —	1,139	$ 9,590	4,764
2008	—	1,139	13,445	4,277
2009	—	1,139	11,675	3,688
2010	—	1,139	12,915	3,094
2011	—	1,139	14,035	2,428
2012 – 2016	3,320	5,509	43,662	11,012
2017 – 2021	6,885	4,045	3,459	3,815
2022 – 2026	8,825	2,099	25,177	35,488
2027 – 2030	2,710	140	16,371	32,179
	$ 21,740	17,488	$ 150,329	100,745

16. JOINT VENTURE FINANCING AGREEMENT

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

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

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

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

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

The Authority entered into a Project Financing Construction and Operation Agreement (Financing Agreement) dated August 1, 1991 with the City, State, and County (collectively, the Sponsors) providing for the application of the proceeds of the Project Bonds, for the repayment of the Project Bonds, and for the operation and maintenance of the Project. Pursuant to the Financing Agreement, the

(dollars in thousands)

Authority will lease the Project to the Sponsors who will sublease the project back to the Authority. The rental payments made by the Sponsors under the Financing Agreement are designed o t be sufficient to pay the principal and interest on the Project Bonds. The preservation payments to be made by the Sponsors under the Financing Agreement will be used to pay for repairs and replacement of major Project components and renovation necessary to maintain the Project. A portion of the preservation payments from each sponsor was deposited to the bond fund of the Authority each year from 1994 through 1999 to pay principal and interest on the Project Bonds. On August 1 and February 1 of each year, the City is obligated (subject to appropriations) to make rental payments of $2,500 and preservation payments of $500 regardless of the principal and interest payments due.

At June 30, 2006, the City's obligation for the Series C Bonds and net preservation payments (after deposits to the bond fund) payable from the general fund under the Financing Agreement is as follows:

		Principal	Interest	Preservation Payments	Total
Year ending June 30:					
2007	$	2,200	2,739	1,061	6,000
2008		2,310	2,630	1,060	6,000
2009		2,420	2,513	1,067	6,000
2010		2,540	2,387	1,073	6,000
2011		2,670	2,252	1,078	6,000
2012 – 2016		15,650	8,893	5,457	30,000
2017 – 2021		20,300	4,130	5,570	30,000
2022		4,725	133	(1,858)	3,000
	$	52,815	25,677	14,508	93,000

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

(dollars in thousands)

17. REVENUE BONDS PAYABLE

a. Airport

Bonds outstanding at June 30, 2006 are summarized as follows:

Bond Series 1996, interest rates ranging from 5.25% to 5.35%, payable in varying amounts through 2008	$	8,340
Bond Series 1997, interest rates ranging from 5.25% to 6%, payable in varying amounts through 2028		149,435
Bond Series 1998, interest rates ranging from 4.0% to 5.13%, payable in varying amounts through 2016		59,090
Bond Series 2001A, interest rates ranging from 4.13% to 5.63%, payable in varying amounts through 2027		209,205
Bond Series 2002, Series A, B, and C, interest rates ranging from 2.50% to 5.50%, payable in varying amounts through 2033		100,980
Bond Series 2003A, interest rates ranging from 2.38% to 5.25%, payable in varying amounts through 2019		70,340
Bond Series 2005, interest rate ranging from 4.00% to 5.50%, payable in varying amounts through 2032		263,695
		861,085
Less:		
Current maturities		(13,960)
Unamortized discounts and premiums		41,943
Deferred amounts on refunding		(26,174)
	$	862,894

On July 7, 2005, the Airport issued $263,695 in Series 2005 Revenue Refunding Bonds with an average interest rate of 5.47 percent to advance refund $37,575 of outstanding 1997A Series Revenue Refunding bonds, $225,980 of outstanding 2001A Series Revenue Refunding bonds, and $10,400 of outstanding 2002A Series Revenue Refunding bonds with an average interest rate of 5.31 percent. The net proceeds of $293,331 (after the addition of a net issue premium of $39,522 and payment of $9,886 in underwriting fees, insurance and other issuance costs) plus an additional $6,095 of 1997A and 2001A Series debt service monies were deposited into an irrevocable trust with an escrow agent to provide for the refunded debt service payments. At June 30, 2006, $37,575 of 1997A Series Revenue Refunding bonds, $225,980 of 2001A Series Revenue Refunding bonds, and $10,400 of 2002A 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 advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $23,812. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2031 using the bonds outstanding method. The Airport completed the advance refunding to reduce its total debt service payments over the next 25 years by $16,536 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $3,432.

(dollars in thousands)

The deferred amounts on refunding of $26,174 at June 30, 2006, relate to the refunded Bond Series 1984, Bond Series 1987, Bond Series 1992, Bond Series 1997A, Bond Series 2001A, Bond Series 2002A, Bond Series 2003A, and Bond Series 2003B and are included in revenue bonds payable. The deferred amounts on refunding are amortized as a component of interest expense using the bonds outstanding method over the life of the new bonds.

Management of the Airport is not aware of any violations of significant bond covenants with respect to the above issues at June 30, 2006.

As of June 30, 2006, the Airport's aggregate debt service requirements for the next five years and in five-year increments thereafter are as follows:

		Principal	Interest	Total
Year ending June 30:				
2007	$	13,960	44,723	58,683
2008		25,090	43,810	68,900
2009		21,725	42,667	64,392
2010		21,670	41,530	63,200
2011		24,015	40,317	64,332
2012 – 2016		172,030	177,690	349,720
2017 – 2021		181,790	128,534	310,324
2022 – 2026		178,415	82,033	260,448
2027 – 2031		178,875	35,000	213,875
2032 – 2033		43,515	1,493	45,008
	$	861,085	637,797	1,498,882

In the current and 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 financial statements. At June 30, 2006, $332,640 of outstanding revenue bonds are considered defeased.

(dollars in thousands)

b. Water Division

Water revenue bonds outstanding at June 30, 2006 are payable solely from, and secured by, a pledge of net revenues from the operation of the Water Division and are summarized as follows:

Series 1994 Water Revenue Bonds, 5.85% to 5.95%,		
Payable in varying amounts through July 1, 2006	$	2,645
Series 1998 Water Revenue Bonds, 4.1% to 4.75%		
Payable in varying amounts through July 1, 2014		29,175
		31,820
Less:		
Current maturities		(2,645)
Deferred amount on refunding of a portion of the 1994 Water Revenue Bonds		(1,046)
Unamortized discounts		(71)
	$	28,058

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

		Principal	Interest	Total
Year ending June 30:				
2007	$	2,645	1,286	3,931
2008		2,850	1,169	4,019
2009		3,300	1,032	4,332
2010		3,440	887	4,327
2011		3,585	732	4,317
2012-2015		16,000	1,162	17,162
	$	31,820	6,268	38,088

(dollars in thousands)

c. Parking Division

Revenue bonds outstanding at June 30, 2006 are as follows:

Series 1996 Revenue Bonds, interest rates ranging from 4.2% to 5.375%, payable in varying amounts through 2021	$	22,085
Series 1999 Revenue Bonds, interest rates ranging from 5.75% to 7.375%, payable in varying amounts through 2021		9,805
Series 2002 Revenue Bonds, interest rates ranging from 5.50% to 7.25% payable in varying amounts through 2028		20,170
SLPCFC Series 2003A tax exempt revenue bonds interest rates variable not to exceed 12% payable in varying amounts through 2028		5,745
SLPCFC Series 2003B taxable revenue bonds interest rates variable not to exceed 5% payable in varying amounts through 2038		6,732
		64,537
Less:		
Current maturities		(1,582)
Unamortized discount and deferred loss on refunding		(2,376)
	$	60,579

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

		Principal	Interest	Total
Year ending June 30:				
2007	$	1,582	3,503	5,085
2008		1,635	3,412	5,047
2009		2,051	3,305	5,356
2010		2,179	3,182	5,361
2011		2,318	3,057	5,375
2012 – 2016		13,921	13,178	27,099
2017 – 2021		18,192	8,870	27,062
2022 – 2026		14,792	3,761	18,553
2027 – 2031		4,914	1,306	6,220
2032 – 2036		2,113	529	2,642
2037 – 2038		840	62	902
	$	64,537	44,165	108,702

(dollars in thousands)

18. SHORT-TERM DEBT

a. City

Short-term debt activity for the year ended June 30, 2006 was as follows:

	Balance June 30, 2005	Issued	Redeemed	Balance June 30, 2006
Tax revenue anticipation notes	$ —	45,000	(45,000)	—

b. Airport

On May 1, 2004, the City's Board of Alderman authorized the Airport to issue Commercial Paper Notes, 2004 Program, in an aggregate principal amount not to exceed $125,000 outstanding at any one time. As of June 30, 2006, commercial paper of $1,000 was outstanding. This commercial paper bore interest at rate of 3.64% and was due on July 5, 2006.

Following is a summary of the changes in commercial paper payable for the Airport for the year ended June 30, 2006:

	Balance June 30, 2005	Issued	Redeemed	Balance June 30, 2006
Commerical paper payable	$ 1,000	4,000	(4,000)	1,000

19. FORWARD PURCHASE AGREEMENTS

a. Objective of the Forward Purchase Agreements

The Airport, Water Division, and Parking Division have entered into 11 forward purchase agreements with financial institutions, which guarantee a fixed rate of return on the invested proceeds of the debt service and debt service reserve funds of certain revenue bond issuances. The Airport, Water Division, and Parking Division entered into these agreements in order to ensure that their investments will earn a guaranteed rate of interest regardless of fluctuations in market interest rates.

(dollars in thousands)

b. Terms

The terms of Airport forward purchase agreements I – VI are as follows:

	Airport I	Airport II	Airport III	Airport IV	Airport V	Airport VI
Date of origin	June 1995	September 1997	October 2000	December 2003, as amended July 2005	December 2003	December 2003, as amended July 2005
Underlying bond account(s)	Series 1996, Series 2002C, Series 2003B debt service	Series 1997 debt service reserve	Series 2003A debt service reserve	Series 1997 A, Series 2005 debt service reserve	Series 1997B debt service	Series 2001A, Series 2005 debt service
Guaranteed interest rate	6.34%	6.18%	6.47%	5.34%	5.35%	5.432%
Lump sum payment received at beginning of agreement	$7,209	N/A	N/A	N/A	N/A	N/A
Date of termination (upon maturity of bond series)	2015	2027	2008	2027	2027	2031
Notional amount (representing balance in applicable accounts)	$5,387	$14,970	$7,034	$6,875	$20,494	$13,333
Obligation (representing the unamortized portion of lump sum payment) recorded on the statement of fund net assets at June 30, 2005	$1,032	N/A	N/A	N/A	N/A	N/A

(dollars in thousands)

The terms of Airport forward purchase agreements VII - IX, the Water Division forward purchase agreement, and the Parking Division forward purchase agreement are as follows:

	Airport VII	Airport VIII	Airport IX	Water Division	Parking Division
Date of origin	December 2003, as amended July 2005	December 2003	December 2003	February 1996	August 1997
Underlying bond account(s)	Series 2002A debt service	Series 2002B debt service	Series 2003A debt service reserve	Series 1994 and Series 1998 debt service	Series 1996 debt service reserve and parking trust fund
Guaranteed interest rate	5.473%	5.332%	5.579%	6.20%	5.51%
Lump sum payment received at beginning of agreement	N/A	N/A	N/A	$941	N/A
Date of termination (upon maturity of bond series)	2032	2032	2018	2014	2021
Notional amount (representing balance in applicable accounts)	$2,831	$1,389	$1,698	$3,559	$7,742
Obligation (representing the unamortized portion of the initial lump sum payment) recorded on the statement of fund net assets	N/A	N/A	N/A	$343	N/A

In July 2005, forward purchase agreements IV, VI, VII were amended to replace Bond Series 1997A, Bond Series 2001A, and Bond Series 2002A, respectively, with Bond Series 2005 bonds defeased with the issuance of the Series 2005 Bonds. No payments were made in consideration of this amendment.

For the Airport forward purchase agreement I and the Water Division forward purchase agreement, in exchange for the lump-sum payment received, the City has contracted to buy qualified eligible securities from financial institutions every month until the bonds mature, are called, or are refinanced.

(dollars in thousands)

These institutions receive the actual interest earned on the securities purchased every month. The difference between the fixed interest rate earned by the City and the variable interest rate paid to the financial institution is recorded as a net adjustment to net interest expense.

For Airport forward purchase agreements II through IX and the Parking Division forward purchase agreement, the City has contracted to buy qualified eligible securities from a financial institution on a semiannual basis and the financial institution has guaranteed that the securities will earn a stated rate. To the extent the securities earn a greater rate of return, the City is required to refund the differential to the financial institution, if a lesser rate is earned, the financial institution absorbs the loss.

c. Fair Value

As disclosed above, the City's obligations associated with Airport forward purchase agreement I and the Water Division forward purchase agreement are recorded on the financial statements as other liabilities. This liability represents the unamortized portion of the initial lump-sum payment received pursuant to these agreements.

The fair value of the remaining forward purchase agreements, under which no initial lump-sum payments were received, is not recorded on the financial statements. As of June 30, 2006, these fair values are as follows:

Agreement	Fair Value
Airport II	$ 2,963
Airport III	267
Airport IV	57
Airport V	240
Airport VI	1,050
Airport VII	182
Airport VIII	45
Airport IX	208
Parking Division	348

These fair values were calculated using the following method: the variable rate of return to be retained by the financial institutions was assumed to be the rate of a return available at June 30, 2006 for a U.S. Treasury obligation with a comparable length of time remaining until maturity. The variable rate of return was then subtracted from the fixed rate of return guaranteed, and multiplied by the securities required to be invested under the agreements for all future periods. The resulting differential in future cash flows was discounted to the present at the rate of a return available at June 30, 2006 for a U.S. Treasury obligation with a comparable length of time remaining until maturity.

d. Credit Risk

The forward purchase agreements' fair value represents the credit exposure of the Airport, the Water Division, and the Parking Division to the financial institutions as of June 30, 2006. Should the financial institutions fail to perform according to the terms of the agreement, the Airport, the Water

(dollars in thousands)

Division and the Parking Division face a maximum possible loss equivalent to the agreements' fair value.

e. Interest Rate Risk

The forward purchase agreement exposes the Airport, the Water Division, and the Parking Division to interest rate risk. Should interest rates increase above the levels guaranteed by the agreement, the financial institution, and not the Airport, the Water Division, or the Parking Division, would realize this increase in investment earnings.

f. Termination Risk

Should the Airport, the Water Division, or the Parking Division terminate the agreements or default on their obligations pursuant to the agreements, a termination payment would either be owed to or due from the financial institution, and would be calculated based upon market interest rate conditions at the time of the termination.

20. OPERATING LEASES

a. At June 30, 2006, the City was committed under miscellaneous operating leases for office space and equipment. Future minimum base rental payments under terms of the operating leases are as follows:

Year ending June 30:		
2007	$	995
2008		785
2009		594
2010		466
2011		433
2012 – 2016		2,372
2017 – 2021		538
2022 – 2026		250
2027 – 2028		88
	$	6,521

b. Airport – Use Agreements and Leases with Signatory Air Carriers

Effective January 1, 2006, the Airport entered into new long-term use and lease agreements with signatory air carriers that expires on June 30, 2011. The previous long-term use and lease agreements with signatory air carriers expired on December 31, 2005.

(dollars in thousands)

Under the terms of the use agreements and leases, the air carriers have agreed to pay airfield landing fees; terminal and concourse rentals; hangar, cargo, and maintenance facility rentals; and certain miscellaneous charges in consideration for use of the Airport. The use and lease agreements also require the Airport to make certain capital improvements and to provide maintenance of certain Airport facilities. Payments by the air carriers are determined as follows:

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

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

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

During fiscal year 2006, revenues from signatory air carriers accounted for 60% 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, 2006:

		Signatory	Non-signatory	Total
Airfield	$	41,721	8,068	49,789
Terminal and concourses		21,498	729	22,227
Hangars and other buildings		1,052	30	1,082
Cargo buildings		1,339	26	1,365
	$	65,610	8,853	74,463

(dollars in thousands)

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

Year ending June 30:		
2007	$	17,503
2008		17,225
2009		13,032
2010		7,950
2011		6,731
2012 – 2016		12,644
2017 – 2021		4,719
2022 – 2026		3,576
2027 – 2031		3,562
2032 – 2036		2,493
Total minimum future rentals	$	89,435

The above amounts do not include contingent rentals that may be received under certain leases. Such contingent rentals amounted to $24,527 for the year ended June 30, 2006.

The Airport leases computer and other equipment and has service agreements under noncancelable arrangements that expire at various dates through 2010. Expenses for operating leases and service agreements were $993 for the year ended June 30, 2006. Future minimum payments (excluding payments for snow removal, which are not determinable) are as follows:

Year ending June 30:		
2007	$	141
2008		111
2009		57
2010		30
Total minimum future rentals	$	339

(dollars in thousands)

c. Component Unit—SLDC

In December 1996, SLDC signed a five-year lease for office space, which commenced March 1997 with three months abated rent and thereafter, monthly base payments of $38 through February 2002. In January 2001, SLDC signed an agreement to extend the lease for 15 years. The new agreement, which increased the base rent to $47 and the leased space to 6,216 square feet, will end February 2017. SLDC also has sublease agreements with the Planning and Urban Design Development Agency (PDA) and CDA in effect through February 2017.

Future minimum base rents under the terms of the lease agreements, net of sublease rents anticipated from CDA and PDA, are as follows:

Year ending June 30:	
2007	$ 255
2008	255
2009	255
2010	255
2011	255
2012 – 2016	1,475
2017	200
	$ 2,950

Rent expenditures, net rents received of $442, were $309 during the year ended June 30, 2006.

Additionally, at June 30, 2006, SLDC was committed for approximately seven years under an original 25-year operating lease with the City, which requires annual rental payments of $1 (in dollars) for certain property. Under the lease agreement, SLDC shall make improvements to the leased premises and award subleases for all or a portion of the leased premises.

(dollars in thousands)

21. INTERFUND BALANCES

Individual fund interfund receivable and payable balances as of June 30, 2006 are as follows:

Receivable Fund	Payable Fund	Amount
General fund	Special revenue—grants fund	$ 8,080
	Capital projects fund	5,185
	Enterprise:	
	Airport	1,660
	Water Division	802
	Parking Division	1,238
	Internal service funds	2,299
		19,264
Other governmental nonmajor funds	General fund	266
	Capital projects fund	56
	Other governmental nonmajor funds	699
		1,021
Internal service funds	General fund	249
	Enterprise:	
	Airport	1,576
	Water Division	1,923
	Parking Division	190
		3,938
		$ 24,223

All of these interfund balances are due to either timing differences or to the elimination of negative cash balances within the various funds. All interfund balances are expected to be repaid during the fiscal year ending June 30, 2007.

Advances to/from other funds as of June 30, 2006 are as follows:

General fund (Advance to internal service fund)	$12,700
Internal Service fund (Advance from General fund)	12,700

(dollars in thousands)

22. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2006 consisted of the following:

		Transfer To				
		General fund	**Capital projects fund**	**Other Govern-mental Funds**	**Parking Division**	**Total**
	General fund	$ —	1,495	1,459	—	2,954
	Other Governmental Funds	10,043	8,345	74	1,092	19,554
Transfer From	Airport	5,407	—	—	—	5,407
	Water Division	2,561	—	—	—	2,561
	Parking Division	525	—	—	—	525
		$ 18,536	9,840	1,533	1,092	31,001

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

23. COMMITMENTS AND CONTINGENCIES

a. Grants

In connection with various federal, state, and local grant programs, the City is obligated to administer related programs and spend the grant 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 City to refund program moneys. Through June 30, 2006, claims have been made on the City to make refunds under certain programs and other programs are still open as to compliance determination by the respective agencies. In the opinion of City officials, settlement of these matters will not result in a material liability to the City.

b. Landfill Closure

Pursuant to the original agreement between the DNR and the City, the City will be closing the Hall Street Landfill. The property was a 47-acre demolition waste landfill located at 8700 Hall Street. The property is owned by SLDC. The City holds the operating permit and is responsible for the closing. In July 2001, the City entered into an irrevocable standby letter of credit in the amount of $4,174 with DNR as the beneficiary. DNR may draw upon that letter of credit to complete the closure if the City does not fulfill its obligations under the agreement. As of June 30, 2006, no amounts had been drawn against the letter of credit by DNR. At June 30, 2006, $228 has been recorded as a liability, which is an estimate of expenses the City will incur for closure and postclosure costs. Additionally, in January 2006 the City and DNR executed a revised agreement that will require the City to complete its landfill closure efforts by December 31, 2006 in order to avoid any further fines or penalties.

c. Commitments

At June 30, 2006, the City had outstanding commitments amounting to approximately $82,707, resulting primarily from service agreements.

Additionally, at June 30, 2006, the Airport had outstanding commitments amounting to approximately $54,200 resulting primarily from contracts for construction projects both related and unrelated to the W−1W expansion project.

d. American Airlines, Inc.

American Airlines, Inc. (American) represents the major air carrier providing air passenger service at the Airport. American provided 26% of the Airport’s total operating revenues and 43% of total revenues from signatory air carriers for the fiscal year ended June 30, 2006. Airport accounts receivable at June 30, 2006 contained $1,906 relating to amounts owed to the Airport by American. This amount includes $958 of unbilled aviation revenues at June 30, 2006.

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 the terrorist attacks of September 11, 2001, or any future attacks; (3) air carrier economics and air fares; (4) the availability and price of aviation fuel; (5) air carrier service and route networks; (6) the capacity of the air traffic control system; and (7) the capacity of the Airport/airways system.

The level of aviation activity at the Airport can have a material impact on the amount of total revenues generated at the Airport. However, Airport management believes the risk of significant variance in Airport revenues is mitigated by the Airport use agreement, concession agreements, and other leases, which contain minimum annual revenue guarantees.

Use Agreement with American

In 1993, the City purchased from Trans World Airlines, Inc. (TWA) all of TWA’s leasehold interests relating to the use of certain gates, terminal support facilities, air cargo facilities, and improvements at the Airport, together with related personal property and leasehold interest in a hangar, office building, and a flight training facility (Purchased Assets). TWA had a month-to-month lease covering the Purchased Assets with automatic renewals through December 31, 2005. In conjunction with the sale of TWA's assets to American on April 9, 2001, American assumed TWA's obligations under the lease agreement.

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

Lease revenue under the agreement was $3,804 for the year ended June 30, 2006. The agreement expired on December 31, 2005.

e. Airport Expansion

On September 30, 1998, the City received a favorable Record of Decision from the FAA for the W–1W expansion of the Airport, marking the beginning of a new economic era for aviation in St. Louis. The proposed $2.6 billion program will provide the building blocks for a highly competitive "world class" aviation system for the 21st century, including one additional 9,000 foot parallel runway to add capacity in all weather conditions, and renovation of the Airport's existing runway and taxiway system.

The construction for this program will be funded with Airport development funds, passenger facilities charges, FAA improvement program grants, and Airport revenue bonds. During fiscal year 2001, the Series 2000 LOI Double Barrel Revenue Bonds and the Series 2001A Airport Revenue Bonds were issued as part of the overall funding plan for this program. During fiscal year 2003, the Series 2002 Airport Revenue Bonds and Series 2003A Airport Revenue Refunding Bonds were issued to refinance the Series 2000 LOI Double Barrel Revenue Bonds and to provide additional financing for the project.

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

Land acquisition activities relative to the expansion project are underway with approximately 1,903 parcels to be acquired. As of October 2, 2006, 1,903 offers have been extended; of these, 1,889 offers have been accepted; of these, 1,881 real estate transactions have been closed; of these, 1,854 properties have been vacated by the sellers and are in the possession of the Airport; and of these, 1,717 homes have been demolished.

Additionally, the Airport has entered into various construction contracts related to the expansion project.

f. Asbestos Removal

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

g. Component Unit—SLDC

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

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

SLDC has entered into various cooperative agreements with the CDA as a subrecipient/administrator of the Community Development Block Grant Programs. The purpose of these grants and contracts is to provide support for economic development in the City.

SLDC has been awarded federal tax credits through the U.S. Department of Treasury's New Markets Tax Credit Program to support $52,000 in private investments in low-income areas. No funds have been disbursed related to these tax credits as of June 30, 2006.

h. Component Units—SLDC and SLPD

SLDC and SLPD receive financial assistance from several federal, state, and local government agencies in the form of grants and contracts. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the contract and grant agreements and are subject to audit by the granting agencies. Any disallowed claims resulting from such audits could become an SLDC or SLPD liability. However, in the opinion of their respective management, any such disallowed claims will not have a material effect on the financial statements of SLDC or SLPD at June 30, 2006.

24. RISK MANAGEMENT

a. Primary Government

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is self-insured with respect to its obligation to provide workers' compensation, general liability, unemployment benefits, and prescription drug coverage. Effective February 1, 2003, the City became self-insured for property damage caused by garbage and refuse trucks. The City has sovereign tort immunity from liability and suit for compensatory damages for negligent acts or omissions, except in the case of injuries arising out of the operation of City motor vehicles or caused by the condition of City property. The maximum claim settlement established by state statute for such claims is $300 per person and $2,000 per occurrence. Various claims and legal actions involving the City are presently pending. Additionally, a number of legal suits against SLPD are presently pending for alleged wrongful personal injuries, civil rights violations, and negligence in the line of duty. The City's policy is to record these claims in its government-wide financial statements when it is probable that a liability has been incurred and the amount can be reasonably estimated.

For workers' compensation and general liability, the estimated liability for payment of incurred (both reported and unreported) but unpaid claims and claim adjustment expenditures of $16,668 at June 30, 2006, relating to these matters is recorded in the self insurance internal service fund—PFPC . The City obtains periodic funding valuations from a claims-servicing company managing the appropriate level of estimated claims liability. Enterprise funds reimburse PFPC on a cost-reimbursement basis.

The City was also self-insured for healthcare coverage for its employees and retirees through June 12, 2004 and June 30, 2004, respectively. The City was self-insured for healthcare coverage for employees of HSTRC and Tower Grove Park through June 30, 2004. Effective June 13, 2004 for employees of the City and July 1, 2004 for retirees and employees of HSTRC and Tower Grove Park, the City elected to purchase commercial insurance for its previously self-insured health insurance program. The City remains self-insured for the prescription drug coverage provided to employees and retirees. Additionally, the City is still self-insured for any healthcare claims that arise from incidents occurring prior to June 13, 2004 for employees and July 1, 2004 for retirees and employees of HSTRC and Tower Grove Park.

For the period the City was self-insured for healthcare coverage, it paid the cost of the lowest available coverage for all City employees. Employees were required to pay, through bi-weekly payroll deductions, for a higher level of care, if desired, or for coverage of a spouse and/or dependents. Retirees and employees of HSTRC and Tower Grove Park had to contribute a monthly amount to cover the cost of their healthcare if participating in the plan. During the self-insured period, all funding levels were actuarially determined at the start of the plan and reevaluated at the beginning of each fiscal year.

For healthcare coverage, the estimated liability for payment of incurred but unpaid claims and claim adjustment expenditures of $351 at June 30, 2006 relating to such matters is recorded in the self-insurance internal service fund—health.

The City maintains surety bonds on various employees that handle cash. In addition, the City purchases commercial insurance for other risks, including property damage and liability coverage applicable to the Airport and Cervantes Convention Center. There were no significant changes in coverage for the year ended June 30, 2006 and, for the years ended June 30, 2006, 2005, and 2004, settlements did not exceed coverage.

(dollars in thousands)

Changes in the self-insurance claims liability for the years ended June 30, 2006 and 2005 are as follows:

		Beginning balance	Current year claims and changes in estimates	Claim payments	Ending balance
2006	$	17,404	14,161	(14,546)	17,019
2005		15,713	19,730	(18,039)	17,404

Additionally, there is a range of general liability claims outstanding, from $5,966 to $5,989, which the City Counselor's office has determined there is a reasonable possibility that a loss contingency may be incurred but no accrual has been made within the government-wide financial statements or fund financial statements because the loss is not both probable and estimate able.

b. Component Unit—SLPD

SLPD 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. A number of legal suits against SLPD are presently pending for alleged wrongful personal injuries, civil rights violations, and negligence in the line of duty.

During fiscal year 2005, the Court of Appeals for the State of Missouri affirmed that under Missouri State Statutes, Chapter 84, the SLPD is an agency of the state. As an agency of the state, the SLPD was covered by the State of Missouri's legal expense fund for most general liability and various other claims and legal actions occurring prior to August 28, 2005. On August 28, 2005, Missouri legislations became effective modifying the coverage provided to the SLPD by the State of Missouri for general liability and various other claims and legal actions. State of Missouri Bill No. 420 provides that the State of Missouri is liable annually for funding general liability claims on an equal share basis per claim with the Public Facilities Protection Corporation (PFPC), an internal service fund of the City of St. Louis, up to a maximum of $1,000. The SLPD is covered covered by PFPC for most self-insured risks, including general liability and various other claims and legal actions, exceeding the limitations set forth by the enacted legislation. Accounting for and funding of these self-insured risks is generally covered by the City.

SLPD has established a risk management program and retains the risk related to workers' compensation. At June 30, 2006, these liabilities amounted to $40,786 for workers' compensation. Of SLPD's total worker's compensation liability, $33,890 has been accrued for benefits to be paid for long-term medical care for two officers seriously injured in the line of duty. Benefit payments for these two cases amounted to approximately $1,224 for the year ended June 30, 2006.

(dollars in thousands)

Changes in the balances of workers' compensation claims liabilities for the years ended June 30, 2006 and 2005 are as follows:

	Beginning balance	Current year claims and changes in estimates	Claim payments	Ending balance
2006	$ 45,968	(388)	(4,794)	40,786
2005	39,211	11,456	(4,699)	45,968

The SLPD obtains periodic funding valuations from a third-party administrator who manages workers' compensation claims to maintain the appropriate level of estimated claims liability. The SLPD also purchases excess liability coverage for workers' compensation claims.

25. GRANT LOAN PROGRAMS

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

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

26. COMPONENT UNIT—SLDC CONDUIT DEBT

SLDC facilitates the issuance of tax-exempt bonds for various private enterprises and government agencies. After the bonds are sold, the proceeds are typically used to purchase real estate or fund capital improvements for the respective organization. These organizations enter into lease agreements with SLDC that are, in substance, sales of the related properties or improvements. SLDC assigns these leases to various trusts that collect the lease payments to satisfy the debt service requirements. After SLDC assigns the leases to the trusts, the properties are no longer under their control and they have no liability for the bonds. Therefore, transactions related to the leases and the bond liability are not presented in SLDC's financial statements. The amount of tax-exempt bonds outstanding at June 30, 2006 could not be determined, however, the original issue amounts totaled approximately $2 billion (in dollars).

27. TRANSPORTATION DEVELOPMENT DISTRICT

In August 2003, the City and a hotel developer entered into an agreement for the creation of a transportation development district (TDD). The TDD is a separate political subdivision of the State. Its boundaries coincide with the property upon which the hotel developer is constructing a new 206-room hotel and 415-car garage. During 2005, the TDD issued $6,350 in TDD obligations to finance this construction. The TDD has the authority to levy a 1% sales tax within the district in order to repay this debt, which the City collects on behalf of the TDD and remits to the TDD. Since the TDD obligations were issued in the name of the TDD, and the 1% sales tax which will finance these obligations is levied under the authority of the TDD, these TDD obligations are not recorded as a liability within the accompanying financial statements.

Additionally, the City has agreed to pledge 75% of the City tax revenues generated within the district to the TDD in exchange for the TDD's pledge to leave at least 200 of the spaces in the parking garage available for public use.

28. SUBSEQUENT EVENTS

a. Tax and Revenue Anticipation Notes

The City issues tax and revenue anticipation notes in advance of property tax collections, depositing the proceeds in its general fund. In July 2006, the City issued $36,000 in Tax and Revenue Anticipation Notes payable from the general fund. The notes mature on June 29, 2007 and bear interest at a rate of 4.50% per year.

b. Issuance of the Convention and Sports Facility Refunding Bonds Series 2007

On October 6, 2006, the Regional Convention and Sports Complex Authority issued the Convention and Sports Facility Project Refunding Bonds Series C 2007 (sponsored by the City of St. Louis) in the amount of $49,585. The Series 2007 Bonds will be used to provide funds to refund the Series 1997 Refunding Bonds. The Series 2007 are due in installments through February 2021 and bear interest at a rate of 5.25%.

c. Issuance of Parking Revenue Bonds

On December 14, 2006, the Parking Division issued $57,900 in Parking Revenue Bonds consisting of Series 2006A tax-exempt bonds issued in the principal amount of $46,250 and Series 2006B taxable bonds issued in the principal amount of $11,650. The Series 2006 bonds are being issued for the purpose of providing funds, together with other available funds, for (a) paying cost of the Euclid/Buckingham Garage project; (b) refunding in advance of maturity $22,085 of Parking Refunding Bonds Series 1996, $5,840 of tax-exempt Parking Revenue Bonds, Series 1999A, $3,965 of taxable Parking Revenue Bonds, Series 1999B bonds, $17,865 of tax-exempt Subordinate Parking Revenue Bonds, Series 2002A and $2,305 of taxable Subordinate Parking Revenue Bonds, Series 2002B; (c) funding debt service reserves with respect to the Series 2006 Bonds; and (d) paying the bond insurance premium and other cost of issuance for the Series 2006 Bonds. The Series 2006 Bonds mature in installments from 2007 to 2031 and bear interest at rates varying between 3.75% and 5.14%.

d. Issuance of the Carnahan Courthouse Leasehold Revenue Refunding Bonds, Series 2006A

On October 1, 2006, the SLMFC issued the Carnahan Courthouse Leasehold Revenue Refunding Bonds, Series 2006A in the amount of $23,725. The proceeds of the Series 2006A Bonds will be used to refund all of the SLMFC's outstanding Carnahan Leasehold Revenue Bonds, Series 2002. The Series 2006A Bonds are due in installments through 2027 with rates ranging from 4.0% to 4.25%.

e. Tax Increment Revenue Notes

Subsequent to June 30, 2006, the City issued tax increment revenue notes totaling $12,289 with interest rates ranging from 5.50% to 8.50%.

f. Rolling Stock

On September 25, 2006, the City amended its capital lease agreement to increase the capital lease by $6,014 in order to finance the acquisition of additional rolling stock. This portion of the capital lease is due in semi-annual installments from 2007 through 2012 with an annual interest rate of 4.05%.

g. Tax Increment Refunding Revenue Bonds

On October 25, 2006, the City issued tax increment refunding revenue bonds for the Southtown Redevelopment Project totaling $6,400. The bonds will be used to refund Tax Increment Financing Notes issued for the Southtown Redevelopment Projects. The bonds mature on May 1, 2026 and bear interest at 5.125%.

h. Tax-Exempt and Tax Subordinate Increment Revenue Note

The City issued tax-exempt Subordinate Tax Increment Revenue Notes, Series 2006 for the Southtown Redevelopment Project in an aggregate principal amount of $992 for the purpose of paying a portion of the redevelopment project costs in connection with the Southtown redevelopment plan. The tax-exempt notes have a rate of interest of 7.125% with a maturity date of July 23, 2026. The tax-exempt notes are being issued on parity with the City's $1,342 taxable Subordinate Tax Increment Financing Revenue Notes, which will also be utilized for redevelopment cost. The taxable notes have a rate of interest of 8.5% with a maturity date of July 23, 2026.

i. Airport Commercial Paper

On July 5, 2006, the Airport issued $1,000 in Series 2004A Commercial Paper Notes, due August 7, 2006, at an annual interest rate of 3.70% for the purpose of refinancing the cost of extension, improvement, purchase, acquisition, construction or enlargement of facilities, appurtenances and equipment at the Airport. This amount was fully paid August 7, 2006.

On August 7, 2006, the Airport issued $1,000 in Series 2004A Commercial Paper Notes, due October 3, 2006, at an annual interest rate of 3.58% for the purpose of financing the cost of extension, improvement, purchase, acquisition, construction or enlargement of facilities, appurtenances and equipment at the Airport. This amount was fully paid on October 3, 2006.

On October 3, 2006 the Airport issued $1,000 in Series 2004A Commercial Paper Notes, due November 7, 2006, at an annual interest rate of 3.60% for the purpose of financing the cost of extension, improvement, purchase, acquisition, construction or enlargement of facilities, appurtenances and equipment at the Airport. This amount was fully paid on November 7, 2006.

On November 7, 2006 the Airport issued $1,000 in Series 2004A Commercial Paper Notes, due March 8, 2007, at an annual interest rate of 3.68% for the purpose of financing the cost of extension, improvement, purchase, acquisition, construction or enlargement of facilities, appurtenances and equipment at the Airport.

j. Issuance of General Obligation Bonds

On November 1, 2006, the City issued General Obligation Bonds totaling $13,000. The bonds are being issued for the purposes of providing funds to (1) replace, improve, and maintain the City's radio system used by the St. Louis Police Department, Fire Department, Emergency Medical Services, and other City departments, (2) reconstruct, repair and improve major streets, bridges and the City's flood wall where federal funding is available and local funding is required, and (3) pay the costs of issuance of the bonds. The bonds have interest rates ranging from 3.750% to 4.20% with a due date of February 15, 2026.

k. Airport Revenue Refunding Bonds

In December 2006, the City authorized the issuance of Airport Revenue Refunding Bonds, Series 2006 in the aggregate principal amount of $275,000, and Airport Revenue Refunding Bonds, Series 2007 in the aggregate principal amount of $125,000, each to effect the refunding of a portion of the City's outstanding Airport Revenue Refunding Bonds.

29. FUTURE ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension Plans*, establish accounting and financial reporting standards for postemployment benefits other than pensions. GASB Statement No. 43 establishes uniform financial reporting standards for other postemployment benefit (OPEB) plans and applies to OPEB trust funds included in the financial reports of plan sponsors or employers, as well as in stand-alone financial reports. GASB Statement No. 45 establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local government employers. GASB Statement No. 43 will be effective for the City for the fiscal year ending June 30, 2007, and GASB Statement No. 45 will be effective for the City for the fiscal year ending June 30, 2008. Management of the City has not yet completed its assessment of the statements.

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, establishes criteria that will be used to determine whether certain transactions should be regarded as a sale or a collateralized borrowing. This statement also includes a provision that entities should not revalue assets that are transferred between the financial reporting entity components. GASB Statement No. 48 will be effective for the City for the fiscal year ending June 30, 2008. The City has not yet determined the effect that adoption of GASB Statement No. 48 may have on the financial statements.

Schedule 1

City of St. Louis, Missouri
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund
UNAUDITED
For the year ended June 30, 2006
(dollars in thousands)

	Original Budget	Final Revised Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes:				
Gross receipts	$ 12,747	12,747	12,748	1
City earnings	123,700	123,700	131,736	8,036
Franchise	52,224	52,224	52,851	627
Sales	45,240	45,240	47,346	2,106
Property	45,813	45,813	44,827	(986)
Payroll	31,950	31,950	36,281	4,331
Motor vehicle	3,500	3,500	3,574	74
Other	775	775	593	(182)
Total taxes	315,949	315,949	329,956	14,007
Licenses and permits:				
Graduated business	7,078	7,078	7,341	263
Cigarette	1,610	1,610	1,823	213
Building division	6,215	6,215	7,065	850
Communication transmission	1,300	1,300	943	(357)
Liquor	369	369	406	37
Other	380	380	580	200
Motor vehicle	1,375	1,375	1,346	(29)
Total licenses and permits	18,327	18,327	19,504	1,177
Intergovernmental:				
Motor Fuel Tax Allocation	10,100	10,100	9,953	(147)
Juvenile detention center	2,453	2,453	2,499	46
Public safety	5,090	5,090	4,705	(385)
Other intergovernmental	2,892	2,892	2,609	(283)
Total intergovernmental	20,535	20,535	19,766	(769)
Charges for services:				
Parks and recreation	534	534	485	(49)
Streets	2,504	2,504	2,990	486
Public safety	6,327	6,327	5,473	(854)
Health	406	406	365	(41)
Fee offices	6,747	6,747	7,302	555
Other	4,945	4,945	4,099	(846)
Services provided to other funds	92	92	22	(70)
Total charges for services	21,555	21,555	20,736	(819)
Court fines and forfeitures	5,103	5,103	4,109	(994)
Interest	652	652	2,079	1,427
Miscellaneous	3,029	3,029	3,414	385
Total revenues	385,150	385,150	399,564	14,414
EXPENDITURES	268,924	270,133	268,789	1,344
Excess of revenues over expenditures	116,226	115,017	130,775	15,758
Other financing sources (uses):				
Transfers in	22,495	22,495	16,444	(6,051)
Transfers to component units	(138,254)	(138,254)	(133,247)	5,007
Transfers out	(3,342)	(2,169)	(1,582)	587
Total other financing sources (uses), net	(119,101)	(117,928)	(118,385)	(457)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	$ (2,875)	(2,911)	12,390	15,301

See accompanying independent auditors' report.

City of St. Louis, Missouri
Schedule of Expenditures -
Budget and Actual - General Fund
UNAUDITED
For the year ended June 30, 2006
(dollars in thousands)

		Original Budget	Final Revised Budget	Actual: Personal Services	Actual: Other Expenditures	Actual: Total Expenditures	Variance with Final Budget Positive (Negative)
General government:							
110	Board of Alderman	$ 2,398	2,398	2,152	160	2,312	86
120	Mayor's Office	1,933	1,933	1,686	209	1,895	38
123	Department of Personnel	2,854	2,854	2,740	375	3,115	(261)
124	Registrar	161	161	141	5	146	15
126	Civil Rights Enforcement Agency	361	361	304	21	325	36
127	Information Technology Service Agency	5,197	5,029	3,058	1,995	5,053	(24)
137	Division of the Budget	591	591	519	42	561	30
139	City Counselor	5,694	5,694	3,637	2,027	5,664	30
160	Comptroller	7,428	7,428	3,837	3,504	7,341	87
162	Municipal Garage	287	287	264	15	279	8
163	Microfilm Section	338	338	263	59	322	16
170	Supply Commissioner	600	600	569	14	583	17
171	Multigraph Section	971	971	495	405	900	71
330	Tax Equalization Board	10	10	8	-	8	2
333	Recorder of Deeds	2,382	2,382	2,007	264	2,271	111
334	Election and Registration	2,220	2,220	1,620	579	2,199	21
340	Treasurer	657	657	622	21	643	14
	Prior year encumbrance	851	906		216	216	690
	Sub total general government	34,933	34,820	23,922	9,911	33,833	987
190	City-Wide Accounts	4,931	5,681	6,230	1,540	7,770	(2,089)
	Total general government	39,864	40,501	30,152	11,451	41,603	(1,102)
Convention and tourism:							
930	Soldier's Memorial Building	208	208	154	54	208	-
	Total convention and tourism	208	208	154	54	208	-
Parks and recreation:							
210	Director of Parks, Recreation and Forestry	425	425	395	23	418	7
213	Division of Recreation	2,007	2,007	1,861	129	1,990	17
214	Division of Forestry	6,929	6,929	6,563	222	6,785	144
220	Division of Parks	9,464	9,464	8,713	741	9,454	10
250	Tower Grove Park	696	696		696	696	-
	Total parks and recreation	19,521	19,521	17,532	1,811	19,343	178

(continued)

City of St. Louis, Missouri
Schedule of Expenditures -
Budget and Actual - General Fund
UNAUDITED
For the year ended June 30, 2006
(dollars in thousands)

	Original Budget	Final Revised Budget	Actual: Personal Services	Actual: Other Expenditures	Actual: Total Expenditures	Variance with Final Budget Positive (Negative)
Judicial:						
310 Circuit Court (Circuit Judges)	$ 1,180	1,180	134	1,057	1,191	(11)
311 Circuit Court (General)	7,178	7,111	3,564	2,692	6,256	855
312 Circuit Attorney	5,880	5,880	5,286	470	5,756	124
313 Board of Jury Supervisors	1,464	1,464	480	964	1,444	20
314 Probate Court	78	86		80	80	6
315 Sheriff	8,037	8,037	7,657	222	7,879	158
316 City Courts	2,776	2,776	1,646	1,104	2,750	26
317 City Marshal	1,242	1,242	1,206	27	1,233	9
320 Probation Department and Juvenile Detention Center	14,488	14,548	12,724	1,680	14,404	144
321 Circuit Drug Court	296	296	-	135	135	161
Prior year encumbrance	445	425	-	347	347	78
Total judicial	43,064	43,045	32,697	8,778	41,475	1,570
Streets:						
510 Director of Streets	1,001	1,001	1,055	16	1,071	(70)
511 Transportation and Traffic Division	7,324	7,324	4,176	2,995	7,171	153
513 Auto Towing and Storage	1,709	1,709	1,245	316	1,561	148
514 Street Division	5,639	5,639	4,531	798	5,329	310
516 Refuse Division	13,000	13,000	6,346	6,580	12,926	74
Total streets	28,673	28,673	17,353	10,705	28,058	615
Public safety - fire:						
611 Fire Department Operations	50,189	50,189	49,279	1,682	50,961	(772)
612 Firemen's Retirement System	3,741	3,741	3,741	-	3,741	-
Total public safety - fire	53,930	53,930	53,020	1,682	54,702	(772)
Public safety - other:						
610 Director of Public Safety	722	722	695	29	724	(2)
616 Excise Commissioner	350	350	316	9	325	25
620 Building Commissioner	7,442	7,442	6,866	334	7,200	242
622 Neighborhood Stabilization	1,749	1,749	1,869	37	1,906	(157)

(continued)

City of St. Louis, Missouri
Schedule of Expenditures -
Budget and Actual - General Fund
UNAUDITED
For the year ended June 30, 2006
(dollars in thousands)

		Original Budget	Final Revised Budget	Actual: Personal Services	Actual: Other Expenditures	Actual: Total Expenditures	Variance with Final Budget Positive (Negative)
	Division of Adult Services:						
632	Medium Security Institution	$ 15,478	15,422	10,577	4,006	14,583	839
633	City Jail	14,563	14,618	8,936	4,685	13,621	997
651	Police Retirement System	8,486	8,486	-	8,481	8,481	5
	Total public safety-other	48,790	48,789	29,259	17,581	46,840	1,949
Health and welfare:							
335	Medical Examiner	1,627	1,627	650	907	1,557	70
700	Director of Health	750	750	309	348	657	93
800	Director of Human Services	1,389	1,389	1,246	130	1,376	13
	Total health and welfare	3,766	3,766	2,205	1,385	3,590	176
Public services:							
414	Soulard Market	248	248	166	79	245	3
900	President's Office, Board of Public Services	3,113	3,113	2,346	339	2,685	428
903	Building Operations	8,769	8,769	2,712	6,776	9,488	(719)
910	Equipment Services Division	9,595	9,595	4,153	6,498	10,651	(1,056)
	Total public services	21,725	21,725	9,377	13,692	23,069	(1,344)
Debt service:							
	Principal	2,911	3,195	-	3,194	3,194	1
	Interest and fiscal charges	6,472	6,780	-	6,707	6,707	73
	Total debt service	9,383	9,975	-	9,901	9,901	74
	Total expenditures	$ 268,924	270,133	191,749	77,040	268,789	1,344

See accompanying independent auditors' report.

1. EXPLANATION OF BUDGETARY PROCESS

The City prepares annual budgets for the general fund, the debt service fund, the capital projects fund, and the following nonmajor special revenue funds: use tax fund, transportation fund, convention and tourism fund, licensed gaming program fund, assessor's office fund, lateral sewer program fund, tax increment financing fund, communications division fund, and other budgeted special revenue fund. An annual budget is not prepared for the grants major special revenue fund.

The City follows the procedures outlined below in establishing the budgetary data:

1) On or before 60 days prior to the start of each fiscal year, the Budget Director submits to the Board of Estimate and Apportionment (E&A), which consists of the Mayor, the Comptroller, and the President of the Board of Aldermen, for approval and submission to the Board of Aldermen (Board), a proposed annual operating budget for the fiscal year commencing the following July 1. The operating budgets include proposed expenditures and the means of financing them at the sub-fund level. A public hearing is held by E&A in order to afford citizens an opportunity to be heard on the proposed budget. The Board may reduce any item, except amounts fixed by state statute or for the payment of principal or interest of the City debt or for meeting any ordinance obligations, but may not increase such amount nor insert new items. Expenditures may not legally exceed appropriations at the fund level; however, supplemental appropriations may be made by the Board.

2) The annual operating budgets are adopted by the affirmative vote of a majority of the members of the Board and approval by the Mayor on or before the last day of the preceding budget year. In the event the Board has not acted upon the proposed budget ordinance by this time, the budgets, as recommended by E&A or in its absence, the submission by the Budget Director, shall be considered to be adopted and approved by the Board.

3) During the year, management with the approval of E&A, may transfer part or all of any encumbered appropriation balance among programs within a department, office, or agency, without approval of the governing body. Legislative action is required when the budget for an entire fund is to be increased. The amount of such transfers during the year was not significant.

4) If it is determined that there are revenues in excess of those estimated in the budget that are available for appropriation, the Board may, by ordinance, make supplemental appropriations for the year up to the amount of such excess.

5) At the end of each budget period, all unencumbered appropriated balances lapse, with the exception of appropriations for capital improvements that lapse upon completion of the related capital improvement project.

(continued)

City of St. Louis, Missouri
Notes to Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – General Fund (continued)
UNAUDITED
For the year ended June 30, 2006
(Dollars in Thousands)

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2. EXPLANATION OF THE DIFFERENCES BETWEEN THE EXCESS/(DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES—BUDGET BASIS AND NET CHANGE IN FUND BALANCE—GAAP BASIS

The City's budgetary process is based upon accounting for certain transactions on a basis other than accounting principles generally accepted for governmental entities in the United States of America (GAAP). To provide a meaningful comparison of actual results with the budget, the actual results of operations are presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—General Fund in accordance with the budget basis of accounting.

The major differences between the budget and GAAP bases of accounting are:

1) Revenues are recorded when received in cash (budget), as opposed to when they are measurable and available (GAAP).

2) Expenditures are recorded when paid (budget), as opposed to when the obligation is incurred (GAAP).

3) Certain activities and funds of the general, special revenue, and capital projects fund types are not included in the annual operating budgets adopted by the Board.

Adjustments necessary to reconcile the excess (deficiency) of revenues and other financing sources over expenditures and other financing uses from the GAAP basis to the budget basis of accounting are as follows:

Budget basis	$	12,390
Increase (decrease) due to:		
Revenue accruals		(1,891)
Expenditure accruals		(2,815)
Unbudgeted activities and funds		(187)
GAAP basis	$	7,497

3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2006, expenditures exceeded appropriations in the following funds:

- Use tax special revenue fund - $(841)
- Communication Division special revenue fund - $(165)
- Capital projects fund - $(207)

The overexpenditures occurred because of prior year encumbrances and commitments.

See accompanying independent auditors' report.

City of St. Louis, Missouri
Firemen's Retirement System of St. Louis and
Employees' Retirement System of the City of St. Louis Information –
UNAUDITED
June 30, 2006
(dollars in thousands)

Firemen's Retirement System of St. Louis

The following required supplementary information relates to the Firemen's Retirement System of St. Louis defined benefit pension plan:

Actuarial Valuation Date	Actuarial Value of System Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
10/1/05	$391,182	$429,764	$ 38,582	91.0%	$ 35,434	108.9%
10/1/04	369,893	408,660	38,767	90.5%	33,848	114.5%
9/1/03	391,020	429,973	38,953	90.9%	34,648	112.4%

Employees' Retirement System of the City of St. Louis

The following required supplementary information relates to the Employees' Retirement System of the City of St. Louis defined benefit pension plan:

Actuarial Valuation Date	Actuarial Value of System Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
10/1/05	$ 527,733	$ 666,182	$ 138,449	79.2%	$ 223,837	61.9%
10/1/04	431,853	602,795	170,942	71.6%	221,769	77.1%
10/1/03	424,917	576,128	151,211	73.8%	228,550	66.2%

See accompanying independent auditors' report.


THE COMMON SEAL OF
THE CITY OF ST. LOUIS.

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Use Tax – Used to record revenue received from the local use tax and expenditures made to promote health and welfare activities.

Transportation – Used to record sales tax revenue and expenditures for transportation purposes.

Convention and Tourism – Used to record revenue received from the one-cent restaurant tax, 3½% hotel tax, and football admission gross receipts and expenditures made to promote convention and tourism activities.

Licensed Gaming Program – Used to record revenue received from adjusted gross receipts and admissions taxes imposed on riverboat gaming excursion boats.

Assessor's Office – Used to account for financial assistance received from the State of Missouri, commissions received from the collection of property taxes, and expenditures made to operate the Assessor's office.

Lateral Sewer Program – Used to account for revenue received from charges on specific residential support within the boundaries of the City of St. Louis and expenditures made to repair lateral sewer service lines leading from the residential properties to any sewer main that is maintained by the Metropolitan St. Louis Sewer District.

Collector of Revenue – Used to account for operating receipts and disbursements of the Collector of Revenue's office.

Tax Increment Financing – Used to account for the revenues, expenditures, and other activities relating to the tax increment financing bonds.

Transportation Development – Used to record the proceeds of the one-cent transportation sales tax collected on behalf of and remitted to the transportation development district.

License Collector – Used to account for the operating receipts and disbursements of the License Collector's office.

Communications Division – Used to record revenue received from the cable television franchise tax and expenditures made to promote public services activities.

Demolition and Board-up – Used to record revenue received from the City's insurance recovery program relative to its building demolition activities.

Other Budgeted Special Revenue – Used to account for the activities of other less significant special revenue sources for which annual budgets are adopted.

Other Nonbudgeted Special Revenue – Used to account for the activities of other less significant special revenue sources for which annual budgets are not adopted.

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

Schedule 4

City of St. Louis, Missouri
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006
(dollars in thousands)

	Special Revenue															Debt Service Fund	Total Other Governmental Fund
	Use Tax	Transportation	Convention and Tourism	Licensed Gaming Program	Assessor's Office	Lateral Sewer Program	Collector of Revenue	Tax Increment Financing	Transportation Development	License Collector	Communications Division	Demolition and Board-up	Other Budgeted Special Revenue	Other Nonbudgeted Special Revenue	Total Special Revenue		
ASSETS																	
Cash and cash equivalents:																	
Restricted	$ —	—	—	—	—	—	—	1,765	—	—	—	—	—	—	1,765	7,135	8,900
Unrestricted	6,013	2	—	166	59	289	1,485	2,387	11	3,023	99	528	2,491	779	17,332	—	17,332
Investments:																	
Unrestricted	10,794	4	—	299	106	2,382	—	8,349	19	—	178	947	3,975	2,203	29,256	—	29,256
Receivables, net of allowances																	
Taxes	4,251	3,802	2,471	460	—	—	—	5,831	—	—	437	—	375	—	17,627	6,970	24,597
Intergovernmental	—	—	—	—	683	—	—	—	—	—	—	—	336	—	1,019	—	1,019
Charges for services	—	—	—	—	—	600	—	—	—	—	—	331	223	—	1,154	—	1,154
Notes and loans	—	—	—	—	—	—	—	—	—	—	—	—	—	90	90	—	90
Other	—	—	—	—	—	—	—	—	—	—	—	—	12	104	116	—	116
Due from component units	—	—	—	—	—	—	—	—	—	—	—	—	308	—	308	—	308
Due from other funds	—	—	—	—	—	—	—	1,021	—	—	—	—	—	—	1,021	—	1,021
Total assets	$ 21,058	3,808	2,471	925	848	3,271	1,485	19,353	30	3,023	714	1,806	7,720	3,176	69,688	14,105	83,793
LIABILITIES AND FUND BALANCES																	
Liabilities:																	
Accounts payable and accrued liabilities	$ 536	—	—	—	—	5	—	21	—	—	24	67	43	—	696	—	696
Accrued salaries and other benefits	157	—	—	—	61	11	—	2	—	—	19	—	72	5	327	—	327
Due to component units	—	—	—	—	—	—	—	—	—	—	—	—	—	1,788	1,788	—	1,788
Due to other funds	—	53	646	—	—	—	—	—	—	—	—	—	—	—	699	—	699
Deferred revenue	—	—	—	—	683	495	—	5,731	—	—	—	331	—	104	7,344	6,866	14,210
Other liabilities	—	—	—	—	—	—	1,485	—	—	—	—	—	—	—	1,485	—	1,485
Total liabilities	693	53	646	—	744	511	1,485	5,754	—	—	43	398	115	1,897	12,339	6,866	19,205
Fund balances:																	
Reserved:																	
Encumbrances	5,883	—	—	—	10	165	—	—	—	—	—	—	409	29	6,496	—	6,496
Debt service	—	—	—	—	—	—	—	1,750	—	—	—	—	—	—	1,750	7,239	8,989
Unreserved, reported in:																	
Special revenue funds	14,482	3,755	1,825	925	94	2,595	—	11,849	30	3,023	671	1,408	7,196	1,250	49,103	—	49,103
Total fund balances	20,365	3,755	1,825	925	104	2,760	—	13,599	30	3,023	671	1,408	7,605	1,279	57,349	7,239	64,588
Total liabilities and fund balances	$ 21,058	3,808	2,471	925	848	3,271	1,485	19,353	30	3,023	714	1,806	7,720	3,176	69,688	14,105	83,793

See accompanying independent auditors' report.

Schedule 5

City of St. Louis, Missouri
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year ended June 30, 2006

	Special Revenue																
	Use Tax	Transportation	Convention and Tourism	Licensed Gaming Program	Assessor's Office	Lateral Sewer Program	Collector of Revenue	Tax Increment Financing	Transportation Development	License Collector	Communications Division	Demolition and Board-up	Other Budgeted Special Revenue	Other Nonbudgeted Special Revenue	Total Special Revenue	Debt Service Fund	Total Other Governmental Fund
REVENUES																	
Taxes	$ 26,207	26,475	9,532	4,791	1,658	—	—	7,601	100	—	1,734	—	5,375	—	83,473	5,736	89,209
Licenses and permits	—	—	—	—	—	—	—	14	—	—	—	—	3,685	—	3,699	—	3,699
Intergovernmental	—	—	—	—	1,241	—	—	634	61	—	—	—	1,656	51	3,643	—	3,643
Charges for services, net	—	—	—	—	13	2,669	5,295	—	—	2,002	—	20	879	1,122	12,000	—	12,000
Court fines and forfeitures	—	—	—	—	—	—	—	—	—	—	—	—	995	39	1,034	—	1,034
Investment income	244	39	—	9	—	63	898	79	—	102	—	6	131	24	1,595	187	1,782
Miscellaneous	—	—	—	—	—	—	205	3,206	—	—	—	1,151	1,320	34	5,916	—	5,916
Total	26,451	26,514	9,532	4,800	2,912	2,732	6,398	11,534	161	2,104	1,734	1,177	14,041	1,270	111,360	5,923	117,283
EXPENDITURES																	
General government	—	—	—	300	3,987	61	6,398	418	100	1,511	121	—	159	448	13,503	—	13,503
Convention and tourism	—	—	135	—	—	—	—	—	—	—	—	—	—	23	158	—	158
Parks and recreation	—	—	—	—	—	—	—	—	—	—	—	48	1,129	58	1,235	—	1,235
Judicial	—	—	—	—	—	—	—	—	—	—	—	—	2,335	306	2,641	—	2,641
Streets	1,026	—	—	—	—	10	—	—	—	—	—	—	297	179	1,512	—	1,512
Public Safety:																	
Fire	—	—	—	31	—	—	—	—	—	—	—	—	—	6	37	—	37
Police	1,250	—	—	950	—	—	—	—	—	—	—	—	73	—	2,273	—	2,273
Other	4,264	—	—	—	—	—	—	—	—	—	—	887	2,779	—	7,930	—	7,930
Health and welfare	19,955	—	—	—	—	—	—	—	—	—	—	—	200	11	20,166	—	20,166
Public services	—	26,086	—	—	—	2,490	—	—	—	—	1,319	—	—	—	29,895	—	29,895
Community development	—	—	—	—	—	—	—	29,758	—	—	—	—	—	—	29,758	—	29,758
Capital outlay	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Debt service:																	
Principal	—	—	—	—	—	—	—	3,406	—	—	—	—	—	40	3,446	3,245	6,691
Interest and fiscal charges	—	—	—	—	—	—	—	3,546	—	—	—	—	—	7	3,553	1,710	5,263
Total expenditures	26,495	26,086	135	1,281	3,987	2,561	6,398	37,128	100	1,511	1,440	935	6,972	1,078	116,107	4,955	121,062
Excess (deficiency) of revenues over expenditures	(44)	428	9,397	3,519	(1,075)	171	—	(25,594)	61	593	294	242	7,069	192	(4,747)	968	(3,779)
OTHER FINANCING SOURCES (USES)																	
Issuance of tax increment revenue notes	—	—	—	—	—	—	—	30,043	—	—	—	—	—	—	30,043	—	30,043
Transfers in	—	—	—	—	1,459	—	—	31	—	—	—	30	—	13	1,533	—	1,533
Transfers out	—	(39)	(9,431)	(3,700)	—	—	—	(1,092)	(31)	—	(500)	—	(4,701)	(60)	(19,554)	—	(19,554)
Total other financing sources (users), net	—	(39)	(9,431)	(3,700)	1,459	—	—	28,982	(31)	—	(500)	30	(4,701)	(47)	12,022	—	12,022
Net change in fund balances	(44)	389	(34)	(181)	384	171	—	3,388	30	593	(206)	272	2,368	145	7,275	968	8,243
Fund balances:																	
Beginning of year	20,409	3,366	1,859	1,106	(280)	2,589	—	10,211	—	2,430	877	1,136	5,237	1,134	50,074	6,271	56,345
End of year	$ 20,365	3,755	1,825	925	104	2,760	—	13,599	30	3,023	671	1,408	7,605	1,279	57,349	7,239	64,588

See accompanying independent auditors' report.

Schedule 6

City of St. Louis, Missouri
Use Tax Special Revenue Fund - Nonmajor Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
For the year ended June 30, 2006
(dollars in thousands)

	Original Budget	Final Revised Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	$ 24,000	24,000	25,734	1,734
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for service, net	-	-	-	-
Court fines and forfeitures	-	-	-	-
Investment income	-	-	230	230
Miscellaneous	-	-	-	-
Total revenues	24,000	24,000	25,964	1,964
Expenditures:				
Current:				
General government	-	-	-	-
Convention and tourism	-	-	-	-
Parks and recreation	-	-	-	-
Judicial	-	-	-	-
Streets	1,063	1,063	1,063	-
Public safety:				
Fire	-	-	-	-
Police	1,250	1,250	1,250	-
Other	4,867	4,867	4,500	367
Health and welfare	18,850	18,850	20,058	(1,208)
Public service	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Total expenditures	26,030	26,030	26,871	(841)
Excess (deficiency) of revenues over (under) expenditures	(2,030)	(2,030)	(907)	1,123
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
	-	-	-	-
Net change in fund balances	$ (2,030)	(2,030)	(907)	1,123

See accompanying independent auditors' report.

Schedule 7

City of St. Louis, Missouri
Transportation Special Revenue Fund - Nonmajor Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2006
(dollars in thousands)

	Original Budget	Final Revised Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	$ 28,868	28,868	26,092	(2,776)
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for service, net	-	-	-	-
Court fines and forfeitures	-	-	-	-
Investment income	30	30	39	9
Miscellaneous	-	-	-	-
Total revenues	28,898	28,898	26,131	(2,767)
Expenditures:				
Current:				
General government	-	-	-	-
Convention and tourism	-	-	-	-
Parks and recreation	-	-	-	-
Judicial	-	-	-	-
Streets	-	-	-	-
Public safety:				
Fire	-	-	-	-
Police	-	-	-	-
Other	-	-	-	-
Health and welfare	-	-	-	-
Public service	28,868	28,868	26,086	2,782
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Total expenditures	28,868	28,868	26,086	2,782
Excess (deficiency) of revenues over (under) expenditures	30	30	45	15
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(30)	(30)	(39)	(9)
	(30)	(30)	(39)	(9)
Net change in fund balances	$ -	-	6	6

See accompanying independent auditors' report.

Schedule 8

City of St. Louis, Missouri
Convention and Tourism Special Revenue Fund - Nonmajor Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
For the year ended June 30, 2006
(dollars in thousands)

	Original Budget	Final Revised Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	$ 10,067	10,067	9,566	(501)
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for service, net	-	-	-	-
Court fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	10,067	10,067	9,566	(501)
Expenditures:				
Current:				
General government	-	-	-	-
Convention and tourism	135	135	135	-
Parks and recreation	-	-	-	-
Judicial	-	-	-	-
Streets	-	-	-	-
Public safety:				
Fire	-	-	-	-
Police	-	-	-	-
Other	-	-	-	-
Health and welfare	-	-	-	-
Public service	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Total expenditures	135	135	135	-
Excess (deficiency) of revenues over (under) expenditures	9,932	9,932	9,431	(501)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(9,992)	(9,992)	(9,431)	561
	(9,992)	(9,992)	(9,431)	561
Net change in fund balances	$ (60)	(60)	–	60

See accompanying independent auditors' report.

Schedule 9

City of St. Louis, Missouri
Licensed Gaming Program Special Revenue Fund - Nonmajor Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2006
(dollars in thousands)

	Original Budget	Final Revised Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	$ 5,025	5,025	4,800	(225)
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for service, net	-	-	-	-
Court fines and forfeitures	-	-	-	-
Investment income	-	-	8	8
Miscellaneous	-	-	-	-
Total revenues	5,025	5,025	4,808	(217)
Expenditures:				
Current:				
General government	50	50	-	50
Convention and tourism	-	-	-	-
Parks and recreation	-	-	-	-
Judicial	-	-	-	-
Streets	-	-	-	-
Public safety:				
Fire	25	25	31	(6)
Police	950	950	950	-
Other	-	-	-	-
Health and welfare	-	-	-	-
Public service	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Total expenditures	1,025	1,025	981	44
Excess (deficiency) of revenues over (under) expenditures	4,000	4,000	3,827	(173)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(4,175)	(4,175)	(4,000)	175
	(4,175)	(4,175)	(4,000)	(175)
Net change in fund balances	$ (175)	(175)	(173)	(348)

See accompanying independent auditors' report.

Schedule 10

City of St. Louis, Missouri
Assessor's Office Special Revenue Fund - Nonmajor Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
For the year ended June 30, 2006
(dollars in thousands)

	Original Budget	Final Revised Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	$ 1,680	1,680	1,658	(22)
Licenses and permits	-	-	-	-
Intergovernmental	861	861	1,241	380
Charges for service, net	11	11	13	2
Court fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	2,552	2,552	2,912	360
Expenditures:				
Current:				
General government	4,115	4,115	4,096	19
Convention and tourism	-	-	-	-
Parks and recreation	-	-	-	-
Judicial	-	-	-	-
Streets	-	-	-	-
Public safety:				
Fire	-	-	-	-
Police	-	-	-	-
Other	-	-	-	-
Health and welfare	-	-	-	-
Public service	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Total expenditures	4,115	4,115	4,096	19
Excess (deficiency) of revenues over (under) expenditures	(1,563)	(1,563)	(1,184)	379
Other financing sources (uses):				
Transfers in	1,459	1,459	1,459	-
Transfers out	-	-	-	-
	1,459	1,459	1,459	-
Net change in fund balances	$ (104)	(104)	275	379

See accompanying independent auditors' report.

Schedule 11

City of St. Louis, Missouri
Lateral Sewer Program Special Revenue Fund - Nonmajor Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2006
(dollars in thousands)

	Original Budget	Final Revised Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	$ -	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for service, net	2,800	2,800	2,675	(125)
Court fines and forfeitures	-	-	-	-
Investment income	100	100	60	(40)
Miscellaneous	-	-	-	-
Total revenues	2,900	2,900	2,735	(165)
Expenditures:				
Current:				
General government	63	63	63	-
Convention and tourism	-	-	-	-
Parks and recreation	-	-	-	-
Judicial	-	-	-	-
Streets	-	-	-	-
Public safety:				
Fire	-	-	-	-
Police	-	-	-	-
Other	-	-	-	-
Health and welfare	-	-	-	-
Public service	3,095	3,095	2,525	570
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Total expenditures	3,158	3,158	2,588	570
Excess (deficiency) of revenues over (under) expenditures	(258)	(258)	147	405
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
	-	-	-	-
Net change in fund balances	$ (258)	(258)	147	405

See accompanying independent auditors' report.

Schedule 12

City of St. Louis, Missouri
Tax Increment Financing Special Revenue Fund - Nonmajor Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
For the year ended June 30, 2006
(dollars in thousands)

	Original Budget	Final Revised Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Proceeds	$ 30,043	30,043	30,043	
Taxes	9,000	9,000	8,466	(534)
Licenses and permits	15	15	13	(2)
Intergovernmental	600	600	634	34
Charges for service, net	-	-	-	-
Court fines and forfeitures	-	-	-	-
Investment income	34	34	47	13
Miscellaneous	3,200	3,200	3,206	6
Total revenues	42,892	42,892	42,409	(483)
Expenditures:				
Current:				
General government	445	445	445	-
Convention and tourism	-	-	-	-
Parks and recreation	-	-	-	-
Judicial	-	-	-	-
Streets	-	-	-	-
Public safety:				
Fire	-	-	-	-
Police	-	-	-	-
Other	-	-	-	-
Health and welfare	-	-	-	-
Public service	-	-	-	-
Capital outlay	29,758	29,758	29,758	-
Debt service	6,952	6,952	6,952	-
Total expenditures	37,155	37,155	37,155	-
Excess (deficiency) of revenues over (under) expenditures	5,737	5,737	5,254	(483)
Other financing sources (uses):				
Transfers in	10,000	10,000	10,788	788
Transfers out	(11,000)	(11,000)	(11,849)	(849)
	(1,000)	(1,000)	(1,061)	(61)
Net change in fund balances	$ 4,737	4,737	4,193	(544)

See accompanying independent auditors' report.

Schedule 13

City of St. Louis, Missouri
Communications Division Special Revenue Fund - Nonmajor Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2006
(dollars in thousands)

	Original Budget	Final Revised Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	$ 1,600	1,600	1,719	119
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for service, net	-	-	-	-
Court fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	1,600	1,600	1,719	119
Expenditures:				
Current:				
General government	142	142	132	10
Convention and tourism	-	-	-	-
Parks and recreation	-	-	-	-
Judicial	-	-	-	-
Streets	-	-	-	-
Public safety:				
Fire	-	-	-	-
Police	-	-	-	-
Other	-	-	-	-
Health and welfare	-	-	-	-
Public service	1,168	1,168	1,343	(175)
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Total expenditures	1,310	1,310	1,475	(165)
Excess (deficiency) of revenues over (under) expenditures	290	290	244	(46)
Other financing sources (uses):				
Transfers in	142	142	132	(10)
Transfers out	(642)	(642)	(632)	10
	(500)	(500)	(500)	-
Net change in fund balances	$ (210)	(210)	(256)	(46)

See accompanying independent auditors' report.

Schedule 14

City of St. Louis, Missouri
Other Budgeted Special Revenue Fund - Nonmajor Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
For the year ended June 30, 2006
(dollars in thousands)

	Original Budget	Final Revised Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	$ 4,460	4,460	4,933	473
Licenses and permits	3,435	3,435	3,685	250
Intergovernmental	2,050	2,050	1,357	(693)
Charges for service, net	2,097	2,097	2,241	144
Court fines and forfeitures	3,696	3,696	2,386	(1,310)
Investment income	73	73	128	55
Miscellaneous	955	955	693	(262)
Total revenues	16,766	16,766	15,423	(1,343)
Expenditures:				
Current:				
General government	310	310	157	153
Convention and tourism	-	-	-	-
Parks and recreation	1,931	1,931	1,162	769
Judicial	2,167	2,167	2,304	(137)
Streets	374	374	367	7
Public safety:				
Fire	-	-	-	-
Police	100	100	73	27
Other	3,840	3,840	2,898	942
Health and welfare	516	516	200	316
Public service	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Total expenditures	9,238	9,238	7,161	2,077
Excess (deficiency) of revenues over (under) expenditures	7,528	7,528	8,262	734
Other financing sources (uses):				
Transfers in	252	252	100	(152)
Transfers out	(8,452)	(8,452)	(7,705)	747
	(8,200)	(8,200)	(7,605)	595
Net change in fund balances	$ (672)	(672)	657	1,329

See accompanying independent auditors' report.

Schedule 15

City of St. Louis, Missouri
Debt Service Fund - Nonmajor Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
For the year ended June 30, 2006
(dollars in thousands)

	Original Budget	Final Revised Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	$ 5,800	5,800	5,665	(135)
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for service, net	-	-	-	-
Court fines and forfeitures	-	-	-	-
Investment income	-	-	188	188
Miscellaneous	-	-	-	-
Total revenues	5,800	5,800	5,853	53
Expenditures:				
Current:				
General government	-	-	-	-
Convention and tourism	-	-	-	-
Parks and recreation	-	-	-	-
Judicial	-	-	-	-
Streets	-	-	-	-
Public safety:				
Fire	-	-	-	-
Police	-	-	-	-
Other	-	-	-	-
Health and welfare	-	-	-	-
Public service	-	-	-	-
Capital outlay	-	-	-	-
Debt service	5,670	5,670	5,597	73
Total expenditures	5,670	5,670	5,597	73
Excess (deficiency) of revenues over (under) expenditures	130	130	256	126
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
	-	-	-	-
Net change in fund balances	$ 130	130	256	126

See accompanying independent auditors' report.

Schedule 16

City of St. Louis, Missouri
Capital Projects Fund - Major Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
For the year ended June 30, 2006
(dollars in thousands)

	Original Budget	Final Revised Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	$ 17,095	17,095	18,754	1,659
Licenses and permits	-	-	-	-
Intergovernmental	625	625	1,406	781
Charges for service, net	-	-	-	-
Court fines and forfeitures	-	-	-	-
Investment income	-	-	328	328
Miscellaneous	25	25	20	(5)
Total revenues	17,745	17,745	20,508	2,763
Expenditures:				
Current:				
General government	-	-	-	-
Convention and tourism	-	-	-	-
Parks and recreation	-	-	-	-
Judicial	-	-	-	-
Streets	-	-	-	-
Public safety:				
Fire	-	-	-	-
Police	-	-	-	-
Other	-	-	-	-
Health and welfare	-	-	-	-
Public service	-	-	-	-
Capital outlay	12,086	12,086	16,895	(4,809)
Debt service	18,929	18,929	14,327	4,602
Total expenditures	31,015	31,015	31,222	(207)
Excess (deficiency) of revenues over (under) expenditures	(13,270)	(13,270)	(10,714)	2,556
Other financing sources (uses):				
Sale of general fixed assets	825	825	514	(311)
Transfers in	9,222	9,222	7,378	(1,844)
Transfers out	–	–	–	–
	10,047	10,047	7,892	(2,155)
Net change in fund balances	$ (3,223)	(3,223)	(2,822)	401

See accompanying independent auditors' report.

City of St. Louis, Missouri
Schedule of Reconciling Items Between Change in Fund Balances—Budget Basis and Change in Fund Balances—GAAP Basis
For the Year ended June 30, 2006
(dollars in thousands)

	Use Tax	Transportation	Convention and Tourism	Licensed Gaming Program	Assessor's Office	Lateral Sewer Program	Tax Increment Financing	Communications Division	Other Budgeted Special Revenue	Debt Service Fund	Capital Projects Fund
Net change in fund balances—budget basis	$ (907)	6	—	(173)	275	147	4,193	(256)	657	256	(2,822)
Differences—budge t to GAAP:											
Revenues are recorded when received in cash on a budget basis. However, revenues are recorded when measurable and available on a GAAP basis.	487	383	(34)	(4,967)	—	(3)	(11,589)	(117)	(1,482)	70	(1,788)
Expenditures are recorded when paid in cash on a budget basis. However, expenditures are recorded when the obligation is incurred on a GAAP basis.	376	—	—	4,959	109	27	10,784	167	3,193	642	384
Certain activities and accounts, which are included within the funds on a GAAP basis, are not included within the annual operating budgets adopted by the Board of Alderman.	—	—	—	—	—	—	—	—	—	—	(26,437)
Net change in fund balances—GAAP basis	$ (44)	389	(34)	(181)	384	171	3,388	(206)	2,368	968	(30,663)

See accompanying independent auditors' report.

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

Public Facilities Protection Corporation – Used to account for payment of workers' compensation and various other claims against legal actions on behalf of other funds.

Mailroom Services – Used to account for mail handling services provided to other funds.

Health – Used to account for payment of health insurance claims for participants.

City of St. Louis, Missouri
Combining Statement of Net Assets
Internal Service Funds
June 30, 2006
(dollars in thousands)

	Public Facilities Protection Corporation	Mailroom Services	Health	Total
ASSETS				
Current assets:				
Cash and cash equivalents—unrestricted	$ 650	—	—	650
Prepaid assets	—	30	—	30
Due from other funds	3,689	89	160	3,938
Advance to other funds	12,700	—	—	12,700
Total current assets	17,039	119	160	17,318
Noncurrent assets:				
Capital assets	—	236	—	236
Less accumulated depreciation	—	(167)	—	(167)
Total capital assets (net of accumulated depreciation)	—	69	—	69
Total assets	17,039	188	160	17,387
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	371	56	—	427
Due to other funds	—	216	2,083	2,299
Claims payable	16,668	—	351	17,019
Total current liabilities	17,039	272	2,434	19,745
Noncurrent liabilities:				
Other liabilities	—	—	—	—
Total noncurrent liabilities	—	—	—	—
Total liabilities	17,039	272	2,434	19,745
NET ASSETS				
Invested in capital assets	—	69	—	69
Unrestricted	—	(153)	(2,274)	(2,427)
Total net assets	$ —	(84)	(2,274)	(2,358)

See accompanying independent auditors' report.

City of St. Louis, Missouri
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Year ended June 30, 2006
(dollars in thousands)

	Public Facilities Protection Corporation	Mailroom Services	Health	Total
OPERATING REVENUES				
Charges for services	$ 25,749	466	7,654	33,869
Total operating revenues	25,749	466	7,654	33,869
OPERATING EXPENSES				
Claims incurred	9,058	16	4,845	13,919
Premiums	2,916	288	—	3,204
Personal services	—	227	—	227
Material and supplies	—	19	—	19
Depreciation and amortization	—	13	—	13
Total operating expenses	11,974	563	4,845	17,382
Operating income (loss)	13,775	(97)	2,809	16,487
Change in net assets	13,775	(97)	2,809	16,487
Total net assets—beginning of year	(13,775)	13	(5,083)	(18,845)
Total net assets—end of year	$ —	(84)	(2,274)	(2,358)

See accompanying independent auditors' report.

City of St. Louis, Missouri
Combining Statement of Cash Flows
Internal Service Funds
For the Year ended June 30, 2006
(dollars in thousands)

	Public Facilities Protection Corporation	Mailroom Services	Health	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from interfund services provided	$ 12,895	402	7,796	21,093
Payments to suppliers of goods and services	(12,580)	(144)	(7,796)	(20,520)
Payments to employees	—	(227)	—	(227)
Net cash provided by operating activities	315	31	—	346
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	—	(31)	—	(31)
Net cash used in capital and related financing activities	—	(31)	—	(31)
Net increase in cash and cash equivalents	315	—	—	315
Cash and cash equivalents beginning of year	335	—	—	335
Cash and cash equivalents end of year	$ 650	—	—	650
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	$ 13,775	(97)	2,809	16,487
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	—	13	—	13
Change in assets and liabilities:				
Due to/from other funds	(154)	85	(2,973)	(3,042)
Advance to other funds	(12,700)	—	—	(12,700)
Prepaid assets	—	16	—	16
Accounts payable and accrued liabilities	(57)	18	—	(39)
Other liabilities	—	(4)	—	(4)
Claims payable	(549)	—	164	(385)
Total adjustments	(13,460)	128	(2,809)	(16,141)
Net cash provided by operating activities	$ 315	31	—	346

See accompanying independent auditors' report.

Pension trust funds are used to account for the activity of the three public employee retirement systems for which the City acts as a trustee.

Firemen's System – A single employer public employee retirement system fund used to account for the accumulation of resources to be used for the pension and other benefit payments for City firefighters.

Police System – A single employer public employee retirement system fund used to account for the accumulation of resources to be used for pension and other benefit payments for City police officers.

Employees' System – A multi-employer public employee retirement system used to account for the accumulation of resources to be used for pension and other benefit payments for employees of the City (excluding firefighters and police officers) and other anticipating governmental agencies. City employees account for greater than 99% of total plan participants.

City of St. Louis, Missouri
Combining Statement of Fiduciary Net Assets
Pension Trust Funds
June 30, 2006
(dollars in thousands)

		Firemen's System	Police System	Employees' System	Total
ASSETS					
Current assets:					
Cash and cash equivalents—unrestricted	$	3,659	5,180	157	8,996
Investments—unrestricted:					
U. S. government securities		6	87,198	32,683	119,887
Corporate bonds		115	46,273	20,128	66,516
Domestic bond funds		—	—	40,045	40,045
Stocks		168,922	253,348	237,828	660,098
Foreign government obligations		—	—	15,783	15,783
Mortgage-backed securities		—	98,880	—	98,880
Collective investment funds		235,080	166,158	—	401,238
Real estate group annuity and equities		—	19,001	56,229	75,230
Investment property		—	1,854	—	1,854
Money market mutual funds and other short term investments		5,210	26,206	5,518	36,934
Managed international equity funds		—	—	118,323	118,323
Total investments		409,333	698,918	526,537	1,634,788
Securities lending collateral		—	—	39,130	39,130
Receivables:					
Contributions		4,110	—	80	4,190
Accrued interest		212	2,372	896	3,480
Other		1,310	7,608	237	9,155
Capital assets		376	91	—	467
Total assets		419,000	714,169	567,037	1,700,206
LIABILITIES					
Accounts payable and accrued liabilities		333	897	528	1,758
Deposits held for others		312	804	—	1,116
Securities lending collateral liability		—	—	39,130	39,130
Other liabilities		3,192	21,984	(354)	24,822
Total liabilities		3,837	23,685	39,304	66,826
NET ASSETS					
Net assets held in trust for pension benefits	$	415,163	690,484	527,733	1,633,380

See accompanying independent auditors' report.

City of St. Louis, Missouri
Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the year ended June 30, 2006
(dollars in thousands)

	Firemen's System	Police System	Employees' System	Total
ADDITIONS				
Contributions:				
Member	$ 2,644	3,993	5	6,642
Employer	4,110	8,339	15,813	28,262
Investment income:				
Interest and dividends	4,257	16,501	7,693	28,451
Net appreciation in fair value of investments	44,927	59,200	65,084	169,211
	49,184	75,701	72,777	197,662
Less investment expense	(1,208)	(2,599)	(2,435)	(6,242)
Net investment income	47,976	73,102	70,342	191,420
Total additions	54,730	85,434	86,160	226,324
DEDUCTIONS				
Benefits	27,625	38,646	31,886	98,157
Refunds of contributions	1,381	12,232	—	13,613
Administrative expense	766	1,047	641	2,454
Total deductions	29,772	51,925	32,527	114,224
Net increase	24,958	33,509	53,633	112,100
Net assets held in trust for pension benefits:				
Beginning of year	390,205	656,975	474,100	1,521,280
End of year	$ 415,163	690,484	527,733	1,633,380

See accompanying independent auditors' report.

Agency Funds

Agency funds are used to account for assets which the City holds on behalf of other entities. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Collector of Revenue – Used to account for the receipt and disbursement of various taxes and other charges that are collected by the Collector of Revenue and remitted to various City funds and other governmental agencies that levy taxes on residents of the City and on corporations located within the City limits and the employees.

Property Tax Escrow – Used to account for property taxes paid under protest whose disposition is still pending and duplicate payments of property taxes which have not been claimed.

General Insurance – Used to control funds for payroll withholdings and other City deposits to be used for the payment of insurance premiums due from employees and the City.

Bail Bonds – Used to account for bail bonds deposited by court defendants. The bonds are held until court orders are issued to refund the bonds to the defendants or others.

License Collector – Used to account for the receipt and disbursement of municipal manufacturer's and hotel taxes that are collected by the License Collector and remitted to various City funds and other governmental agencies.

Circuit Clerk – Used to account for funds held in a fiduciary capacity by the Circuit Clerk's Office. These funds include various litigation fees, garnishments, and bail bonds, in addition to funds related to the parent locator program.

Other Agency – Used to account for contracts and other deposits, union dues, and land auction sales.

City of St. Louis, Missouri
Combining Statement of Fiduciary Net Assets
Agency Funds
June 30, 2006
(dollars in thousands)

	Collector of Revenue	Property Tax Escrow	General Insurance	Bail Bonds	License Collector	Circuit Clerk	Other Agency	Total
ASSETS								
Cash and cash equivalents—unrestricted	$ 3,181	13,442	—	887	7,842	8,667	2,848	36,867
Investments—unrestricted	—	—	—	—	—	5,700	4,065	9,765
Receivables, net of allowances:								
Taxes	25,202	—	—	—	—	—	—	25,202
Other	—	—	748	—	—	175	—	923
Total assets	28,383	13,442	748	887	7,842	14,542	6,913	72,757
LIABILITIES								
Accounts payable and accrued liabilities	—	—	748	—	—	—	199	947
Deposits held for others	—	13,442	—	887	7,210	11,994	3,003	36,536
Due to other governmental agencies	28,383	—	—	—	632	2,548	3,711	35,274
Total liabilities	28,383	13,442	748	887	7,842	14,542	6,913	72,757
NET ASSETS	$ —	—	—	—	—	—	—	—

See accompanying independent auditors' report.

City of St. Louis, Missouri
Combining Statement of Changes in
Assets and Liabilities—Agency Funds
For the Year ended June 30, 2006
(dollars in thousands)

		Balance June 30, 2005	Additions	Deductions	Balance June 30, 2006
Collector of Revenue					
Assets:					
Cash and cash equivalents—unrestricted	$	1,742	289,857	(288,418)	3,181
Receivables, net of allowances—taxes		16,963	15,809	(7,570)	25,202
Total assets	$	18,705	305,666	(295,988)	28,383
Liabilities—due to other governmental agencies		18,705	305,666	(295,988)	28,383
Total liabilities	$	18,705	305,666	(295,988)	28,383
Property Tax Escrow					
Assets—cash and cash equivalents—unrestricted	$	3,620	20,295	(10,473)	13,442
Liabilities—deposits held for others	$	3,620	20,295	(10,473)	13,442
General Insurance					
Assets:					
Cash and cash equivalents—unrestricted	$	—	22,730	(22,730)	—
Receivables, net of allowances—other		1,159	748	(1,159)	748
Total assets	$	1,159	23,478	(23,889)	748
Liabilities—accounts payable and accrued liabilities	$	1,159	23,478	(23,889)	748
Bail Bonds					
Assets—cash and cash equivalents—unrestricted	$	715	1,020	(848)	887
Liabilities—deposits held for others	$	715	1,020	(848)	887
License Collector					
Assets—cash and cash equivalents—unrestricted	$	8,533	15,776	(16,467)	7,842
Liabilities:					
Deposits held for others		7,965	2,029	(2,784)	7,210
Due to other governmental agencies		568	13,747	(13,683)	632
Total liabilities	$	8,533	15,776	(16,467)	7,842

City of St. Louis, Missouri
Combining Statement of Changes in
Assets and Liabilities—Agency Funds
For the Year ended June 30, 2006
(dollars in thousands)

		Balance June 30, 2005	Additions	Deductions	Balance June 30, 2006
Circuit Clerk					
Assets:					
Cash and cash equivalents—unrestricted	$	7,176	195,562	(194,071)	8,667
Investment—unrestricted		7,917	5,700	(7,917)	5,700
Receivables, net of allowances - other		112	175	(112)	175
Total assets	$	15,205	201,437	(202,100)	14,542
Liabilities:					
Deposits held for others		12,431	167,998	(168,435)	11,994
Due to other governmental agencies		2,774	33,439	(33,665)	2,548
Total liabilities	$	15,205	201,437	(202,100)	14,542
Other Agency					
Assets:					
Cash and cash equivalents—unrestricted	$	3,996	18,203	(19,351)	2,848
Investments—unrestricted		2,596	13,841	(12,372)	4,065
Total assets	$	6,592	32,044	(31,723)	6,913
Liabilities:					
Accounts payable and accrued liabilities		179	924	(904)	199
Deposits held for others		3,167	14,023	(14,187)	3,003
Due to other governmental agencies		3,246	17,097	(16,632)	3,711
Total liabilities	$	6,592	32,044	(31,723)	6,913
Total—All Agency Funds					
Assets:					
Cash and cash equivalents—unrestricted	$	25,782	563,443	(552,358)	36,867
Investments—unrestricted		10,513	19,541	(20,289)	9,765
Receivables, net of allowances:					
Taxes		16,963	15,809	(7,570)	25,202
Other		1,271	923	(1,271)	923
Total assets	$	54,529	599,716	(581,488)	72,757
Liabilities:					
Accounts payable and accrued liabilities		1,338	24,402	(24,793)	947
Deposits held for others		27,898	205,365	(196,727)	36,536
Due to other governmental agencies		25,293	369,949	(359,968)	35,274
Total liabilities	$	54,529	599,716	(581,488)	72,757

See accompanying independent auditors' report.

Solid Waste Management Development Corporation—
Discretely Presented Component Unit

Solid Waste Management Development Corporation (SWMDC) owns a system of underground pressurized steam transport pipe in the downtown area commonly known as the steam loop. The steam loop is leased on a long term basis to a steam generating private entity unrelated to the City.

Separate financial statements are not prepared for SWMDC. Accordingly, a statement of revenues, expenses, changes in net assets, and a statement of cash flows for SWMDC have been included within the City's comprehensive annual financial report.

City of St. Louis, Missouri
Statement of Revenues, Expenses, and Changes in Net Assets
Solid Waste Management Development Corporation (SWMDC)
For the year ended June 30, 2006
(dollars in thousands)

OPERATING REVENUES	
Lease revenue	343
Sales taxes	120
Total operating revenues	463
OPERATING EXPENSES	
Depreciation	254
Professional fees and other operating expenses	140
Total operating expenses	394
Operating income	69
NONOPERATING REVENUES	
Investment income	32
Total nonoperating revenues	32
Net income before capital contributions	101
Capital contributions	77
Change in net assets	178
Total net assets—beginning of year	6,983
Total net assets—end of year	$ 7,161

See accompanying independent auditors' report.

Schedule 26

City of St. Louis, Missouri
Statement of Cash Flows
Solid Waste Management Development Corporation (SWMDC)
For the Year ended June 30, 2006
(dollars in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$	463
Payments to service providers		(140)
Net cash provided by operating activities		323
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Construction of capital assets		(38)
Net cash used in capital and related financing activities		(38)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments		(2,026)
Proceeds from maturities of investments		2,010
Investment income		32
Net cash provided by investing activities		16
Net increase in cash and cash equivalents		301
Cash and cash equivalents beginning of year		784
Cash and cash equivalents end of year	$	1,085
Reconciliation of operating income to net cash provided by operating activities:		
Operating income		69
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation expense		254
Net cash provided by operating activities	$	323

See accompanying independent auditors' report.