NEW ISSUE -- BOOK-ENTRY-ONLY **Rating: See "RATING" herein**

In the opinion of Co-Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, interest on the Series 2006A Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Co-Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 2006A Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. Co-Bond Counsel are further of the opinion that interest on the Series 2006A Bonds is excluded from Missouri taxable income for purposes of the income tax imposed by the State of Missouri. See "TAX MATTERS" herein regarding certain other tax considerations.

$23,725,000
ST. LOUIS MUNICIPAL FINANCE CORPORATION
Carnahan Courthouse Leasehold Revenue Refunding Bonds, Series 2006A
(City of St. Louis, Missouri, Lessee)

Dated: Date of Delivery **Due: February 15, as shown on the inside cover**

The St. Louis Municipal Finance Corporation Carnahan Courthouse Leasehold Revenue Refunding Bonds, Series 2006A (City of St. Louis, Missouri, Lessee) (the "Series 2006A Bonds") are being issued by the St. Louis Municipal Finance Corporation (the "Corporation"), a nonprofit corporation organized and existing under the laws of the State of Missouri (the "State"). The Series 2006A Bonds will be issued under and secured by an Indenture of Trust dated as of April 1, 2002 ("Original Indenture"), as amended and supplemented by a First Supplemental Indenture of Trust dated as of October 1, 2006 (the "First Supplemental Indenture" and, together with the Original Indenture, the "Indenture"), by and between the Corporation and UMB Bank, N.A., St. Louis, Missouri, as trustee (the "Trustee"). The proceeds of the Series 2006A Bonds will be used, along with other funds of the Corporation, to (i) refund all of the Corporation's outstanding Carnahan Courthouse Leasehold Revenue Bonds, Series 2002A (City of St. Louis, Missouri, Lessee), (ii) satisfy the debt service reserve requirement for the Series 2006A Bonds and (iii) pay the costs of issuance of the Series 2006A Bonds.

The Series 2006A Bonds and the interest thereon shall be special obligations of the Corporation payable solely out of the rentals and certain other revenues and receipts derived by the Corporation pursuant to the Lease Agreement (as herein described) and are secured by a pledge and assignment of the Trust Estate (as defined in the Indenture) to the Trustee pursuant to the Indenture. No incorporator, member, agent, employee, director or officer of the Corporation or The City of St. Louis, Missouri (the "City"), shall at any time or under any circumstances be individually or personally liable under the Indenture or the Lease Agreement for anything done or omitted to be done by the Corporation thereunder. The Series 2006A Bonds and interest thereon shall not be a debt of the City or of the State and neither the City nor the State shall be liable thereon, and the Series 2006A Bonds shall not constitute an indebtedness within the meaning of any constitutional, statutory or charter debt limitation or restriction. The obligation of the City to make rental payments is subject to annual appropriation by the City of St. Louis Board of Aldermen. The Corporation has no taxing power. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006A BONDS" herein.

The Series 2006A Bonds are issuable only as fully registered bonds, without coupons, and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. Purchases of the Series 2006A Bonds will be made in book-entry form in denominations of $5,000 or any integral multiple of $5,000 in excess thereof. Purchasers will not receive certificates representing their interests in the Series 2006A Bonds purchased. So long as Cede & Co. is the registered owner of the Series 2006A Bonds, as nominee of DTC, references herein to the Bondholders or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as herein defined) of the Series 2006A Bonds.

Principal on the Series 2006A Bonds will be payable as set forth on the inside front cover of this Official Statement. The Series 2006A Bonds will bear interest from their dated date, payable beginning February 15, 2007, and semiannually thereafter on February 15 and August 15 of each year. Payments of principal of, premium, if any, and interest on the Series 2006A Bonds will be made by the Trustee to Cede & Co., as nominee for DTC, for disbursement to the DTC Participants (as herein defined) for subsequent disbursement to the Beneficial Owners of the Series 2006A Bonds. The Series 2006A Bonds are subject to optional and extraordinary redemption prior to maturity as fully described herein.

Payment, when due, of the principal of and interest on the Series 2006A Bonds will be guaranteed by a financial guaranty insurance policy to be issued concurrently with the issuance of the Series 2006A Bonds by Ambac Assurance Corporation. See "**BOND INSURANCE**" herein.

See the inside cover page for maturities, principal amounts, interest rates and yields.

The purchase of the Series 2006A Bonds is subject to certain risks and may not be a suitable investment for all persons. Prospective purchasers should carefully evaluate the risks and merits of investing in the Series 2006A Bonds. See "CERTAIN INVESTMENT CONSIDERATIONS."

The Series 2006A Bonds are offered when, as and if issued by the Corporation and accepted by the Underwriters, subject to prior placement, withdrawal or modification of the offer without notice, and subject to the approval of the validity of the Series 2006A Bonds by Hardwick Law Firm LLC and Gilmore & Bell, P.C., Co-Bond Counsel, and certain other conditions referred to herein. Certain legal matters will be passed upon for the Corporation and the City by the Office of the City Counselor. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Hunton & Williams, LLP and Cochran, Cherry, Givens, Smith, Caldwell & Singleton, LLC. It is expected that the Series 2006A Bonds will be available for delivery to DTC in New York, New York on or about October 4, 2006.

MORGAN STANLEY

Lehman Brothers **Loop Capital Markets, LLC**

This cover page contains information for reference only. It is not a complete summary of the Series 2006A Bonds. Investors must read the entire Official Statement, including the cover page and Appendices hereto to obtain information essential to making an informed investment decision. Capitalized terms used but not defined on this cover page have the meanings provided herein.

September 15, 2006

MATURITIES, PRINCIPAL AMOUNTS,
INTEREST RATES AND PRICES OR YIELDS

$23,725,000
ST. LOUIS MUNICIPAL FINANCE CORPORATION
Carnahan Courthouse Leasehold Revenue Refunding Bonds,
Series 2006A
(City of St. Louis, Missouri, Lessee)

Stated Maturity February 15	Principal Amount	Interest Rate	Yield	CUSIP Number
2010	$ 15,000	4.000%	3.570%	79165TLL3
2011	160,000	4.000%	3.600%	79165TLM1
2012	170,000	4.000%	3.650%	79165TLN9
2013	175,000	4.000%	3.710%	79165TLP4
2014	1,235,000	4.000%	3.800%	79165TLQ2
2015	1,280,000	4.000%	3.850%	79165TLR0
2016	1,330,000	4.000%	3.900%	79165TLS8
2017	1,385,000	4.000%	4.040%	79165TLT6
2018	1,440,000	4.000%	4.150%	79165TLU3
2019	1,495,000	4.000%	4.190%	79165TLV1
2020	1,555,000	4.000%	4.230%	79165TLW9
2021	1,615,000	4.000%	4.270%	79165TLX7
2022	1,685,000	4.125%	4.310%	79165TLY5
2023	1,750,000	4.125%	4.340%	79165TLZ2
2024	1,825,000	4.250%	4.360%	79165TMA6
2025	1,900,000	4.250%	4.380%	79165TMB4
2026	1,980,000	4.250%	4.400%	79165TMC2
2027	2,730,000	4.250%	4.420%	79165TMD0

This Official Statement is provided in connection with the initial offering and sale of the Series 2006A Bonds referred to herein and may not be reproduced or be used, in whole or in part, for any other purpose. The information contained in this Official Statement has been derived from information provided by the Corporation or the City, Ambac Assurance Corporation (the "Bond Insurer") and other sources which are believed to be reliable. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

No dealer, broker, salesman or other person has been authorized by the Corporation or the City, the Bond Insurer or the Underwriters to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2006A Bonds by any person in any state in which it is unlawful for such person to make such offer, solicitation or sale.

The information and expressions of opinion herein speak as of their date unless otherwise noted and are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Corporation, the City or the Bond Insurer since the date hereof (or since the date of any information included herein that is dated other than the date hereof).

The Series 2006A Bonds have not been registered with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Securities Act") in reliance upon the exemption contained in Section 3(a)(2) of such act. The Indenture has not been qualified under the Trust Indenture Act of 1939, in reliance upon an exemption contained in such act. The registration or qualification of the Series 2006A Bonds in accordance with applicable provisions of securities laws of any states in which the Series 2006A Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither these states nor any of their agencies have passed upon the merits of the Series 2006A Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

Other than with respect to information concerning the Bond Insurer contained in "BOND INSURANCE" and APPENDIX F - "Form of Financial Guaranty Insurance Policy," none of the information in this Official Statement has been supplied or verified by the Bond Insurer and the Bond Insurer makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Series 2006A Bonds; or (iii) the tax-exempt status of the interest on the Series 2006A Bonds.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2006A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included in or incorporated by reference in this Official Statement that are not purely historical are "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 27A of the Securities Act and reflect the Corporation's or the City's current expectations, hopes, intentions, or strategies regarding the future. Such statements may be identifiable by the terminology used such as "plan," "expect," "estimate," "budget," "intend" or other similar words.

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Included in such risks and uncertainties are (i) those relating to the possible invalidity of the underlying assumptions and estimates, (ii) possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances, and (iii) conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately. For these reasons, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

Undue reliance should not be placed on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Corporation and the City on the date hereof, and the Corporation and the City assume no obligation to update any such forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur or fail to occur, other than as indicated under the caption "CONTINUING DISCLOSURE."

THE CITY OF ST. LOUIS

ELECTED OFFICIALS

Francis G. Slay, Mayor
Darlene Green, Comptroller
James F. Shrewsbury, President of the Board of Aldermen
Larry C. Williams, Treasurer

BOARD OF ALDERMEN

Charles Quincy Troupe	Ward 1	Jennifer Florida	Ward 15
Dionne Flowers	Ward 2	Donna Baringer	Ward 16
Freeman Bosley, Sr.	Ward 3	Joseph D. Roddy	Ward 17
O. L. Shelton	Ward 4	Terry Kennedy	Ward 18
April Ford Griffin	Ward 5	Michael McMillan	Ward 19
Lewis Reed	Ward 6	Craig Schmid	Ward 20
Phyllis Young	Ward 7	Bennice Jones-King	Ward 21
Stephen J. Conway	Ward 8	Jeffrey Boyd	Ward 22
Kenneth Ortmann	Ward 9	Kathleen Hanrahan	Ward 23
Joseph Vollmer	Ward 10	William Waterhouse	Ward 24
Matt Villa	Ward 11	Dorothy Kirner	Ward 25
Fred Heitert	Ward 12	Frank Williamson	Ward 26
Alfred J. Wessels, Jr.	Ward 13	Gregory J. Carter	Ward 27
Stephen Gregali	Ward 14	Lyda Krewson	Ward 28

ST. LOUIS MUNICIPAL FINANCE CORPORATION

BOARD OF DIRECTORS

Ivy Neyland-Pinkston	President
Ronald H. Smith	Vice President
Pam Ross	Vice President
Stephen J. Kovac	Secretary
Frank Jackson	Treasurer

OTHER CITY OFFICIALS

Ivy Neyland-Pinkston, Deputy Comptroller for Finance and Development
Elaine Harris Spearman, Legal Advisor to the Comptroller
Candice Gordon, Accounting Executive
Patricia A. Hageman, City Counselor
Stephen J. Kovac, Deputy City Counselor

BOARD OF ESTIMATE AND APPORTIONMENT

Francis G. Slay, Mayor
Darlene Green, Comptroller
James F. Shrewsbury, President of the Board of Aldermen

FINANCIAL ADVISOR

P. G. Corbin & Company, Inc.
Philadelphia, Pennsylvania

INVESTMENT ADVISOR

Columbia Capital Management LLC
Mission, Kansas

TABLE OF CONTENTS

OFFICIAL STATEMENT

Relating to

$23,725,000
St. Louis Municipal Finance Corporation
Carnahan Courthouse Leasehold Revenue Refunding Bonds, Series 2006A
(City of St. Louis, Missouri, Lessee)

INTRODUCTION

The information in this section is furnished solely to provide limited introductory information regarding the terms of St. Louis Municipal Finance Corporation's Carnahan Courthouse Leasehold Revenue Refunding Bonds, Series 2006A (City of St. Louis, Missouri, Lessee) (the "Series 2006A Bonds") and does not purport to be comprehensive. Such information is qualified in its entirety by reference to the more detailed descriptions appearing in this Official Statement, including the cover page and the Appendices hereto. The order and placement of materials in this Official Statement, including the information on the cover page and the Appendices, are not to be deemed to be a determination of relevance, materiality or relative importance, and this Official Statement, including the cover page and Appendices, must be considered in its entirety. Capitalized terms used and not defined herein are defined under the section ***"DEFINITIONS OF WORDS AND TERMS"*** *set forth in Appendix C to this Official Statement.*

The Issuer

The issuer of the Series 2006A Bonds is the St. Louis Municipal Finance Corporation (the "Corporation"), a nonprofit corporation duly organized and existing under the Missouri Nonprofit Corporation Act. See "**ST. LOUIS MUNICIPAL FINANCE CORPORATION"** herein.

Authorization for the Series 2006A Bonds

The Series 2006A Bonds are issued under the authority of the constitution and laws of the State of Missouri (the "State"), including Section 100.155 of the Revised Statutes of Missouri, as amended, Ordinance No. 67096, adopted by the Board of Aldermen on May 26, 2006, and approved by the Mayor on May 30, 2006 (the "Ordinance"), and a resolution of the Board of Directors of the Corporation adopted on July 10, 2006 (the "Resolution"). The Series 2006A Bonds will be issued under and secured by an Indenture of Trust dated as of April 1, 2002 (the "Original Indenture"), as amended and supplemented by a First Supplemental Indenture of Trust dated as of October 1, 2006 (the "First Supplemental Indenture" and together with the Original Indenture, the "Indenture"), by and between the Corporation and UMB Bank, N.A., St. Louis, Missouri, as trustee (the "Trustee").

Use of Proceeds of the Series 2006A Bonds

The proceeds of the Series 2006A Bonds will be used, along with other funds of the Corporation, to (i) refund all of the Corporation's outstanding Carnahan Courthouse Leasehold Revenue Bonds, Series 2002A (City of St. Louis, Missouri, Lessee) (the "Series 2002A Bonds"), (ii) satisfy the debt service reserve requirement for the Series 2006A Bonds, and (iii) pay the costs of issuance of the Series 2006A Bonds. The proceeds of the Series 2002A Bonds were originally issued to finance the acquisition, construction, renovation and equipping of the Carnahan Courthouse. For a description of the Carnahan Courthouse, see "**CARNAHAN COURTHOUSE**" herein.

Security and Sources of Payment for the Series 2006A Bonds

The Series 2006A Bonds and the interest thereon are special obligations of the Corporation payable solely out of the Rentals and Additional Rentals derived by the Corporation from the leasing of the Property (as defined herein) to the City pursuant to the Lease Agreement (as defined herein). For additional information on the security and sources of payment for the Series 2006A Bonds, see "**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006A BONDS**" herein.

Payment of principal of and interest on the Series 2006A Bonds will be on a parity with the payment of any Additional Bonds issued pursuant to a Supplemental Indenture.

Bond Insurance

Ambac Assurance Corporation (the "Bond Insurer" or "Ambac Assurance") has committed to issue, effective as of the date on which the Series 2006A Bonds are delivered, a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy"), which policy unconditionally guarantees the payment of that portion of the principal of and interest on the Series 2006A Bonds which has become due for payment, but remains unpaid by reason of nonpayment by the Corporation. The Financial Guaranty Insurance Policy extends for the term of the Series 2006A Bonds and cannot be cancelled by the Bond Insurer. See the captions "**BOND INSURANCE**" herein and the specimen policy included in Appendix E to this Official Statement.

Definitions and Summaries of Certain Legal Documents

Capitalized terms used and not defined herein are defined under the section "**DEFINITIONS OF WORDS AND TERMS**" set forth in Appendix C to this Official Statement. Summaries of the Indenture, the Lease Agreement and certain other matters are set forth in Appendix D to this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Indenture, the Base Lease, the Lease Agreement, the Tax Compliance Agreement and the Continuing Disclosure Agreement are qualified in their entirety by reference to such documents. Copies or the definitive form, as applicable, of such documents may be reviewed prior to delivery of the Series 2006A Bonds at the offices of the City's Comptroller, Room 212, City Hall, 1200 Market Street, St. Louis, Missouri 63103, and following delivery of the Series 2006A Bonds at the office of the Trustee, UMB Bank, N.A., St. Louis, Missouri, 2 South Broadway, Suite 435, St. Louis, Missouri 63102, (314) 612-8490, or will be provided to any prospective purchaser requesting the same, upon payment by such prospective purchaser of any cost of complying with such request.

THE SERIES 2006A BONDS

General

The Series 2006A Bonds shall consist of one series of bonds in an aggregate principal amount of $23,725,000 and are designated as the St. Louis Municipal Finance Corporation Carnahan Courthouse Leasehold Revenue Refunding Bonds, Series 2006A (City of St. Louis, Missouri, Lessee).

The Series 2006A Bonds will be issued as fully registered bonds and will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. No Beneficial Owners (as defined herein) will receive certificates representing their respective interest in the Series 2006A Bonds, except in the event the Corporation issues replacement bonds. Ownership and subsequent transfers of ownership will be reflected by book-entry on the records of DTC and the Participants (as defined herein).

The Series 2006A Bonds will be issued in denominations of $5,000 or any integral multiple thereof, will be dated the date of delivery, and will bear interest on a current basis from that date, payable beginning February 15, 2007, and semi-annually thereafter on each February 15 and August 15, at the rates, and will mature on February 15 in the years set forth on the inside cover page hereof.

The Series 2006A Bonds will be subject to optional and extraordinary redemption prior to maturity as described below.

Interest on the Series 2006A Bonds will be payable by check or draft mailed to the registered owner as of the close of business the next preceding Record Date. Upon the request of any holder of at least $1,000,000 principal amount of Series 2006A Bonds, payment of interest to such Holder will be made by wire transfer. Payment of principal, and premium, if any, of the Series 2006A Bonds, will be made upon presentation and surrender of the Series 2006A Bonds at the principal corporate trust office of the Trustee.

Optional Redemption

The Series 2006A Bonds shall be subject to optional redemption and payment prior to their Stated Maturity at the election of the Corporation, upon direction and instruction by the City, on February 15, 2016, and at any time thereafter, as a whole or in part at any time, and if in part in such Stated Maturity and amounts as the Corporation shall determine, upon the direction and instruction by the City in its sole discretion, at the a redemption price equal to 100% of the aggregate principal amount of such Series 2006A Bonds to be redeemed plus accrued interest thereon to the redemption date.

Extraordinary Redemption

The Series 2006A Bonds are subject to extraordinary redemption and payment prior to their respective Stated Maturity by the Corporation upon instructions from the City on any date (unless otherwise specified), upon the occurrence of any of the following conditions or events, provided the Series 2006A Bonds so redeemed are redeemed and paid according to their terms:

(1) if title to, or the use of, substantially all of the Carnahan Courthouse is condemned by any authority having power of eminent domain;

(2) if the Corporation's interest in substantially all of the Carnahan Courthouse is found to be deficient or nonexistent to the extent that the Carnahan Courthouse is not habitable or the efficient utilization of the Carnahan Courthouse by the City is impaired;

(3) if substantially all of the Carnahan Courthouse is damaged or destroyed by fire or other casualty; or

(4) if as a result of changes in the Constitution of the State or legislative or administrative action by the State, or any political subdivision thereof, or by the United States, or by reason of any action instituted in any court, the Lease Agreement shall become void or unenforceable, or impossible of performance without unreasonable delay, or in any way, by reason of such change of circumstances, unreasonable burdens or excessive liabilities are imposed on the City or the Corporation.

The Series 2006A Bonds redeemed as provided in this paragraph shall be redeemed at a redemption price of 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption and payment.

Selection of Series 2006A Bonds to be Redeemed

Series 2006A Bonds shall be redeemed in Authorized Denominations. When less than all of the Outstanding Series 2006A Bonds are to be redeemed and paid prior to maturity, such Series 2006A Bonds shall be selected by the Corporation, upon the direction of the City, from the Outstanding Series 2006A Bonds. In the event less than all the Series 2006A Bonds of a particular maturity are to be redeemed, the Trustee shall select the Series 2006A Bonds to be redeemed by such method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions of the principal of Outstanding Series 2006A Bonds of a denomination larger than $5,000.

Notice and Effect of Call for Redemption

Notice of any redemption of Series 2006A Bonds shall be given by the Trustee, by mailing a copy of the redemption notice by first class mail, postage prepaid, at least thirty (30) days, but not more than sixty (60) days prior to the Redemption Date to each Holder of Series 2006A Bonds to be redeemed at the address appearing on the Bond Register. All notices of redemption shall include information regarding (a) the Redemption Date; (b) the redemption price; (c) if less than all Outstanding Series 2006A Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Series 2006A Bonds to be redeemed; (d) that, on the Redemption Date, the redemption prices will become due and payable upon such Series 2006A Bonds, and that interest thereon shall cease to accrue from and after said date; and (e) the place where such Series 2006A Bonds are to be surrendered for payment of the redemption price, which shall be the principal corporate trust office of the Trustee as Paying Agent.

Prior to any date fixed for redemption pursuant to the Indenture and prior to the giving of notice of redemption of any Series 2006A Bonds (unless such notice shall state that the foregoing redemptions will be made only to the extent there are funds available therefor), there shall be deposited with the Trustee funds sufficient or United States Government Obligations, maturing as to principal and interest at such times and in such amounts as to provide funds sufficient, to pay the principal of Series 2006A Bonds to be called for redemption and accrued interest thereon on the Redemption Date and the redemption premium, if any, provided, however, the requirements for such deposit need not be met to the extent such redemption is to be made with the proceeds of Additional Bonds to be issued to refund all or part of the Series 2006A Bonds to be redeemed. Any redemption pursuant to the Indenture shall be made only from and/or to the extent of the funds or United States Government Obligations so deposited with the Trustee. Upon the happening of the above conditions, and notice having been given as described above, the Series 2006A Bonds or the portions of the principal amount of Series 2006A Bonds thus called for redemption shall cease to bear interest on their Redemption Date, provided funds or United States Governmental Obligations sufficient for the payment of principal of, redemption premium, if any, and accrued interest are on deposit at the place of payment at that time, and shall no longer be entitled to the protection, benefit or security of the Indenture and shall not be deemed to be Outstanding under the Indenture.

Registration, Transfer and Exchange

The registration of the transfer of any Series 2006A Bond may be made only upon surrender of such Series 2006A Bonds to the Trustee duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his attorney or legal representative in such form as shall be satisfactory to the Trustee. Series 2006A Bonds may be exchanged for other Series 2006A Bonds of any denomination authorized by the Indenture in the same aggregate principal amount, stated maturity, and series upon presentation to the Trustee, subject to the terms, conditions and limitations of the Indenture and upon payment of any tax or other governmental charge required to be paid with respect to any such exchange or registration of transfer. The record date for the payment of interest on the Series 2006A

Bonds is the first day (whether or not a Business Day) of the calendar month preceding the month of each interest payment date. The Series 2006A Bonds are being issued in book-entry form with a single global bond certificate for each maturity of the Series 2006A Bonds to be delivered by the Corporation to the initial purchasers for deposit with DTC. The Series 2006A Bonds shall be registered on the Bond Register in the name of Cede & Co., as nominee of DTC. For so long as Cede & Co. is the registered owner of the Series 2006A Bonds, all such payments will be made to Cede & Co.

Book-Entry System

The information in this section concerning DTC and DTC's Book-Entry System has been obtained from sources that the Corporation and the Underwriters believe to be reliable, but neither the Corporation nor the Underwriters take any responsibility for the accuracy of such information, and the DTC participants and the Beneficial Owners should not rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the DTC participants, as the case may be.

General. Ownership interests in the Series 2006A Bonds will be available to purchasers only through a book-entry system (the "Book-Entry System") maintained by DTC, New York, New York, which will act as securities depository for the Series 2006A Bonds. The Series 2006A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. Initially, one fully-registered certificate will be issued for each maturity of the Series 2006A Bonds, in the aggregate principal amount of each maturity of the Series 2006A Bonds, and will be deposited with DTC. The following discussion will not apply to any Series 2006A Bonds issued in certificate form due to the discontinuance of the DTC Book-Entry System, as described below.

So long as Cede & Co., as nominee of DTC, is the registered owner of the Series 2006A Bonds, the Beneficial Owners of the Series 2006A Bonds will not receive or have the right to receive physical delivery of the Series 2006A Bonds, and references herein to the Bondholders or registered owners of the Series 2006A Bonds mean Cede & Co. and not the Beneficial Owners of the Series 2006A Bonds.

DTC and its Participants. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "*banking organization*" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "*clearing corporation*" within the meaning of the New York Uniform Commercial Code and a "*clearing agency*" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtcc.org.

Purchase of Ownership Interests. Purchases of Series 2006A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2006A Bonds on DTC's records. The ownership interest of each actual purchaser of a Series 2006A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2006A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2006A Bonds, except in the event that use of the book-entry system for the Series 2006A Bonds is discontinued.

Transfers. To facilitate subsequent transfers, all Series 2006A Bonds deposited by Direct Participants with DTC are registered in the name of Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2006A Bonds with DTC and their registration in the name of Cede & Co. do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2006A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2006A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2006A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2006A Bonds, such as redemptions, tenders, defaults and proposed amendments to the Series 2006A Bond documents. For example, Beneficial Owners of Series 2006A Bonds may wish to ascertain that the nominee holding the Series 2006A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption. Redemption notices shall be sent to DTC. If less than all of the Series 2006A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series 2006A Bonds to be redeemed.

Voting. Neither DTC nor Cede & Co. will consent or vote with respect to Series 2006A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation, as issuer, as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2006A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of Principal and Interest. Payments of the principal of, and interest and premium, if any, on the Series 2006A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "*street name*," and will be the responsibility of such Participant and not of DTC (or its nominee), the Trustee or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest on the Series 2006A Bonds to Cede & Co. is the responsibility of the Corporation or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

Discontinuation of Book-Entry System. DTC may discontinue providing its services as securities depository with respect to the Series 2006A Bonds at any time by giving notice to the Corporation or the Trustee. Bond certificates may be printed and delivered to those persons to whom transfer is requested in written transfer instruction in the event that (a) DTC shall so resign or discontinue its services for the Series 2006A Bonds and the Corporation is unable to locate a qualified successor within two months following such resignation, (b) the Corporation determines that DTC is incapable of discharging its duties and the Corporation is unable to locate a qualified successor within two months following such determination, or (c) upon a determination by the Corporation that the continuation of a book-entry system described herein, which precludes the issuance of certificates to any Holder other than DTC (or its nominee) is no longer in the best interest of the beneficial owners of the Series 2006A Bonds, then the Corporation shall notify the beneficial owners of such resignation or determination and of the availability of Replacement Bonds to beneficial owners of the Series 2006A Bonds requesting the same and registration, transfer and exchange of such Series 2006A Bonds will be conducted as provided in the Indenture.

THE CITY, THE UNDERWRITERS AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY SUCH DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (II) THE PAYMENT BY ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2006A BONDS; (III) THE DELIVERY BY ANY SUCH DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO BONDHOLDERS; (IV) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2006A BONDS; OR (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

DURING THE PERIOD THAT CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2006A BONDS, ANY REFERENCES IN THIS OFFICIAL STATEMENT TO NOTICES THAT ARE TO BE GIVEN TO OWNERS BY THE TRUSTEE WILL BE GIVEN ONLY TO CEDE & CO. DTC WILL BE EXPECTED TO FORWARD (OR CAUSE TO BE FORWARDED) THE NOTICE TO THE DIRECT PARTICIPANTS BY ITS USUAL PROCEDURES SO THAT SUCH PARTICIPANTS MAY FORWARD (OR CAUSE TO BE FORWARDED) THE NOTICES TO THE INDIRECT PARTICIPANTS AND THE BENEFICIAL OWNERS. THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ASSURE THAT ANY SUCH NOTICE IS FORWARDED BY DTC TO THE DIRECT PARTICIPANTS OR BY THE DIRECT PARTICIPANT TO THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS. ANY FAILURE BY DTC TO ADVISE ANY DIRECT PARTICIPANT, OR ANY FAILURE BY ANY DIRECT PARTICIPANT TO NOTIFY ANY INDIRECT PARTICIPANT OR BENEFICIAL OWNER, OF ANY SUCH NOTICE AND ITS CONTENT OR EFFECT SHALL NOT AFFECT THE VALIDITY OF ANY ACTION PREMISED ON SUCH NOTICE.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006A BONDS

General

Pursuant to a Base Lease, dated as of April 1, 2002, between the City and the Corporation (the "Base Lease"), the City leased to the Corporation a leasehold interest in the Carnahan Courthouse located in the City, including certain equipment and other personal property therein. Pursuant to a Lease Purchase Agreement, dated as of April 1, 2002, between the City and the Corporation (the "Original Lease Agreement"), the Corporation leased back to the City the Carnahan Courthouse, plus all improvements and installations with respect thereto that were financed with the proceeds of the Series 2002A Bonds. The Series 2002A Bonds will be refunded with the proceeds of the Series 2006A Bonds and the Original Lease Agreement will be amended and supplemented to secure repayment of the Series 2006A Bonds pursuant to a First Supplemental Lease Purchase Agreement, dated as of October 1, 2006, by and between the Corporation and the City (the "First Supplemental Lease Agreement" and, together with the Original Lease Agreement, the "Lease Agreement").

The Series 2006A Bonds, and the interest thereon, are special obligations of the Corporation payable solely out of the Rentals and the Additional Rentals derived by the Corporation from the leasing of the Carnahan Courthouse pursuant to the Lease Agreement.

THE SERIES 2006A BONDS, AND THE INTEREST THEREON, SHALL NOT BE A DEBT OF THE CITY, OR THE STATE, AND NEITHER THE CITY NOR THE STATE SHALL BE LIABLE THEREON, AND THE SERIES 2006A BONDS SHALL NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL, STATUTORY OR CHARTER DEBT LIMITATION OR RESTRICTION. NO INCORPORATOR, MEMBER, AGENT, EMPLOYEE, DIRECTOR OR OFFICER OF THE CORPORATION OR THE CITY SHALL AT ANY TIME OR UNDER ANY CIRCUMSTANCES BE INDIVIDUALLY OR PERSONALLY LIABLE UNDER THE INDENTURE OR THE LEASE AGREEMENT FOR ANYTHING DONE OR OMITTED TO BE DONE BY THE CORPORATION THEREUNDER.

For so long as the Series 2006A Bonds are outstanding, the City is required to pay, as Rentals, to the Trustee, as assignee of the Corporation, amounts corresponding to payments of principal of, premium, if any, and interest on the Series 2006A Bonds as they become due, in immediately available funds, not fewer than five (5) business days before any payment is due. The City has covenanted to pay Rentals at such times and in such amounts as necessary to assure that no default in the payment of principal of, premium, if any, and interest on the Series 2006A Bonds occurs at any time. The City's payment of Rentals is subject to annual appropriation by the City. See **"SUMMARY OF THE LEASE AGREEMENT"** set forth in Appendix D hereto.

If the balance in the Series 2006A Bond Account is less than amounts necessary to pay principal of, premium, if any, and interest on the Series 2006A Bonds, the City will pay such deficiency as Rentals. To the extent Rentals are insufficient to provide the Corporation and the Trustee with funds sufficient to pay its obligations under the Lease Agreement and the Indenture, the City has agreed to pay, as Additional Rentals, upon demand therefor, such further sums of money as may be required from time to time for such purposes. Additional Rentals include, among other things, payments needed to replenish the Debt Service Reserve Fund, if necessary. See **"SUMMARY OF THE LEASE AGREEMENT"** set forth in Appendix D hereto.

THE CITY'S PAYMENT OF RENTALS AND ADDITIONAL RENTALS PURSUANT TO THE LEASE AGREEMENT IS SUBJECT TO ANNUAL APPROPRIATION BY THE CITY. IF THE CITY FAILS TO BUDGET AND APPROPRIATE FUNDS FOR RENTALS AND ADDITIONAL RENTALS

IN ANY FISCAL YEAR, THE LEASE AGREEMENT WILL TERMINATE AT THE END OF THE FISCAL YEAR FOR WHICH FUNDS HAVE BEEN APPROPRIATED AND REQUIRE THE CITY TO VACATE THE CARNAHAN COURTHOUSE.

Although subject to annual appropriation, the City's obligation to pay Rentals and Additional Rentals is absolute and unconditional, not subject to notice or demand, without any abatement, offset, deduction, recoupment, diminution, setoff, counterclaim, defense or any right of termination or cancellation arising from any circumstance whatsoever, whether existing or arising, and must be sufficient to fund debt service on the Series 2006A Bonds, replenish the Debt Service Reserve Fund, if required, and to pay all other amounts required under the Lease Agreement and the Indenture.

The City covenants and agrees in the Lease Agreement to include in the budget proposals submitted to the Board of Estimate and Apportionment, and to the extent permitted by law, to the Board of Aldermen of the City, in any year during the Lease Term, a request for an amount sufficient to pay the Rentals and the estimated amount of Additional Rentals. Requests for appropriations shall be made in each fiscal year, which currently ends on June 30 of each calendar year (the "Fiscal Year") so that the City's Rentals and a reasonable estimate of Additional Rentals to be paid during the succeeding Fiscal Year will be available for such purposes. The City presently expects to, in each Fiscal Year during the Lease Term, appropriate funds in an amount sufficient to pay principal of, interest on and redemption premium, if any, on the Series 2006A Bonds. Failure of the City to budget and appropriate on or before June 30 of each year funds in the minimum amount equal to the Rentals and a reasonable estimate of Additional Rentals due during the next Fiscal Year shall constitute termination of the Lease Agreement at the end of the Fiscal Year then in effect.

The City intends, subject to the provisions above with respect to the failure of the City to budget or appropriate funds to pay Rentals and a reasonable estimate of Additional Rentals, to continue the Lease Term and to pay the Rentals and Additional Rentals. The City reasonably believes that legally available funds in an amount sufficient to pay all Rentals and Additional Rentals during the Lease Term can be obtained and, in addition to using its bona fide best efforts to accomplish the same, shall exhaust all available administrative reviews and appeals, if any, in the event such portion of the budget request is not approved.

Funds Created

The Indenture provides for the creation of the following special trust funds and accounts to be designated as follows:

(1) the Bond Fund, including a separate and distinct account to be designated the "Series 2006A Bond Account";

(2) the Debt Service Reserve Fund;

(3) the Project Fund;

(4) the Rebate Fund; and

(5) the Costs of Issuance Fund, including a separate and distinct account to be designated the "Series 2006A Costs of Issuance Account".

The moneys in the above funds and accounts shall be held by the Trustee and shall be applied in accordance with the provisions of the Indenture and the Lease Agreement.

Debt Service Reserve Fund

As additional security for the Bonds, including the Series 2006A Bonds, the Indenture establishes the Debt Service Reserve Fund. The Trustee will deposit cash or a surety bond policy in an amount sufficient to satisfy the Debt Service Reserve Fund Requirement into the Debt Service Reserve Fund. As used herein, the "Debt Service Reserve Fund Requirement" means the least of (a) the maximum annual debt service on the Bonds Outstanding, (b) 10% of the original proceeds of each Series of Bonds or (c) 125% of the average annual debt service requirements on the Bonds; provided that for the purposes of calculating annual debt service, annual debt service for the last annual period shall mean Net Debt Service, which is the greater of (a) 0 or (b) annual debt service minus the Debt Service Reserve Fund Requirement. The Debt Service Reserve Fund Requirement may be satisfied by deposits in cash or in partial substitution or in lieu of cash by an insurance policy, letter of credit, line of credit or surety bond or similar liquidity or credit facility guaranteeing payments into the Debt Service Reserve Fund in the amount of the Debt Service Reserve Fund Requirement, which facility shall be issued by an entity that is rated in one of the two highest rating categories by any rating agency which rates such facility.

In connection with the issuance of the Series 2006A Bonds, the Debt Service Reserve Requirement is expected to be satisfied by a transfer of funds from amounts on deposit in the Debt Service Reserve Fund in connection with the Series 2002A Bonds. If the funds transferred from the Series 2002A Debt Service Reserve Fund are not sufficient to satisfy the Debt Service Reserve Requirement, a portion of the proceeds of the Series 2006A Bonds will be used to satisfy the remainder of the Debt Service Reserve Requirement.

Except as otherwise provided in the Indenture, funds on deposit in the Debt Service Reserve Fund will be used and applied by the Trustee solely to prevent a default in the event moneys on deposit in the Bond Fund are insufficient to pay the principal of and interest on all Outstanding Bonds under the Indenture, including the Series 2006A Bonds, when due. Moneys on deposit in the Debt Service Reserve Fund may be used to pay Series 2006A Bonds called for redemption or to purchase Series 2006A Bonds in the open market, prior to their Stated Maturity, provided all Outstanding Bonds under the Indenture, including the Series 2006A Bonds, are called for redemption or purchased and sufficient funds are available therefor. Moneys on deposit in the Debt Service Reserve Fund will be used to pay and retire the Series 2006A Bonds last becoming due unless such Series 2006A Bonds and all interest thereon are otherwise paid.

So long as the sum on deposit in the Debt Service Reserve Fund aggregates an amount equal to the Debt Service Reserve Fund Requirement, no further deposits to the Debt Service Reserve Fund are required. If, however, the Trustee is ever required to withdraw funds from the Debt Service Reserve Fund to prevent a default and the withdrawal of such funds reduces the amount on deposit in the Debt Service Reserve Fund to less than the Debt Service Reserve Fund Requirement, the City shall, in accordance with the Lease Agreement, make up such deficiency by making monthly payments of Additional Rentals, commencing on the first day of the calendar month following the date of such withdrawal and continuing on the first day of each month thereafter, in an amount equal to one-twelfth (1/12) of the maximum amount of such deficiency until the amount on deposit in the Debt Service Reserve Fund again aggregates a sum equal to the Debt Service Reserve Fund Requirement.

On a quarterly basis, the Trustee is required to value the Permitted Investments on deposit in the Debt Service Reserve Fund at the market value thereof, exclusive of accrued interest. In the event that the amount on deposit in the Debt Service Reserve Fund aggregates an amount less than the Debt Service Reserve Fund Requirement by reason of the investment valuation, the City is required to make up such deficiency as Additional Rentals equal to such deficiency no later than the next valuation date.

If the sum on deposit in the Debt Service Reserve Fund aggregates an amount equal to the Debt Service Reserve Fund Requirement, investment earnings on funds on deposit in the Debt Service Reserve Fund shall be transferred to the accounts or subaccounts in the Bond Fund attributable to each Outstanding Series of Bonds. In the event that the sum on deposit in the Debt Service Reserve Fund exceeds the Debt Service Reserve Fund Requirement by reason of the issuance of Additional Bonds refunding a portion or all of one or more Series of Bonds under the Indenture, the Corporation may direct the Trustee to transfer such funds in excess of the Debt Service Reserve Fund Requirement to the account or subaccount of the Bond Fund, an escrow account or the project fund associated with the Series of Bonds being refunded.

Other Outstanding Bonds Under the Indenture

Upon refunding of the Series 2002A Bonds with the proceeds of the Series 2006A Bonds, the Series 2006A Bonds will be the only Outstanding Bonds under the Indenture.

Additional Bonds

So long as no Event of Default, or any other event which, with the passage of time or otherwise, would become an Event of Default under the Indenture or the Lease Agreement, has occurred and is continuing (unless such Additional Bonds are Refunding Bonds or are being issued to cure such event), Additional Bonds may be issued under and equally and ratably secured by the Indenture on a parity with the Series 2006A Bonds and any other Outstanding Bonds, at any time and from time to time, upon compliance with the conditions provided in the Indenture for the purpose of:

(a) paying the cost of completing the Carnahan Courthouse, such costs to be evidenced by a certificate signed by a City Representative and a Corporation Representative, with the prior written consent of the Credit Provider; or

(b) providing funds for refunding all or any part of the Series 2006A Bonds or of any Series then Outstanding, including the payment of any redemption premium thereon and interest to accrue to the designated Redemption Date and any expenses in connection with such refunding.

The City is in the process of completing renovations to the Carnahan Courthouse that were financed with the proceeds of the Series 2002A Bonds. The Corporation does not anticipate issuing Additional Bonds for this purpose. See "Carnahan Courthouse" herein.

BOND INSURANCE

The following information has been furnished by the Bond Insurer for use in this Official Statement. Reference is made to Appendix E to this Official Statement for a specimen of the Financial Guaranty Insurance Policy.

Payment Pursuant to Financial Guaranty Insurance Policy

The Bond Insurer has made a commitment to issue a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") relating to the Series 2006A Bonds effective as of the date of issuance of the Series 2006A Bonds. Under the terms of the Financial Guaranty Insurance Policy, the Bond Insurer will pay to The Bank of New York, in New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Series 2006A Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Financial Guaranty Insurance Policy). The Bond Insurer will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which the Bond Insurer shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the Series 2006A Bonds and, once issued, cannot be canceled by the Bond Insurer.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Series 2006A Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Series 2006A Bonds, the Bond Insurer will remain obligated to pay principal of and interest on outstanding Series 2006A Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Series 2006A Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration, except to the extent that the Bond Insurer elects, in its sole discretion, to pay all or a portion of the accelerated principal and interest accrued thereon to the date of acceleration (to the extent unpaid by the Corporation). Upon payment of all such accelerated principal and interest accrued to the acceleration date, the Bond Insurer's obligations under the Financial Guaranty Insurance Policy shall be fully discharged.

In the event the Trustee has notice that any payment of principal of or interest on a Series 2006A Bond which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from the Bond Insurer to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does not insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Financial Guaranty Insurance Policy does not cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.

2. payment of any redemption, prepayment or acceleration premium.

3. nonpayment of principal or interest caused by the insolvency or negligence of the Trustee, if any.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of the Series 2006A Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Series 2006A Bonds to be registered in the name of the Bond Insurer to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Holder's right to payment to the Bond Insurer.

Upon payment of the insurance benefits, the Bond Insurer will become the owner of the Series 2006A Bond, appurtenant coupon, if any, or right to payment of principal or interest on such Series 2006A Bond and will be fully subrogated to the surrendering Holder's rights to payment.

Bond Insurer

Ambac Assurance Corporation is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately $9,599,000,000 (unaudited) and statutory capital of approximately $6,000,000,000 (unaudited) as of June 30, 2006**.** Statutory capital consists of the Bond Insurer's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to the Bond Insurer.

The Bond Insurer has obtained a ruling from the Internal Revenue Service to the effect that the insuring of a Series 2006A Bond by the Bond Insurer will not affect the treatment for federal income tax purposes of interest on such Series 2006A Bond and that insurance proceeds representing maturing interest paid by the Bond Insurer under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the Series 2006A Bond.

The Bond Insurer makes no representation regarding the Series 2006A Bonds or the advisability of investing in the Series 2006A Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by the Bond Insurer and presented under the heading "BOND INSURANCE".

Available Information

The parent company of the Bond Insurer, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company . These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

Copies of the Bond Insurer's financial statements prepared in accordance with statutory accounting standards are available from the Bond Insurer. The address of the Bond Insurer's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and filed on March 13, 2006;

2. The Company's Current Report on Form 8-K dated and filed on April 26, 2006;

3. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2006 and filed on May 10, 2006;

4. The Company's Current Report on Form 8-K dated July 25, 2006 and filed on July 26, 2006;

5. The Company's Current Report on Form 8-K dated and filed on July 26, 2006; and

6. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2006 and filed on August 9, 2006.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in **"Available Information"**.

SOURCES AND USES OF FUNDS

The table below summarizes the sources and uses of funds in connection with the issuance of the Series 2006A Bonds:

Sources of Funds

Par Amount of Series 2006A Bonds	$23,725,000.00
Net Original Issue Discount	(320,933.00)
Transfer from the Debt Service Reserve Fund[1]	2,175,000.00
TOTAL SOURCES OF FUNDS	$25,579,067.00

Uses of Funds

Deposit to Escrow Fund	$22,830,325.45
Deposit to Debt Service Reserve Fund	2,188,581.26
Deposit to Costs of Issuance Fund[2]	560,160.29
TOTAL USES OF FUNDS	$25,579,067.00

---

[1] Amount on deposit in the Debt Service Reserve Fund relating to the Series 2002A Bonds.
[2] Includes underwriting discount, financial guaranty insurance policy premium and other costs of issuance associated with the Series 2006A Bonds.

PLAN OF REFUNDING

The Series 2006A Bonds are being issued to refund all of the Outstanding Series 2002A Bonds.

A portion of the Series 2006A Bond proceeds will be deposited into an escrow fund (the "Escrow Fund") created pursuant to an Escrow Trust Agreement dated as of October 1, 2006 (the "Escrow Agreement"), among the City, the Corporation, and UMB Bank, N.A, as the escrow agent (the "Escrow Agent"). Pursuant to the Escrow Agreement, the Escrow Agent will use a portion of such amounts to purchase investments that mature at such times and in such amounts which, together with any cash deposits in the Escrow Fund, will be sufficient to pay the principal of, the redemption premium, if any, and the accrued interest on all of the Series 2002A Bonds being redeemed. The sufficiency of such amounts will be verified by American Municipal Tax-Exempt Compliance, as the verification agent (the "Verification Agent"). See "**VERIFICATION OF ARITHMETICAL AND MATHEMATICAL CALCULATIONS**" herein.

Amounts on deposit in the Escrow Fund are not available to pay principal, interest or redemption premium on other Bonds.

THE CARNAHAN COURTHOUSE

The Property

Pursuant to the Base Lease, the City has leased to the Corporation a leasehold interest in the real property on which the Carnahan Courthouse is located (the "Property"). Pursuant to the Lease Agreement, the Corporation has leased back to the City the Property, plus all improvements and installations financed with the proceeds of the Series 2002A Bonds.

The Carnahan Courthouse Description

The "Carnahan Courthouse" as used herein means the former federal courthouse building located at 1100-1114 Market Street, St. Louis, Missouri, and any improvements thereto acquired, constructed, renovated, furnished, equipped and installed pursuant to the Lease Agreement, the Property and any other real or personal property hereafter acquired by the Corporation and leased by the Corporation to the City pursuant to any Supplemental Lease Agreement.

The Carnahan Courthouse provides (i) office space and facilities for the Twenty-Second Judicial Circuit Court of the State and (ii) office space for the City of St. Louis Sheriff, City of St. Louis Circuit Attorney, City of St. Louis Circuit Clerk, City of St. Louis Public Defender, City of St. Louis Personnel Department, City of St. Louis Internal Audit Department and other City offices. The renovation of the Carnahan Courthouse has consisted of improvements to the roof and mechanical, electrical and safety systems, as well as other systems to allow the building to function in a safe and efficient manner. The Carnahan Courthouse is designed to meet standards established by the City and its various governing codes. The facility also is designed to respond to the aesthetic needs of its prominent location and provides a civic presence appropriate to the institution of City government.

The construction and renovations have been undertaken in a way to minimize interference with ongoing Twenty-Second Judicial Circuit Court activities. The construction and renovations of the Carnahan Courthouse commenced in July 2002 and initially were expected to be completed in October 2006. Although the design and the construction of the project have been completed, the mechanical and the electrical systems are still in the process of being upgraded. The renovations are now expected to be completed by March 2008.

DEBT SERVICE REQUIREMENTS

The following table shows annual debt service of the Corporation for the Series 2006A Bonds for the Fiscal Years set forth below:

Fiscal Year Ending June 30	Principal	Interest	Total Debt Service
2007		$ 354,566.51	$ 354,566.51
2008		974,381.26	974,381.26
2009		974,381.26	974,381.26
2010	$ 15,000.00	974,381.26	989,381.26
2011	160,000.00	973,781.26	1,133,781.26
2012	170,000.00	967,381.26	1,137,381.26
2013	175,000.00	960,581.26	1,135,581.26
2014	1,235,000.00	953,581.26	2,188,581.26
2015	1,280,000.00	904,181.26	2,184,181.26
2016	1,330,000.00	852,981.26	2,182,981.26
2017	1,385,000.00	799,781.26	2,184,781.26
2018	1,440,000.00	744,381.26	2,184,381.26
2019	1,495,000.00	686,781.26	2,181,781.26
2020	1,555,000.00	626,981.26	2,181,981.26
2021	1,615,000.00	564,781.26	2,179,781.26
2022	1,685,000.00	500,181.26	2,185,181.26
2023	1,750,000.00	430,675.00	2,180,675.00
2024	1,825,000.00	358,487.50	2,183,487.50
2025	1,900,000.00	280,925.00	2,180,925.00
2026	1,980,000.00	200,175.00	2,180,175.00
2027	2,730,000.00	116,025.00	2,846,025.00
	$23,725,000.00	$14,199,372.91	$37,924,372.91

BONDHOLDERS' RISKS

The Series 2006A Bonds involve certain risks, and the discussion below should be reviewed in evaluating these risks. The Series 2006A Bonds may not be suitable investments for all persons, and prospective purchasers should carefully evaluate the risks and merits of an investment in the Series 2006A Bonds and should confer with their own legal and financial advisors. The following discussion of risk factors is not intended to be exhaustive.

General

The Series 2006A Bonds are special, limited obligations of the Corporation, payable solely out of the Rentals and Additional Rentals derived by the Corporation from the City pursuant to the Lease Agreement. The Corporation has no taxing power, the Series 2006A Bonds and the interest thereon are not a debt of the City or the State and neither the City nor the State is liable thereon, and the Series 2006A Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

Event of Non-Appropriation

No representation or assurance can be given that the City will appropriate revenues in amounts sufficient to make payments of Rentals and Additional Rentals under the Lease Agreement. The appropriation by the City of future revenues to be paid under the Lease Agreement is dependent upon, among other things, government regulations, the actions of the management of the City and future changes in economic and other conditions that are unpredictable and cannot be determined at this time. Failure by the City to appropriate funds in any Fiscal Year to make payments of Rentals and Additional Rentals due in the next Fiscal Year constitutes an Event of Non-Appropriation under the Lease Agreement pursuant to which the Trustee may terminate the Lease Agreement and require the City to vacate the Carnahan Courthouse.

No Restrictions on Use of Facility After Default Under Lease Agreement

If an Event of Default occurs for any reason with respect to the City under the Lease Agreement or if the City terminates the Lease Agreement and fails to purchase the Corporation's interest in the Carnahan Courthouse, the Corporation has the right to possession of the Carnahan Courthouse for the remainder of the Base Lease Term and may sublease the property or sell its interest in the Base Lease or the property upon whatever terms and conditions it deems prudent. If the Corporation assigns or sells its interest in the Carnahan Courthouse under these circumstances, no assurances can be given that interest on the Series 2006A Bonds would continue to be exempt from federal or State income taxation. See "**TAX MATTERS – Future Events**" herein.

Certain Matters Relating to Enforceability

The remedies available upon a default under the Indenture and the Lease Agreement will, in many respects, be dependent upon judicial actions, which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including the United States Bankruptcy Code and State laws concerning the use of assets of certain organizations, the remedies specified in the Indenture and the Lease Agreement may not be readily available or may be limited. The various legal opinions to be delivered in connection with the issuance of the Series 2006A Bonds will be expressly subject to the qualification that the enforceability of the Indenture and the Lease Agreement and other legal documents is limited by bankruptcy, reorganization, insolvency, moratorium and other similar laws affecting the rights of creditors and by the exercise of judicial discretion in appropriate cases.

ST. LOUIS MUNICIPAL FINANCE CORPORATION

Organization, Powers and Purposes

The Corporation, a nonprofit corporation duly organized in 1991 and existing under the laws of the State, was created to lessen the burden of the government of the City by financing or acquiring, leasing or subleasing real property and any improvements and personal property thereon, to the City. In furtherance of its purposes, the Corporation may borrow money, invest, disburse funds and issue bonds. Neither the Board of Directors of the Corporation (the "Board of Directors") nor any person executing the Series 2006A Bonds is personally liable for the Series 2006A Bonds by reason of the issuance thereof. The Series 2006A Bonds are being issued by the Corporation and will not constitute a debt, liability or obligation of the City or the State. By proper corporate actions of its officers, the Corporation has been duly authorized to execute and deliver the Lease Agreement, the Base Lease and the Indenture.

Board of Directors and Officers

The property and day-to-day affairs of the Corporation are governed and managed by its Board of Directors. The Board of Directors is comprised of the following five persons, each of whom serves on the Board of Directors by virtue of their respective positions within the City government and for so long as they hold their respective positions:

(1) The Mayor of the City or designee.

(2) The Comptroller of the City or designee.

(3) The President of the Board of Aldermen or designee.

(4) The City Counselor of the City or designee.

(5) The Budget Director of the City or designee.

The officers of the Corporation include a President, two Vice Presidents, a Treasurer and a Secretary, each of whom is chosen by vote of a majority of the directors in office. The officers hold their respective offices for a term of three years. In addition, the Board of Directors may appoint such other officers and agents, as it deems necessary, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors.

FINANCIAL STATEMENTS

The audited financial statements of the City and the related report of the City's independent certified public accountants, KPMG LLP, for the Fiscal Year ended June 30, 2005, are included in Appendix B hereto. Since the date of the report included herein, KPMG LLP has not been engaged to perform and has not performed, any procedures with respect to the Fiscal Year 2005 financial statements included in that report and has not audited any financial statements of the City for any period subsequent to June 30, 2005. KPMG LLP also has not performed any procedures relating to this Official Statement. The Corporation does not have its own audited financial statements but its finances are reflected in the audited financial statements of the City.

THE TRUSTEE

UMB Bank, N.A., St. Louis, Missouri, is the Trustee for the Series 2006A Bonds.

RATING

Standard & Poor's Rating Services, a division of McGraw-Hill Companies, Inc., has assigned the rating of AAA to the Series 2006A Bonds, with the understanding that, upon delivery of the Series 2006A Bonds, a financial guaranty insurance policy will be issued by the Bond Insurer. Such rating reflects only the view of such organization and any desired explanation of the significance of the rating should be obtained from the rating agency, at the following address: 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2006A Bonds.

LITIGATION

There is not now pending or, to the knowledge of the Corporation or the City, threatened, any litigation seeking to restrain or enjoin or in any way limit the approval or the issuance, execution and delivery of the Series 2006A Bonds, the preparation, execution and delivery of this Official Statement or the proceedings or authority under which they are to be issued. There is no litigation pending or, to the knowledge of the Corporation, threatened, in any manner challenging or threatening the powers of the Corporation, restraining or enjoining the issuance or delivery of the Series 2006A Bonds or questioning or affecting the validity of the Series 2006A Bonds or the proceedings and authority under which they are to be issued.

Except as disclosed in this official statement, there is no litigation, proceedings or investigations pending or, to the knowledge of the City, threatened against the City or its officers or property, except litigation, proceedings or investigations being defended by or on behalf of the City in which the probable ultimate recoveries and the ultimate costs and expenses of defense, in the opinion of the City Counselor, will not have a material adverse effect on the operations or condition, financial or otherwise, of the City. No litigation, investigation or proceeding is now pending or, to the knowledge of the City, threatened against the City which would in any manner challenge or adversely affect the corporate existence or powers of the City to enter into and carry out the transactions described in or contemplated by, the execution, delivery, validity or performance by the City of the Base Lease and the Lease Agreement. See Appendix A – "**INFORMATION CONCERNING THE CITY OF ST. LOUIS, MISSOURI – "LITIGATION**," for a more detailed discussion.

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

The accuracy of the arithmetical and mathematical computations (a) of the adequacy of the maturing principal amounts of the securities on deposit in the Escrow Fund, together with the interest income thereon, if any, and uninvested cash, if any, to pay, the principal of and interest and premium, if any, on the Series 2002A Bonds, to and including their respective maturity date and the final redemption date and (b) the yields on the Series 2002A Bonds and the securities on deposit in the Escrow Fund have been verified by the Verification Agent. Such verification of arithmetical accuracy and mathematical computations shall be based upon information and assumptions supplied by the Corporation and the City and on interpretations of the Code, provided by Co-Bond Counsel. The Verification Agent has restricted its procedures to verifying the accuracy of certain mathematical computations and has not made any study or evaluation of the assumptions and information on which the computations are based and, accordingly, has not expressed any opinion on the data used, the reasonableness of the assumptions or the achievability of the anticipated outcome.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, issuance and sale of the Series 2006A Bonds and with regard to the tax-exempt status of the Series 2006A Bonds are subject to the approving legal opinions of Hardwick Law Firm LLC and Gilmore & Bell, P.C., Co-Bond Counsel, whose approving opinions will be delivered with the Series 2006A Bonds. The form of the opinions of Co-Bond Counsel is attached as Appendix E hereto. Certain legal matters will be passed upon for the Corporation and for the City by the Office of the City Counselor. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Hunton & Williams, LLP and Cochran, Cherry, Givens, Smith, Caldwell & Singleton, LLC.

Co-Bond Counsel have not assisted in the preparation of this Official Statement except those portions of this Official Statement under the captions "**THE SERIES 2006A BONDS"** (except the information under the caption "Book-Entry System"), **"SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006A BONDS**", "**APPROVAL OF LEGAL PROCEEDINGS**", "**TAX MATTERS**," and Appendixes C, D and E to this Official Statement and, therefore, express no opinion as to the sufficiency or accuracy of any other material or information, including financial and statistical information, included herein.

TAX MATTERS

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2006A Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2006A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2006A Bonds. The Corporation has covenanted in the Indenture and the Corporation and the City have covenanted in the Lease Agreement and the Tax Compliance Agreement to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2006A Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code.

In the opinion of Co-Bond Counsel, under existing law and assuming compliance with the aforementioned covenants, interest on the Series 2006A Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes under Section 103 of the Code. Co-Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 2006A Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

State Taxes

In the opinion of Co-Bond Counsel, interest on the Series 2006A Bonds is exempt from taxes imposed by the State of Missouri under Chapter 143 of the Revised Statutes of Missouri; provided, however, that no opinion is expressed as to the applicability of the taxes imposed by the State of Missouri on financial institutions under Chapter 148 of the Revised Statutes of Missouri.

Original Issue Premium

The Series 2006A Bonds to be sold in the initial offering at a price greater than the principal amount thereof (the "Premium Bonds"), are offered at a price in excess of the principal amount thereof resulting in a yield less than the interest rate for each such maturity as shown on the inside cover page hereof. Under the Code, the difference between the principal amount of a Premium Bond and the cost basis of such Premium Bond to an owner thereof is "bond premium." Under the Code, bond premium is amortized over the term of a Premium Bond (i.e., the maturity date of a Premium Bond or its earlier call date) for federal income tax purposes. An owner of a Premium Bond is required to decrease his or her basis in such Premium Bond by the amount of the amortizable bond premium attributable to each tax year (or portion thereof) he or she owns such Premium Bond. The amount of amortizable bond premium attributable to each tax year is determined on an actuarial basis at a constant interest rate determined with respect to the yield on a Premium Bond compounded on each interest payment date. The amortizable bond premium attributable to a tax year is not deductible for federal income tax purposes. Owners of Premium Bonds (including purchasers of Premium Bonds in the secondary market) should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the treatment of bond premium upon sale, redemption or other disposition of such Premium Bonds and with respect to the state and local tax consequences of owning and disposing of such Premium Bonds.

Original Issue Discount

In the opinion of Co-Bond Counsel, subject to the conditions set forth above, the original issue discount in the selling price of each Series 2006A Bond sold in the initial offering at a price less than the principal amount thereof (hereinafter referred to as the **"**OID Bonds**"**), to the extent properly allocable to each owner of such OID Bond, is excludable from gross income for federal income tax purposes with respect to such owner. Original issue discount is the excess of the stated redemption price at maturity of an OID Bond over the initial offering price to the public (excluding underwriters and intermediaries) at which price a substantial amount of the OID Bonds were sold. Under Section 1288 of the Code, original issue discount on tax–exempt bonds accrues on a compound basis. For an owner who acquires an OID Bond in this offering, the amount of original issue discount that accrues during any accrual period generally equals (i) the issue price of such OID Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity on such OID Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such OID Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the owner's tax basis in such OID Bond. Any gain realized by an owner from a sale, exchange, payment or redemption of an OID Bond would be treated as gain from the sale or exchange of such Bond. Owners of OID Bonds should consult with their individual tax advisors to determine whether the application of the proposed original issue discount federal regulations will require them to include, for State and local income tax purposes, an amount of interest on the OID Bonds as income even though no corresponding cash interest payment is actually received during the tax year.

Certain Federal Tax Information

General. The following is a discussion of certain additional tax matters under existing statutes. It does not purport to deal with all aspects of federal taxation that may be relevant to particular investors. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2006A Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Social Security and Railroad Retirement Payments. The Code provides that interest on tax-exempt obligations is included in the calculation of modified adjusted gross income in determining whether a portion of Social Security or railroad retirement benefits received are to be included in taxable income.

Branch Profits Tax. The Code provides that interest on tax-exempt obligations is included in effectively connected earnings and profits for purposes of computing the branch profits tax on certain foreign corporations doing business in the United States.

Borrowed Funds. The Code provides that interest paid (or deemed paid) on borrowed funds used during a tax year to purchase or carry tax-exempt obligations is not deductible. In addition, under rules used by the Internal Revenue Service for determining when borrowed funds are considered used for the purpose of purchasing or carrying particular assets, the purchase of obligations may be considered to have been made with borrowed funds even though the borrowed funds are not directly traceable to the purchase of such obligations.

Property and Casualty Insurance Companies. The Code contains provisions relating to property and casualty insurance companies whereunder the amount of certain loss deductions otherwise allowed is reduced (in certain cases below zero) by a specified percentage of, among other things, interest on tax-exempt obligations acquired after August 7, 1986.

Financial Institutions. The Code provides that commercial banks, thrift institutions and other financial institutions may not deduct the portion of their interest expense allocable to tax-exempt obligations acquired after August 7, 1986, other than certain "qualified" obligations. The Series 2006A Bonds are not "qualified" obligations for this purpose.

S Corporations. The Code imposes a tax on excess net passive income of certain S corporations that have subchapter C earnings and profits. Interest on tax-exempt obligations must be included in passive investment income for purposes of this tax.

Earned Income Credit. For any taxable year beginning after December 31, 1995, the Code denies the earned income credit to persons otherwise eligible for it if the aggregate amount of disqualified income of the taxpayer for the taxable year exceeds $2,200, subject to adjustment for inflation for taxable years beginning after December 3l, 1996. Interest on the Series 2006A Bonds will constitute disqualified income for this purpose.

Changes in Federal Tax Law and Post-Issuance Events. From time to time proposals are introduced in Congress that, if enacted into law, could have an adverse impact on the potential benefits of the exclusion from gross income for federal income tax purposes of the interest on the Series 2006A Bonds, and thus on the economic value of the Series 2006A Bonds. This could result from reductions in federal income tax rates, changes in the structure of the federal income tax rates, changes in the structure of the federal income tax or its replacement with another type of tax, repeal of the exclusion of the interest on the Series 2006A Bonds from gross income for such purposes, or otherwise. It is not possible to predict whether any legislation having an adverse impact on the tax treatment of holders of the Series 2006A Bonds may be proposed or enacted.

Future Events

Co-Bond Counsel have not undertaken to advise in the future whether any events after the date of issuance and delivery of the Series 2006A Bonds may affect the tax status of interest on the Series 2006A Bonds. Co-Bond Counsel express no opinion as to any federal, state or local tax law consequences with respect to the Series 2006A Bonds, or the interest thereon, if any action is taken with respect to the Series 2006A Bonds or the proceeds thereof upon the advice or approval of other counsel.

FINANCIAL ADVISOR

P.G. Corbin & Company, Inc., Philadelphia, Pennsylvania (the "Financial Advisor"), has been retained to render certain professional services to the City. The Financial Advisor has provided advice on the plan of financing and structure of the Series 2006A Bonds and has assisted in the preparation of this Official Statement. The information set forth herein has been obtained from the Corporation, the City and other sources which are believed to be reliable. The Financial Advisor has not independently verified the factual information contained in this Official Statement, but has relied on the information supplied by the Corporation, the City and other sources who have certified that such information contains no material misstatement of information.

INVESTMENT ADVISOR

Columbia Capital Management LLC, Missouri, Kansas ("Columbia Capital") serves as an investment advisor to the Treasurer of the City. Columbia Capital assisted in the planning, investment and allocation of certain accounts authorized by the Indenture. Columbia Capital also provided other advice related to the investment of proceeds of the Bonds and funds invested in connection therewith. Columbia Capital has not participated in the preparation, drafting or review of this Official Statement.

UNDERWRITING

Morgan Stanley & Co. Incorporated and the other underwriters listed on the cover of this Official Statement (collectively, the "Underwriters"), have agreed to purchase the Series 2006A Bonds from the Corporation at an aggregate purchase price equal to $23,179,721.01 (which represents the par amount of the Bonds less net original issue discount, less the underwriters' discount), pursuant to a Bond Purchase Agreement with the Corporation and the City (the "Bond Purchase Agreement"). The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2006A Bonds if any are purchased.

The Series 2006A Bonds are being purchased by the Underwriters from the Corporation for resale in the normal course of the Underwriters' business activities. The Underwriters reserve the right to offer any of the Series 2006A Bonds to one or more purchasers on such terms and conditions and at such price or prices as the Underwriters determine.

CERTAIN RELATIONSHIPS

Hardwick Law Firm LLC, Kansas City, Missouri, is serving as Co-Bond Counsel with respect to the issuance of the Series 2006A Bonds, and also represents the City from time to time on other transactions or matters. Cochran, Cherry, Givens, Smith, Caldwell & Singleton, LLC, St. Louis, Missouri, is serving as co-counsel to the Underwriters in connection with the issuance of the Series 2006A Bonds, and also represents the City from time to time on other transactions or matters.

CONTINUING DISCLOSURE

All references herein to the Continuing Disclosure Agreement are qualified in their entirety by reference to such document. The definitive form of the Continuing Disclosure Agreement may be reviewed prior to the delivery of the Series 2006A Bonds at the offices of the City's Comptroller, Room

212, City Hall, 1200 Market Street, St. Louis, Missouri 63103, and following delivery of the Series 2006A Bonds at the office of the Trustee, UMB Bank, N.A., St. Louis, Missouri, 2 South Broadway, Suite 435, St. Louis, Missouri 63102, (314) 612-8490, or will be provided to any prospective purchaser requesting the same, upon payment by such prospective purchaser of any cost of complying with such request.

Pursuant to the Continuing Disclosure Agreement dated as of October 1, 2006, by and between the City and UMB Bank, N.A., as the dissemination agent (the "Continuing Disclosure Agreement"), the City has covenanted for the benefit of Holders and Beneficial Owners of the Series 2006A Bonds to provide (i) certain financial information and operating data relating to the City and the Corporation by not later than 180 days following the end of the City's Fiscal Year (which currently ends on June 30 of each year) (the "Annual Report"), commencing with the report for the 2006 Fiscal Year, and (ii) notice of the occurrence of certain enumerated events, if material. The Annual Report will be provided by or on behalf of the City to any person who requests it and to each Nationally Recognized Municipal Securities Information Repository (each a "National Repository") and the repository for the State of Missouri (the "State Repository"), if any. The notices of material events will be filed by or on behalf of the City with the Municipal Securities Rulemaking Board (or to each National Repository) and the State Repository, if any.

Any default in compliance with such covenants shall not be deemed an Event of Default under the Indenture, and the sole remedy in the event of any failure of the City or UMB Bank, N.A., acting in its capacity as dissemination agent or any successor dissemination agent designated in writing by the City (the "Dissemination Agent") to comply with such covenants shall be an action to compel performance. These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) (the "Rule") of the Securities and Exchange Commission.

The City has never failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of material events.

The Annual Report will contain or include by reference:

(1) The audited financial statements of the City for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Financial Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report will contain unaudited financial statements and the audited financial statements will be filed in the same manner as the Annual Report when they become available.

(2) Certain statistical and operating data of the City updated for the prior Fiscal Year in substantially the scope and form contained in Appendix A to the final Official Statement in tables under the sections captioned:

(a) "ECONOMIC AND DEMOGRAPHIC DATA: "Population and Other Statistics," "Employment," "Major Employers," "Economic Development," "Major Taxpayers" and "Budget and Construction Data;"

(b) "FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS:" "General Revenue Funds;" "General Revenue Fund Receipts by Category," "Earnings Tax," "Franchise Tax," "Sales Tax," "Gross Receipts Tax," "Motor Vehicle Sales Tax," "Motor Fuel Tax," "Real and Personal Property Taxes," "Payroll Tax," "Other Taxes," "License Fees," "Departmental Receipts," and "Operating Transfers;"

(c) "RETIREMENT SYSTEMS;" and

(d) "INSURANCE."

In addition, the City will give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2006A Bonds, if material (each a "Material Event"):

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. modifications of the rights of holders of the Series 2006A Bonds;
4. optional, contingent or unscheduled bond calls;
5. defeasances;
6. ratings changes;
7. adverse tax opinions or events affecting the tax-exempt status of the Series 2006A Bonds;
8. unscheduled draws on debt service reserves reflecting financial difficulties;
9. unscheduled draws on credit enhancements reflecting financial difficulties;
10. substitution of credit or liquidity providers, or their failure to perform; or
11. release, substitution or sale of property securing repayment of the Series 2006A Bonds.

If the Dissemination Agent has been instructed by the City to report the occurrence of a Material Event, the Dissemination Agent shall file a timely notice of such occurrence with each National Repository or the Municipal Securities Rulemaking Board and the State Repository, if any, with a copy to the City and the Credit Provider.

The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Continuing Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent for the Series 2006A Bonds shall be UMB Bank, N.A. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to the Continuing Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent.

Notwithstanding any other provision of the Continuing Disclosure Agreement, the City and the Dissemination Agent may amend the Continuing Disclosure Agreement (and the approval of such Amendment by the Dissemination Agent so requested by the City shall not be unreasonably withheld) and any provision of the Continuing Disclosure Agreement may be waived, provided the following conditions are satisfied:

(1) If the amendment or waiver relates to the provisions of the Continuing Disclosure Agreement relating to provision or content of Annual Reports or the reporting of Material Events, the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of an obligated person with respect to the Series 2006A Bonds, or the type of business conducted;

(2) The undertaking, as amended or taking into account such waiver, should, in the opinion of Co-Bond Counsel, have complied with the requirements of the Rule at the time of the

original issuance of the Series 2006A Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(3) The amendment or waiver either (i) is approved by the Bondholders of the Series 2006A Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Bondholders, or (ii) in the opinion of Co-Bond Counsel, does not materially impair the interests of the Bondholders or Beneficial Owners of the Series 2006A Bonds.

In the event of a failure of the City or the Dissemination Agent to comply with any provision of the Continuing Disclosure Agreement, the Trustee may (and, at the request of any Underwriter, the Credit Provider or the owners of at least 25% aggregate principal amount of Outstanding Series 2006A Bonds, shall), or any owner or Beneficial Owner of Series 2006A Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City or the Dissemination Agent, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between or among the Corporation, the City and the purchasers or holders of any of the Series 2006A Bonds.

Any statements made in this Official Statement involving matters of opinion herein are subject to change without notice and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City, or its agencies and authorities, the Corporation or the Credit Provider since the date hereof.

This Official Statement, its execution, and its delivery to and distribution by the Underwriters to prospective purchasers of the Series 2006A Bonds, have been approved and authorized by the Corporation and the City.

ST. LOUIS MUNICIPAL FINANCE CORPORATION

By: /s/ Ivy Neyland-Pinkston
Ivy Neyland-Pinkston, President

THE CITY OF ST. LOUIS, MISSOURI

By: /s/ Francis G. Slay
Francis G. Slay, Mayor

By: /s/ Darlene Green
Darlene Green, Comptroller

(THIS PAGE LEFT BLANK INTENTIONALLY)

APPENDIX A

INFORMATION REGARDING THE CITY OF ST. LOUIS, MISSOURI

(THIS PAGE LEFT BLANK INTENTIONALLY)

APPENDIX A

INFORMATION REGARDING THE CITY OF ST. LOUIS, MISSOURI

Table of Contents

Page

APPENDIX A

INFORMATION REGARDING THE CITY OF ST. LOUIS

The information contained in this Appendix relates to and has been obtained from The City of St. Louis, Missouri (the "City"). The delivery of this Official Statement is not intended to create any implication that there has been no change in the affairs of the City since the date hereof or that the information contained or incorporated by reference in this Appendix is correct as of any time subsequent to its date.

ORGANIZATION AND GOVERNMENT

General

The City is located on the Mississippi River, the eastern boundary of the State of Missouri, just below its confluence with the Missouri River. The City occupies approximately 61.4 square miles of land, and its area has remained constant since 1876. The City, a constitutional charter city not a part of any county, is organized and exists under and pursuant to its Charter and the Constitution and the laws of the State of Missouri.

The City is popularly known as the "Gateway to the West," due to its central location and historical role in the nation's westward expansion. Commemorating this role is the 630 foot stainless steel Gateway Arch, the world's tallest man-made monument, which is the focal point of the 86-acre Jefferson National Expansion Memorial located on the downtown riverfront.

Government

The City's system of government is provided for in its Charter, which first became effective in 1914 and has subsequently been amended from time to time by the City's voters.

The Mayor, elected at large for a four-year term, is the chief executive officer of the City. The Mayor appoints most department heads, municipal court judges and various members of the City's boards and commissions. The Mayor possesses the executive powers of the City, which are exercised by the boards, commissions, officers and departments of the City under his general supervision and control.

The Comptroller is the City's chief fiscal officer, and is elected at large for a four-year term. The Comptroller is, by Charter, Chairman of the Department of Finance for the City and also has broad investigative audit powers over City departments and agencies. The Comptroller also has administrative responsibility for all of the City's contracts, financial departments and accounting procedures.

The legislative body of the City is the Board of Aldermen. The Board of Aldermen is comprised of 28 Aldermen and a President. One Alderman is elected from each of the City's 28 wards to serve a four-year term, one-half of which wards elects Aldermen bi-annually. The President of the Board of Aldermen is elected at large to serve a four-year term. The President is the presiding officer of the Board of Aldermen.

The Board of Aldermen may adopt bills or ordinances which the Mayor may either approve or veto. Ordinances may be enacted by the Board of Aldermen over the Mayor's veto by a two-thirds vote.

The Board of Estimate and Apportionment is primarily responsible for the finances of the City. The Board of Estimate and Apportionment is comprised of the Mayor, the Comptroller and the President of the Board of Aldermen. For more detailed information regarding the responsibilities of the Board of Estimate and Apportionment, see "**FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS -- Budget Process**" herein.

While most governmental functions of the City are controlled by the Mayor, the Comptroller, the Board of Estimate and Apportionment and the Board of Aldermen, the appointment of certain officials, whose decisions also may affect the City as a whole, including the members of the Board of Police Commissioners (the "Police Board") and the Board of Election Commissioners, is made by the Governor of the State of Missouri. The Sheriff, Treasurer, Collector of Revenue, License Collector, Circuit Clerk, Circuit Attorney and Recorder of Deeds of the City are elected independently for four-year terms.

MUNICIPAL SERVICES

General

The City provides a wide range of municipal and county services, including police and fire protection, non-commercial refuse collection, park and recreational facilities, forestry services, social services, street and other public lighting, traffic control and street maintenance.

Water and Sewer/Transportation

The City operates a water utility and Lambert-St. Louis International Airport (the "Airport"), both of which are self-supporting enterprises. All of the airport facilities and portions of the water utility facilities are located in St. Louis County on property owned by the City. Sewage and drainage facilities in the City and in adjacent St. Louis County are operated by The Metropolitan St. Louis Sewer District, a separate taxing authority established under Section 30 of Article VI of the Constitution of Missouri and financed by ad valorem taxes and user fees. Public transportation facilities for the City and much of the surrounding metropolitan area are operated by the Bi-State Development Agency of the Missouri-Illinois Metropolitan District (the "Bi-State Development Agency"), which operates as "Metro". For additional information on the Bi-State Development Agency, see "**Local Governmental Commissions and Agencies**" herein.

Fire Protection

The Fire Department of the City of St. Louis provides fire protection throughout the corporate limits of the City as well as to the Airport. Services to the City are provided from 30 fire stations currently staffed by approximately 708 full-time firefighters.

Education

The public school systems within the City are operated under the administration and control of The School District of the City of St. Louis and The Junior College District of St. Louis and St. Louis County. These districts are independent of the City and have their own elected or appointed officials, budgets and administrators. These districts are empowered to levy taxes, separate and distinct from those levied by the City, sufficient to finance the operations of the respective public school system within their jurisdictions. The School District of the City of St. Louis currently has a "provisional accreditation" rating from the Missouri Department of Elementary and Secondary Education.

Medical

Historically, the City has provided health care services for indigent citizens of the City at public clinics and hospitals. More recently, however, the City has entered into contracts with private third parties to provide such services. Saint Louis ConnectCare, Inc. ("ConnectCare") was formed as a nonprofit corporation in 1997 to provide health care services for indigent citizens of the City. A portion of local use tax revenues are earmarked for providing health care services. Pursuant to annual agreements between the City and ConnectCare adopted each fiscal year, which begins on July 1 (the "Fiscal Year"), the City has contributed $5 million annually for health services, a portion of which is paid to ConnectCare. In Fiscal Year 2006, the City made $5 million in payments to ConnectCare. In Fiscal Year 2007, the City expects to make $5 million in payments to ConnectCare.

Local Governmental Commissions and Agencies

There are a number of significant governmental authorities and commissions that provide services within the City.

Police

The Police Department of the City of St. Louis is directed by the Police Board, consisting of the Mayor of the City, ex-officio, and four members appointed by the Governor, with the advice and consent of the State Senate. The Police Board's duties and powers, among others, include the power to administer oaths, summon witnesses and establish a police force. The level of employment, salaries, holidays, vacations, pensions and other employment benefits of the police force are set by State statute. The Police Board provides itself with offices, office furniture, clerks and other staff as needed. On the last day of February each year, the Police Board must certify in writing an estimate of the amount of money necessary to carry out its duties during the next Fiscal Year. The State statute provides that the City must appropriate the certified amount in the General Revenue Fund budget for that year. However, in *State ex. rel Sayad v. Zych*, 642 S.W.2d 907 (Mo. banc 1982), the Supreme Court of Missouri held that the City need only appropriate an amount equal to the amount appropriated in the 1980-1981 Fiscal Year, the year in which voters approved an amendment to the State Constitution limiting governmental tax and spending powers. After an appropriation has been made for a particular Fiscal Year, the Police Board is not permitted to transfer appropriated funds from one line item of such appropriation to any other line item without the approval of the Board of Estimate and Apportionment.

Transit

The Bi-State Development Agency (Metro) is a body corporate and politic established by a compact between the states of Missouri and Illinois and approved by an Act of Congress. The Bi-State Development Agency has authority to issue bonds payable out of revenues collected for the use of facilities leased, owned or operated by it in the City, the St. Louis County and certain Illinois counties within the St. Louis Metropolitan Area. Currently, there is a special 1/2 cent sales tax authorized by the State and assessed by the City and the St. Louis County that is primarily used to pay a portion of the costs of the bus transportation system of the Bi-State Development Agency. In August 1994, an additional 1/4 cent sales tax was approved by the voters for the expansion of the MetroLink system, a transportation system within the City, St. Louis County, East St. Louis and Belleville, Illinois. The Bi-State Development Agency operates the MetroLink system between Belleville, Illinois and the Airport and between the Forest Park station and Shrewsbury, Missouri.

The MetroLink system commenced operations in late 1993 and was extended to the Airport in 1994. The first phase of the MetroLink extension to St. Clair County, Illinois, extending the system to

Southwestern Illinois College (formerly known as Belleville Area College), was completed in 2001, and the second phase, extending the system to Shiloh, Illinois and the Scott Air Force Base, was completed in 2003. This extension to St. Clair County was funded by State of Illinois grants and local funding from St. Clair County through a special 1/2 cent sales tax authorized by the State of Illinois. The City conveyed title to the McArthur Bridge, which crosses the Mississippi River, to the Bi-State Development Agency to be used in the MetroLink system in exchange for the older Eads Bridge, formerly used by a railroad. Other capital costs were federally financed. The deck of Eads Bridge was refurbished and reopened in July 2003. The Cross County MetroLink extension was completed in August 2006. This project was locally funded through the current and the future revenues of the 1/4 cent sales tax. The MetroLink system is now approximately 46 miles long with 37 passenger stations.

If the MetroLink system should operate at a deficit, the City and other nearby jurisdictions may be asked to increase their funding to the Bi-State Development Agency. The City presently has no legal obligation to increase its level of funding to the Bi-State Development Agency.

Development

The St. Louis Development Corporation (the "SLDC") is a nonprofit corporation which provides technical expertise, staff and support services to public or civic bodies engaged in improving economic opportunities in the City. The SLDC functions as an umbrella entity for numerous agencies and authorities with a broad variety of functions and powers for the City. There are approximately 75 staff members who work under several divisions, including executive, real estate, business development, commercial development, planning, urban design, neighborhood housing, research, communications, legal, finance and administration. The agencies served by the staff of the SLDC include: Land Clearance for Redevelopment Authority; Planned Industrial Expansion Authority; Land Reutilization Authority; Local Development Company (SBA); Industrial Development Authority; Port Authority; Tax Increment Financing Commission; Downtown Economic Stimulus Authority; and Operation Impact. SLDC works especially closely on planning and development matters with two City departments – the Planning and Urban Design Agency and the Community Development Administration.

Other public bodies and agencies operating in the City include, but are not limited to, the St. Louis Housing Authority, Regional Convention and Visitors Commission, Regional Chamber and Growth Association, the East-West Gateway Coordinating Council, the Regional Convention and Sports Complex Authority and the Downtown Saint Louis Partnership, Inc.

ECONOMIC AND DEMOGRAPHIC DATA

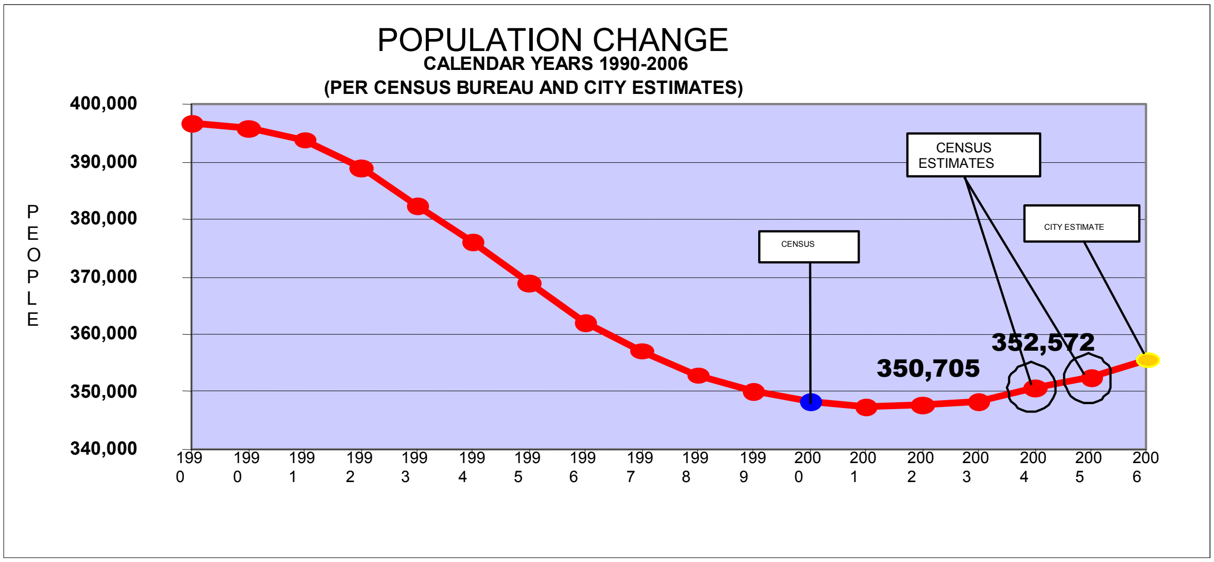
Population Statistics

The City is a part of the St. Louis Consolidated Standard Metropolitan Statistical Area (the "Metropolitan Area") consisting of: the City; the City of Sullivan in Crawford County, Missouri; Franklin, Jefferson, Lincoln, St. Charles, St. Louis, Warren and Washington Counties in Missouri; and Bond, Calhoun, Clinton, Jersey, Macoupin, Madison, Monroe and St. Clair Counties in Illinois. The Metropolitan Area, covering 8,649 square miles in the States of Missouri and Illinois, is the 18th largest metropolitan area in the United States in terms of population. During the past 35 years, there has been a substantial population growth in the outermost counties surrounding the City. At the same time, the City had experienced a substantial population loss. According to Census Bureau estimates for 2005, however, the City's population is growing for the first time in over four decades. The following table sets forth population statistics for the Metropolitan Area for the indicated calendar years.

Calendar Year	City of St. Louis	Metropolitan Area
2000	348,189	2,603,607
2001	347,954	2,624,813
2002	347,252	2,640,166
2003	348,039	2,657,837
2004	350,075	2,667,862
2005	352,572	2,786,728

Source: U.S. Bureau of Census, Missouri Department of Economic Development.

Estimates of population since 2000 have been challenged by the City because the Census Bureau has used an Administrative Records methodology (births, deaths, domestic migration and international migration) which treats the City as a County. The City has challenged lower Census Bureau estimates by using the Census Bureau's Housing Unit methodology (net increase in units times the occupancy rate and household size as of 2000), which the Census Bureau uses for all cities that are not also counties. Upon receipt of the City's challenges, the Census Bureau adjusted the estimates upwards to the figures shown in the table above. The new estimates are now reflected in the Census Bureau's records and website.



Industry

There are approximately 88,000 employees working in downtown St. Louis. The downtown is the office center in a region of approximately 2.7 million residents with over 13 million square feet of Class A and B office space. The St. Louis region ties as the nation's sixth largest corporate headquarters market, with eight Fortune 500 corporations located in the St. Louis Metropolitan Area in 2006. Thirteen additional St. Louis companies ranked between 501 and 1,000 on the Fortune 1000 list.

The new ballpark and other downtown developments such as lofts, condominiums, over 40 new street level retail stores, new hotels, new restaurants and newly rehabilitated office space are creating a "24/7" environment. The City believes the new ballpark has helped generate optimism among businesses and developers about locating in downtown St. Louis. This optimism also permeates neighborhoods throughout the City as manufacturers, retail businesses, service providers, restaurants and other companies are locating within the City or expanding their current facilities, and a variety of quality new homes are being built throughout the City. Additional detail on these developments is provided in the "Employment and Business Development" section below.

In recognition of the turnaround in downtown, Partners for Livable Cities honored the City with an award for significant transformation of the City's downtown in March of 2006.

Tourism

According to the St. Louis Convention and Visitors Commission (the "CVC"), the City ranks among the top 25 markets nationally for hotel room inventory. Each year an estimated 20.3 million people visit St. Louis for conventions, meetings, business and leisure travel. Those visitors spend an estimated $3.5 billion in the area on lodging, meals, sightseeing, local transportation, shopping, admissions and a variety of goods and services.

The hospitality industry in St. Louis employs 74,000 area residents. Downtown St. Louis has 22 hotels within a mile of the convention complex known as the America's Center. These hotels offer more than 7,600 sleeping rooms, an increase of more than 2,200 downtown rooms in the past four years.

Some of the newest hotels are a result of renovations of historic structures, including the Renaissance Grand and the Renaissance Suites, the Hilton, the Sheraton City Center, the Drury Plaza and the Westin. Existing hotels, including the Adam's Mark, Hyatt Regency, Millennium, Roberts Mayfair and others, have undertaken extensive renovations to their properties. The Marriott Pavilion hotel has been converted to a Hilton, following extensive renovations. In addition, a new Marriott Residence Inn opened in late 2005 on the western edge of downtown, and a new Hampton Inn opened in May 2005 at the Highlands across from Forest Park.

In 2005, 292 convention and meeting groups booked by the CVC used approximately 398,000 hotel room nights in City and County hotels. Approximately 450,000 room nights are projected to be used by convention and meeting groups booked by the CVC in 2006. A concerted effort is being made to increase that number, including the appointment of Dan Dierdorf as Chairman of the Board of the CVC, and the recruitment of a new CVC President with extensive experience in the national convention booking arena.

The City ranks as the third largest inland port in the United States handling more than 32 million tons of freight each year. The Airport had approximately 288,000 commercial aircraft operations (arrivals and departures) and approximately 14.7 million enplaned and deplaned passengers in 2005. On average, there were 789 daily departures and arrivals. The Airport has 83 gates serving 10 major airlines. The

Airport completed a $1.1 billion multi-year expansion program this year. This expansion added a third parallel runway, improving capacity in all weather conditions. The runway became operational on April 13, 2006. American Airlines ("American") remains the Airport's primary air carrier. A new director for the Airport also was recruited in 2005, and the recommendations of the Airport Task Force are in the process of being implemented under his leadership.

MidAmerica Airport ("MidAmerica"), a joint-use facility with Scott Air Force Base, is located in Illinois approximately 25 miles from downtown St. Louis. MidAmerica is a $210 million first-class metropolitan airport that serves as the Metropolitan Area's cargo, corporate aircraft and reliever airport. The construction of MidAmerica began in 1992, and it opened in November 1997. With the exception of certain overseas flights that require a longer runway for take-offs, MidAmerica's 10,000-foot runway can accommodate most types of aircraft in use today. MidAmerica has enhanced the Metropolitan Area's reputation as one of the nation's premiere transportation centers. The Bi-State Development Agency, which operates the MetroLink system, has extended the MetroLink line to Southwestern Illinois College and another 8.9 miles to reach MidAmerica.

Employment

The Metropolitan Area and the City are major industrial centers in the Eastern Missouri and the Southwestern Illinois area with a broad range of manufacturing enterprises. According to information provided by the U.S. Department of Labor, the June 2006 data shows that manufacturing jobs represented 10.26% or 139,800 of the total 1,362,900 non-farm jobs in the Metropolitan Area. The Metropolitan Area's major industries include aviation, biotechnology, chemicals, electrical utilities, food and beverage manufacturing, refining, research, telecommunications and transportation.

The following table reflects the City's average employment by industry group in December 2005.

CITY EMPLOYMENT BY INDUSTRY GROUP
(TOTAL NON-FARM)

Industry Group	Employees	Percentage
Services	114,199	53.3
Government	36,108	16.9
Manufacturing	20,180	9.4
Finance, Insurance and Real Estate	10,695	5.0
Wholesale Trade	9,813	4.6
Retail Trade	9,497	4.4
Transportation	6,182	2.9
Construction and Mining	7,562	3.5
Total	214,236	100.0%

Source: Missouri Department of Labor and Industrial Relations.

There were 214,236 non-farm jobs within the City in December 2005, representing 15% of the region's job base. Job growth in the City has been concentrated in the service sector and the City anticipates strong, long-term employment growth in the areas of medical, business and recreational services, as well as in education and the tourism and convention business.

Employment Rates

The following table shows employment rates for City, State and U.S. residents in the calendar years below, except at otherwise indicated.

	March 2006*	Average 2005	Average 2004	Average 2003	Average 2002
Labor Force	158,759	156,047	163,352	161,963	158,178
Number Employed	147,374	141,604	146,431	145,616	142,749
% City Unemployed	7.2%	8.1%	10.4%	10.1%	9.8%
% State Unemployed	4.5%	5.4%	5.7%	5.6%	5.5%
% U.S. Unemployed	4.7%	5.1%	5.4%	6.0%	5.8%

* Preliminary; subject to change.
Source: Missouri Department of Economic Development.

Major Employers

The following table lists the top 20 employers in the City based on the average of the fourth quarter payroll tax reports of 2005.

TOP 20 EMPLOYERS -- 2005

Name	Employees
BJC Health System	15,059
Washington University	12,278
St. Louis University	9,223
City of St. Louis	9,064
St. Louis Board of Education	7,649
AT&T (formerly SBC)	6,405
U.S. Postal Service	6,400
State of Missouri	5,582
Tenet Health System	5,426
Anheuser Busch	5,022
A.G. Edwards & Sons, Inc.	5,014
May Company†	4,789
Defense, Finance & Accounting Service*	3,359
National Finance Center	3,306
Bank of America	2,806
Ameren Corporation	2,668
Schnucks Markets	2,429
Bi-State Development Agency	2,390
Junior College District	2,352
Veterans Administration	2,319

† May Company was acquired by Federated Department Stores, Inc. in August 2005.
* Federal payroll agency. The Federal government withholds on 17,922 employees total.

Source: City Collector of Revenue.

Major Taxpayers

The following tables list the 20 largest payers of earnings, payroll, real property and personal property taxes to the Collector of Revenue for calendar year 2005.

TOP 20 TAXPAYERS
EARNINGS TAX -- 2005 CALENDAR YEAR

Company Name	Amount Paid
Anheuser Busch	$ 5,812,092
Washington University	4,921,558
AT&T	4,600,913
BJC Health System	3,897,429
City of St. Louis	3,066,284
A.G. Edwards & Sons, Inc.	2,744,543
St. Louis University	2,455,382
United States Postal Service	2,116,674
May Company†	2,039,819
St. Louis Board of Education	2,034,026
Defense Finance & Accounting Service	1,916,944
Ameren Corporation	1,587,832
National Finance Center	1,490,703
Sigma Aldrich	1,459,354
State of Missouri	1,229,006
Tyco Healthcare Group	1,178,430
Nestlé Purina	1,105,754
Peabody Holding Company	950,340
Veterans Administration	893,974
RightChoice Managed Care	875,658

† May Company was acquired by Federated Department Stores, Inc. in August 2005.
Source: City Collector of Revenue.

[Remainder of this page is intentionally left blank.]

TOP 20 TAXPAYERS
PAYROLL EXPENSE TAX -- 2005 CALENDAR YEAR

Company Name	Amount Paid
AT&T	$ 2,095,531
Anheuser Busch	1,940,872
A.G. Edwards & Sons, Inc.	1,335,706
May Company†	985,920
Ameren Corporation	607,562
Nestlé Purina	537,855
Bank of America	450,299
Sigma Aldrich	414,286
Tenet Health Systems	379,682
Thompson Coburn LLP	362,500
St. Louis Cardinal LP	353,963
Tyco Healthcare Group	351,634
US Bank NA	347,479
RightChoice Managed Care	319,996
Peabody Holding Company	305,455
Laclede Gas	283,519
St. Louis Post-Dispatch LLC	281,711
Bryan Cave LLP	177,961
Solae LLC	151,729
Schnucks Markets	97,605

† May Company was acquired by Federated Department Stores, Inc. in August 2005.
Source: City Collector of Revenue.

[Remainder of this page is intentionally left blank.]

TOP 20 TAXPAYERS
REAL ESTATE TAX -- 2005 CALENDAR YEAR

Company Name	Amount Paid
AmerenUE	$ 5,725,917
Anheuser Busch	5,599,196
Laclede Gas	3,882,472
SBC Communications	3,714,591
UGP-Kiener/Stadium Parking LLC	2,004,929
First States Investor	1,928,869
AGE Properties	1,811,693
Metropolitan Square & East 10^{th} St. LLC	1,757,046
Mercantile Bank	1,711,138
Tenet Health System	1,484,433
Union Station Holdings Inc.	1,180,402
Ralston Purina	1,149,574
Mallinckrodt	810,405
Sigma Chemical Corporation	780,065
Seven-Seventeen Redevelopment	717,818
Equitable Broadway	606,360
Gateway Stadium LLC	546,860
Kingsdell, LP	493,005
Hampton Village Association	478,272
Laclede Towers Association	419,029

Source: City Collector of Revenue.

[Remainder of this page is intentionally left blank.]

TOP 20 TAXPAYERS
PERSONAL PROPERTY TAX -- 2005 CALENDAR YEAR

Company Name	Amount Paid
SBC Service Inc.	$ 3,716,449
Ameren Union Electric Company	1,349,751
Anheuser-Busch Inc.	1,341,775
Laclede Gas	1,277,529
Tenet Health System	1,115,203
Cingular Wireless LLC	665,180
Nestlé Purina Petcare Inc.	547,225
Cybertel Cellular	439,559
IBM Credit Corp	398,946
Charter Communications	385,892
A.G. Edwards & Sons, Inc.	365,889
Mallinckrodt Inc.	361,721
Janus Hotels and Resorts	345,930
Western Union	345,930
May Company†	307,267
Doctors Community	290,339
President Riverboat Casino	259,105
Alberici Constructors	247,921
Enterprise Leasing Co.	203,168
GE Capital Information	192,964

† May Company was acquired by Federated Department Stores, Inc. in August 2005.
Source: City Collector of Revenue.

Building and Construction Data

The following table shows trends in the number of building permits and value of housing construction, rehabilitation and commercial construction in the City for the calendar years 1999 through 2005.

Calendar Year	Value of Housing Construction New	Value of Housing Construction Rehabilitation	Value of Commercial, Industrial or other Non-Housing Construction	Total Number of Permits	Total Value
1999	$ 31,240,582	$ 19,553,289	$ 205,602,820	4,420	$ 256,396,691
2000	33,594,010	49,847,765	431,876,501	5,047	515,318,276
2001	24,626,272	42,009,902	366,737,303	5,095	433,373,477
2002	41,590,777	103,583,045	335,566,980	5,627	480,740,802
2003	112,499,325	103,501,991	326,046,296	5,965	542,047,612
2004	41,002,001	104,936,144	526,140,457	6,069	672,078,602
2005	155,865,516	193,213,943	306,599,451	7,050	655,678,910

Source: City Building Division.

Sports Related Economic Development

St. Louis is home to three major professional sports teams, the St. Louis Rams, the St. Louis Blues and the St. Louis Cardinals. In addition to being successful on the field, the three teams also contribute to the economy of the St. Louis Metropolitan Area. The economic impact of these teams comes from ticket sales, dollars spent at concessions and on merchandise, and money spent at local restaurants and hotels. The three teams also generate positive national media attention for the City of St. Louis. This year such attention is particularly heavy due to the opening of the new Busch ballpark. Thanks to the quality of its teams and the excellence of its fan base, St. Louis is regarded by many as America's best sports city.

St. Louis also has recently achieved great success as an outstanding host city for sports events. In 2005, the region hosted the Men's NCAA Final Four, generating $62.1 million in economic impact and significant positive media recognition. St. Louis has hosted three of the past five NCAA Wrestling Championships at the Savvis Center. The City hosted the U.S. Figure Skating Championships in January 2006, and will host the NCAA Frozen Four hockey finals in 2007 and the Women's Basketball Final Four in 2009.

The new Busch ballpark opened in April 2006 and attendance for the 2006 baseball season is expected to exceed 3.5 million, with roughly 40% of the attendees from outside the St. Louis region. In previous years, the Cardinals baseball team's post-season play has generated approximately $2 million in additional City revenue.

The new Busch ballpark holds more than 46,000 baseball fans. It cost approximately $386 million to develop, the majority of which ($290 million) was financed with taxable bonds issued by the ball club and which will be repaid by the club and Cardinals' equity. The remainder of the cost was financed with Missouri tax credit proceeds, a loan from St. Louis County and highway ramp modification funding from the Missouri Department of Transportation. As an inducement for the Cardinals to proceed with the development, the City agreed to waive the 5% amusement tax on ticket sales for games played in the new ballpark if the amount of private investment in the project exceeded $200 million. The Cardinals have met this threshold. Additional revenues from sales tax on game tickets and concessions are expected to offset the loss of the amusement tax revenue. Ticket and concession sales will continue to generate City and State sales taxes, and the team and visiting teams will continue to pay City earnings and payroll taxes.

The former Busch stadium has been demolished, setting the stage for the completion of the new ballpark and the commencement of the Ballpark Village development, a six block development that will occupy the northern half of the site of the old stadium. A minimum of $250 million is expected to be invested in the Ballpark Village, which is expected to include office, retail and entertainment space as well as upscale residential units. The first two blocks of the Ballpark Village are expected to be completed in 2008, although this schedule may change depending on the scale of the development. It is currently anticipated that construction will be commenced on all six blocks at once, that the cost of the entire development will exceed $550 million and that the development will include the first new Class A office space downtown in two decades. In addition to recurring tax revenues after completion, the development will generate significant revenues during construction.

Business Development

The Business Development Division of the St. Louis Development Corporation administers a number of different kinds of loans, working in conjunction with the Local Development Corporation, the Small Business Administration and the Economic Development Administration. In addition, the SLDC, working as a team with the Comptroller's Office, the Mayor's Office, and the St. Louis Board of Aldermen, administers the City's Tax Increment Financing ("TIF") and Downtown Economic Stimulus Authority programs. The Land Clearance for Redevelopment Authority develops plans for the revitalization of various areas of the City and works with the Board of Aldermen to offer tax abatement as a redevelopment incentive in these areas. In addition, SLDC applied for and received from the U.S. Department of Treasury a $52 million allocation of New Markets Tax Credits that are now being allocated to a variety of organizations for business and real estate development in the City. During 2005, the following notable business attraction, retention, expansion and entrepreneurial business development activities occurred:

- In regard to business attraction, The National System, Inc., one of the region's largest advertising organizations, purchased a building in the downtown west area and moved its 200 employees from suburban Westport to downtown with a minor tax incentive. In addition, two growing information technology businesses, Gateway EDI and Quick Study Radiology, relocated from suburban to downtown St. Louis, as did an advertising specialties manufacturing and distribution business and a screen printing business.

- In regard to business expansion, Weismann Dance doubled the size of its manufacturing space and increased its employees by 50%, moving to a new location with both a manufacturing facility and a retail store. In October of 2005, Target Stores opened a new two-story prototype urban facility with underground parking in south St. Louis. As a result of this store's success, Target is actively seeking other locations in the City of St. Louis. In addition, Procter & Gamble is investing nearly $75 million to increase its production of Cascade Gel Pack, Swiffer Wet Jet refills and Fabreeze Allergen Reducer, which will result in a 33% increase over current production capabilities.

- In regard to business retention, several major professional firms (Bryan Cave, Blackwell Sanders, HOK Inc.) renewed their downtown leases, others are in the process of doing so, and several major accounting firms (Deloitte, PriceWaterhouse) have either moved to new downtown locations or are finalizing their plans to remain downtown in new quarters. Nooter Manufacturing is building a new warehouse and headquarters complex in its original location, and the St. Louis Business Center on Hall Street in north St. Louis is 95% occupied. Summit Development Group is planning similar new facilities to handle the demand for this warehouse and light industrial space.

- In regard to business development and entrepreneurial growth, CORTEX, the non-profit developer of a life sciences business campus located between the BJC Medical Center and Saint Louis University, completed its first new building. Approximately 75% of the building is now leased to Stereotaxis, a graduate of the Center for Emerging Technologies specializing in MRI applications, and the Washington University Center for Nanomedicine. In addition, four St. Louis businesses, including three minority businesses—ABNA Engineering, Asynchrony Solutions, Pangea Group, and BAM Construction—received awards from the Initiative for a Competitive Inner City. In cooperation with the Downtown St. Louis Partnership, the City continued its strategy for attracting new retail to downtown. As a result of this initiative, over 40 new boutique retail businesses and restaurants have opened in the past five years. Due to this success, steps are now being taken to attract mainstream retailers downtown. Downtown St. Louis, following the May Company-Federated Department Stores merger, is now the home of a new Federated division, Macy's Midwest, and Federated has announced that the downtown Famous-Barr store will remain open, rebranded as a Macy's. New retail establishments not only provide services and goods that are needed to support downtown business, residential and tourism development, but are expected to add several hundred jobs in the next few years. In south St. Louis, a new Lowes Home Improvement Warehouse—the first of its kind in the City—is under construction on the site of an abandoned manufacturing facility. MLK Plaza in north St. Louis is expanding with the construction of a new Walgreens and plans for the addition of other new stores.

- The burgeoning market for urban living throughout the City's neighborhoods has not only resulted in the City's first population growth in more than four decades but has also attracted retail development in the City's traditional neighborhood commercial districts. Soda Fountain Square in Lafayette Square opened in 2005, joining and adding an element of variety to 1111 Mississippi and Sqwires restaurants as trendy places to eat and drink. Corner storefronts in Benton Park and along Morganford are being reborn as avant garde restaurants and retailers. South Grand continues to grow as the City's ethnic business district, with restaurants, retailers and grocers.

Significant numbers of loft-style apartments and condominiums continue to be developed in downtown St. Louis. Loft development also is expanding into other City neighborhoods where historic buildings suitable for adaptive reuse still exist. Response to both loft product and now new luxury non-loft product has been positive, and the new residential population is expected to improve both the retail and office markets in downtown. Several developers are planning the construction of new residential towers. The number of newly constructed and substantially rehabilitated homes has dramatically increased in many of the City's neighborhoods. In 2004, the City issued permits for 3,111 new and substantially rehabilitated units. In 2005, this number more than doubled to approximately 7,180 such permits, according to the Home Builders Association of Greater St. Louis.

Improvement in the downtown environment is also translating into greater attractiveness as a convention and tourism destination, as former eyesores are transformed into historically rehabilitated businesses, homes and stores. The change in the nine-block Old Post Office District immediately south of the America's Center convention facility and the headquarters Renaissance Hotel has been particularly dramatic. The Old Post Office reopened in early 2006 as a new home for Webster University, the Missouri Court of Appeals, other state offices and several businesses. In addition, the Paul Brown and Board of Education Buildings reopened as new rental lofts and retail space. A new parking facility is under construction and the rehabilitation of the Syndicate Trust Building is ready to commence. St. Louis Center and the One City Center Office Tower are under contract to be acquired by new owners who plan to reconfigure and convert the Center to street level retail and condominiums. Immediately east of the Convention Center, the new Pinnacle Entertainment gaming and hotel development is now under construction. Also, immediately north of the Convention Center, the Bottle District development is ready to commence.

Economic Development

Since 2000, more than $3 billion in development has been completed in downtown St. Louis and a number of other major developments are under construction or are expected to commence sometime in 2006. A number of major projects also are planned or underway in other parts of the City. These include the Loughborough Commons shopping complex with a Lowes Home Improvement Warehouse as its anchor, Riverview Condominiums, new life sciences laboratory and office structures in the CORTEX life science district, new retail and institutional developments in the Loop East area, two new high-rise condominium developments and one major new apartment construction in the Central West End. There are also apartment, townhouse and condominium new construction developments in the Benton Park, Lafayette Square, Ville, West End, Old North St. Louis and Shaw neighborhoods, among others.

Completed Major Development Projects

The following tables provide information on major development projects, each costing more than $1 million and collectively totaling more than $1 billion, that have been completed since 2002, categorized by type of development, i.e. residential, commercial or industrial.

Residential Projects	Project Type	Cost of Project	Completion Date
10th Street Lofts	Renovation	$ 10,800,000	2002
1324 Washington Ave. Loft Bldg.	Renovation	3,570,000	2002
703 N. 13th (Elder Shirt Lofts)	Renovation	6,000,000	2002
Merchandise Mart Apartments	Renovation	47,000,000	2004
1110 Washington (Vanguard Lofts)	Renovation	15,000,000	2004
Lofts @ 315 (20 Lofts)	Renovation	5,000,000	2004
Lister Building (4500 Olive)	Renovation	3,750,000	2004
St. Louis Place Park Homes	New Construction	3,600,000	2004
6134 Virginia Ave. Condos	Rehabilitation	2,400,000	2004
Coleman/Bacon-Habitat (26 homes)	New Construction	2,500,000	2004
6238-48 Sunshine Dr. (24 condos)	New Construction	3,348,000	2004
Metro Lofts (4531 Forest Park)	New Construction	36,400,000	2004
2216 Sidney (12 loft condos)	Renovation	2,000,000	2004
Botanical Heights	New Construction		2005
Terra Cotta Annex/Parking Garage	New Construction/ Rehabilitation	24,000,000	2005
Bell Lofts (920 Olive St.)	Renovation	5,000,000	2005
1324 Washington Ave. (Grace Lofts)	Renovation	9,800,000	2005
1312 Washington (Garment Lofts)	Renovation	3,260,000	2005
1619 Washington (Railway Lofts)	Renovation	12,500,000	2005
1709 Washington (King Bee Condos)	Renovation	3,900,000	2005
Paul Brown Bldg. Apartments	Renovation	46,000,000	2005
1601 Washington Ave. (Windows Lofts)	Renovation	15,800,000	2005
1601 Locust St. (Printers Lofts)	Renovation	15,800,000	2005
The Lofts @ The Highlands	New Construction	35,000,000	2005
3222 Locust St. (Bi-Polar Condos)	Renovation	5,580,000	2005
Shenandoah Place Condos	Renovation	1,600,000	2005
Soulard Market Apartments	Rehabilitation	30,000,000	2006
1517 S. Theresa School Bldg. Apts	Renovation	9,000,000	2006
Roosevelt Senior Apartments (154 units)	Rehabilitation	4,344,196	2006
Washington Apartments (99 units)	Rehabilitation	13,800,000	2006
Majestic Stove Lofts (120 units)	Rehabilitation	24,700,000	2006

Commercial Projects	Project Type	Cost of Project	Completion Date
Volpi & Co. (5245 Northrup)	New Construction	$ 4,000,000	2004
Tarlton Construction Hdqtrs.	New Construction	3,500,000	2004
Walter Knoll Florist	Rehab/New Const.	3,000,000	2004
Marriott Residence Inn	New Construction	23,800,000	2005
Security Building	Renovation	13,200,000	2005
1141-51 S. 7th St.	Renovation	6,500,000	2005
Nooter Const. Office Complex	New Construction	6,600,000	2005
1530 S. 2nd St. Industrial	Rehabilitation	3,000,000	2005
S. Grand "Anderson Garage"	Renovation	9,600,000	2005
Target Store at Chippewa & Hampton	New Construction	14,700,000	2005
Hilton Hotel (conversion from Marriott)	Rehabilitation	15,000,000	2006
Hampton Inn @ The Highlands	New Construction	14,000,000	2006
CORTEX Building	New Construction	36,000,000	2006
Sprinkler Fitters #268 Training Ctr.	New Construction	2,900,000	2006
Soda Fountain Square Building	New Construction	6,000,000	2006
Centene Center for the Arts	Rehabilitation	7,000,000	2006
Old Post Office	Renovation	77,000,000	2006
New Busch Stadium	New Construction	386,000,000	2006
2300 Locust St. (NSI Bldg)	Rehabilitation	12,300,000	2006
Hilton at the Ballpark	Rehabilitation	45,000,000	2006
Mixed Use Projects			
1113-21 Locust St. (Residential & Commercial Condos)	Rehabilitation	$ 7,500,000	2005
Infrastructure Projects			
Washington Ave. Streetscape (Phase II)	Renovation	$ 6,000,000	2005

Source: St. Louis Development Corporation.

Major Development Projects in Progress

The following table provides information on major development projects, each costing more than $1 million and collectively totaling approximately $4.3 billion, currently planned or under construction in the City.

Residential Projects	**Project Type**	**Estimated Cost of Project**	**Completion Date**
410 N. Jefferson (Westgate) Condos	Renovation	$ 12,800,000	2006
Cupples Station Apartments	Renovation	41,000,000	2006
Pet Building	Renovation	36,488,000	2006
1136 Washington Ave.(Millennium Lofts)	Rehabilitation	25,400,000	2006
Marquette Bldg. Condos	Rehabilitation	54,000,000	2006
Moon Bros. Lofts (1706 Delmar)	Rehabilitation	10,670,000	2006
Neighborhood Gardens Apts.	Rehabilitation	10,335,970	2006
1300 Convention Plaza Apartments	Renovation	7,900,000	2006
Bee Hat Bldg. Lofts (36 rental units)	Rehabilitation	11,100,000	2006
2035-2101 Washington (Adler Lofts)	Renovation	9,000,000	2006
Lucas Lofts (106 condos)	Rehabilitation	22,000,000	2007
Barton Street Lofts	Renovation	2,800,000	2006
2001 & 2035 Lucas St. (32 apts.)	Rehabilitation	8,000,000	2006
Renaissance on Grand Apts.	New Construction	21,600,000	2006
Dogtown Walk II	New Construction	2,700,000	2006
Lafayette Square Walk	New Construction	11,100,000	2006
21-59 Maryland Plaza Condos	Renovation	10,200,000	2006
Blumeyer Apts. – Phase II	New Construction	16,144,000	2006
Maple Acres – Phase II	New Construction	4,000,000	2006
Mullanphy Square – Phase III	New Construction	2,500,000	2006
Union West Homes – Cote Brilliante	New Construction	1,800,000	2006
City Hospital Condo/Mixed Use	Renovation	28,000,000	2006
Near Southside Mixed Use	New Construction	150,000,000	2006
4200 Lindell Condos	Renovation	6,000,000	2006
Catlin Townhomes	New Construction	2,800,000	2006
Southside National Bank Condos	Renovation	2,162,226	2006
Sullivan/Dodier Apartments	New Construction	22,800,000	2006
Gaslight Square East	Rehab/New Const	19,450,000	2006
Mississippi Place	New Construction	4,500,000	2006
5700 Arsenal St.	New Construction	15,000,000	2006
Grant School Apts. (27 units)	Rehabilitation	7,500,000	2006
E. Steins/S. Broadway (40 condos)	Rehabilitation	1,600,000	2006
4440-48 Olive – Metamorphi Concepts (14 condos)	Rehabilitation	1,900,000	2006
Delmar/Euclid/Enright (154 apts.)	Rehabilitation	4,344,196	2006
Netherby Hall Condos (26 units) (4540 Lindell Blvd.)	Rehabilitation	7,000,000	2006
2500 S. 18th St. Apartments	Renovation	3,800,000	2006

Residential Projects	Project Type	Estimated Cost of Project	Completion Date
Port St. Louis (49 Condos)	New Construction	$ 25,000,000	2007
Ely Walker Lofts (168 condos)	Rehabilitation	44,200,000	2007
West Town Lofts (83 condos)	Rehabilitation	18,600,000	2007
Packard Lofts (35 condos)	Rehabilitation	7,800,000	2007
1113-21 Locust St. (condos)	Rehabilitation	7,500,000	2007
1635 Washington Ave. (96 condos)	Rehabilitation	20,900,000	2007
Switzer Building (30 condos)	Rehabilitation	10,900,000	2007
Syndicate Trust Bldg. (91 condos/84 rental units)	Rehabilitation	81,600,000	2007
2107 Lucas Ave. Loft Apts	Rehabilitation	8,360,000	2007
721 Olive St. (Chemical Bldg) (32 condos/64 rental units)	Rehabilitation	23,111,443	2007
Ludwig Lofts (17 loft apts.)	Rehabilitation	7,100,000	2007
1100 Clark (Commercial)	Rehabilitation	2,000,000	2007
1235 Washington (100 condos)	Rehabilitation	18,000,000	2007
The Bogen (1201 Washington Ave.) (126 Condos)	Rehabilitation	25,000,000	2007
Denim Lofts (Knickerbocker)	Rehabilitation	5,000,000	2007
2223 Locust (100 rental units)	Rehabilitation	15,000,000	2007
Cochran Gardens (266 units)	New Construction	21,365,000	2007
Washington East Condos	Rehabilitation	60,300,000	2007
East Bank Lofts	Rehabilitation	11,000,000	2007
1133 Washington Ave. Apartments	Renovation	9,900,000	2007
Park East Tower Condos	New Construction	50,000,000	2007
2301-45 & 2304-06 Hebert St. (10 homes)	New Construction	1,300,000	2007
Murphy Blair III	Rehabilitation	5,600,000	2007
Lafayette Town Family/Elderly Apts	Rehabilitation	6,000,000	2007
JVL 16 Apartments (76 units)	Rehabilitation	4,400,000	2007
Tiffany Apts. (60 units)	Rehabilitation	2,700,000	2007
Automobile Row	Rehabilitation	34,000,000	2007
Vail Place Condos	New Construction	8,000,000	2007
Sullivan/Dodier St. Elderly Apts.	New Construction	21,600,000	2007
2201 S. Grand (30 condos)	New Construction	9,600,000	2007
Franklin School (814 N. 19th St.)	Rehabilitation	9,000,000	2007
4218 & 4229 Maryland (6 new homes & renovation)	New Construction/ Rehabilitation	2,400,000	2007
3949 Lindell (Salad Bowl)	New Construction	26,500,000	2007
4466 Olive St. (Field School)	Rehabilitation	9,359,300	2007
5350-5428 Delmar (40 townhomes)	New Construction	7,000,000	2007
Warehouse of Fixtures (University Apartments)	Renovation	53,500,000	2007
4545 Lindell Blvd. (38 condos)	New Construction	28,000,000	2007
Metropolitan Lofts (63 condos)	Rehabilitation	27,000,000	2007
Betty’s Walk (9 homes)	New Construction	1,500,000	2007
Washington Apartments (99 units)	Rehabilitation	10,700,000	2007

Residential Projects	Project Type	Estimated Cost of Project	Completion Date
5819 Delmar Housing Dev. (36 condos)	New Construction	$ 7,300,000	2007
Mississippi Bluffs (56 condos)	New Construction	25,000,000	2007
Davison/Beacon Residential	New Construction	2,500,000	2007
The Union Club (39 condos)	New Construction	11,600,000	2007
3800-16 Shenandoah (12 condos)	Rehabilitation	2,870,000	2007
Grand/Chippewa (87 apartments)	New Construction	13,472,605	2007
Fox Park/McKinley Heights Condos	Rehabilitation	4,200,000	2007
Magnolia Square (25 houses) (former St. Aloysious Church)	New Construction	6,400,000	2007
4100 Forest Park	Rehabilitation	39,400,000	2007
Compton Gate Condos (36 units) (2201 S. Grand)	New Construction	10,000,000	2007
2200 Gravois (16 units)	Rehabilitation	8,000,000	2007
Bacon St./St. Louis Ave. (20 homes)	New Construction	2,400,000	2007
5435-75 Cabanne (102 apts)	Rehabilitation	18,000,000	2007
3830 & 3838 Park Ave. (36 units)	Rehabilitation	4,600,000	2007
Ballpark Lofts (174 condos)	Rehabilitation	71,000,000	2008
Jefferson Arms (360 units)	Rehabilitation	80,000,000	2008
600 Washington (St. Louis Centre) (Dillards)(260 condos & 150 units)	Rehabilitation	205,000,000	2008
Park Pacific (129 condos & 30 units)	Rehabilitation /New Construction	125,500,000	2008
Tudor Bldg/1818 Washington (50 units)	Rehabilitation	25,500,000	2008
Lindell Condos (200 units)	New Construction	93,600,000	2008
The Cascades	New Construction	25,000,000	2008
W. Pine/Euclid Condos	New Construction	150,000,000	2008

Commercial Projects

904 S. 4th St.	Rehabilitation	$ 2,500,000	2006
Maryland Plaza South	Renovation	20,500,000	2006
Sensient Colors Inc. Expansion	New Construction	7,900,000	2006
Loughborough Commons	New Construction	40,000,000	2006
2009-23 Chouteau (Retail, Office)	Rehabilitation	2,700,000	2006
4140 Lindell Blvd.	Rehabilitation	1,400,000	2006
Pinnacle Entertainment Casino	New Construction	400,000,000	2007
9th St. Garage (1065 spaces)	New Construction	33,000,000	2007
Multi-Modal Station	New Construction	25,000,000	2007
MLK Plaza (Phase II)	New Construction	7,500,000	2007
St. Louis Place Brewery (Phase II)	Rehabilitation	15,000,000	2007
The Loop Hotel (120 rooms)	New Construction	19,600,000	2007
The Loop Center North Office/Retail	New Construction	7,213,665	2007
Nooter Site Improvements	Rehab/New Const.	7,500,000	2007
Proctor & Gamble Expansion	New Construction	60,000,000	2007

Commercial Projects	Project Type	Estimated Cost of Project	Completion Date
CHIPS New Building (2711 N. Grand)	New Construction	$ 4,000,000	2007
The Restaurant Depot (4910 Manchester)	New Construction	7,000,000	2007
2351 Lafayette	New Construction	2,100,000	2007
Hy-C Company Expansion	New Construction	1,200,000	2007
4245 Forest Park	Rehabilitation	5,000,000	2007
Walgreen's (Grand/Cozens)	New Construction	5,100,000	2007
Roberts Commons(Delmar/Euclid)	New Construction	50,000,000	2007
Ice House - Phase I	Rehabilitation	8,000,000	2007
Melba Theatre Retail	Rehabilitation	1,785,000	2007
Drury Hotel (Hampton/Wilson)	New Construction	14,000,000	2007
Radisson Hotel	Rehabilitation	12,000,000	2008
St. Louis U. Arena	New Construction	80,000,000	2008
Mixed Use Projects			
Fashion Square	Rehabilitation	$ 29,000,000	2006
6400-16 Wise Ave.	New Construction	3,100,000	2006
Southside Nat'l Bank Bldg. (Phase I)	Rehabilitation	6,700,000	2007
Euclid/Buckingham Garage	New Construction	5,200,000	2007
1557/1601-45 Jefferson Ave. (Shopping Strip & 19 homes)	New Construction	9,300,000	2008
Ballpark Village	New Construction	500,000,000	2009
Gateway Village (Bottle District)	New Construction	300,000,000	2009
Institutional Projects			
Harris Stowe State College Expansion (Phase II)	New Construction	$16,000,000	2006
St. Louis Children's Hosp. Expansion	New Construction	75,000,000	2007
Washington U. Doctors Building	New Construction	40,000,000	2007
St. Louis U. Research Center	New Construction	80,500,000	2007
Federal Reserve Bank Expansion	Rehabilitation /New Construction	80,000,000	2008
St. Louis Art Museum Expansion (Phase I)	Renovation	50,000,000	2008

Source: St. Louis Development Corporation.

FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS

Introduction

Management of the City's finances includes preparation of an annual budget, control of the expenditure of City funds, cash management and the levy and collection of real and personal property taxes. This section presents information regarding the City's finances, including the City's accounting and budgeting practices.

Accounting and Reporting Practices

The City maintains its accounting records on the basis of funds.

Governmental Type Funds -- Governmental Type Funds are used to account for the acquisition, use and balances of the City's financial resources and related liabilities. The measurement focus is upon determination of changes in financial position, rather than net income determination. The City's governmental type funds include the following:

General Revenue Fund -- The General Revenue 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 other funds.

Special Revenue Funds -- Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts of major capital projects) that are legally restricted to expenditures for specific purposes.

Debt Service Fund -- Debt Service Fund is used to account for the accumulation of resources for and the payment of general obligation long term debt principal, interest and related costs.

Capital Project Fund -- Capital Project Fund is used to account for financial resources to be used for acquisition or construction of major capital facilities (other than those financed by proprietary funds types).

Proprietary Funds -- Proprietary Funds are used to account for the City's ongoing organizations and activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income. The City's proprietary fund types include the following:

Enterprise Funds -- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily though user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

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.

<u>Fiduciary Funds</u> -- Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. A description of the City's fiduciary fund follows:

> *Agency Funds* -- Agency Funds are used to account for assets held as an agent by the City for others. Agency Funds are custodial in nature and are used to account for assets held by the City as an agent for individuals, private organizations, other governmental units and/or other funds. Pension Trust funds are accounted for and reported similar to proprietary funds.

An annual audit is made of the accounts and the records of the City. This examination is conducted by independent certified public accountants, KPMG LLP, engaged by the Mayor through a competitive process, for this purpose.

Budget Process

The Board of Estimate and Apportionment proposes annual operating and capital budgets for the ensuing Fiscal Year, based on information provided by the various City departments (including the Budget Division), commissions and boards.

After internal review and analysis by the Board of Estimate and Apportionment, a proposed budget, which includes a statement showing estimated receipts and expenditure requirements of each department, commission and board, and a comparative statement of receipts and expenses incurred for the previous year, is submitted to the Board of Alderman.

The Board of Estimate and Apportionment must submit its proposed budget to the Board of Aldermen no less than 60 days prior to the beginning of the Fiscal Year, July 1. The budget bill is assigned to the Ways and Means Committee of the Board of Aldermen, which conducts public hearings on segments of the proposed budget prior to taking any action. Thereafter, the proposed budget is reviewed and considered by the Board of Aldermen.

The Board of Aldermen may reduce the amount of any item in a budget bill, except amounts fixed by statute for the payment of principal of or interest on City debt or for meeting any ordinance obligations. The Board of Aldermen may not increase the amount of the proposed budget nor insert new items. Also under the City Charter, the Board of Estimate and Apportionment submits and recommends to the Board of Aldermen a bill establishing the City's real property tax rates. Currently, increasing the level of existing taxes or imposing new taxes requires voter approval in accordance with the Missouri Constitution. See the caption "**GENERAL REVENUE RECEIPTS -- The Hancock Amendment**" herein.

Should the Board of Estimate and Apportionment not timely submit its proposed budget or tax rate to the Board of Aldermen, the Budget Director is required to submit directly to the Board of Aldermen data, including projected revenues and expenses, necessary to permit the Board of Aldermen to approve an operating budget prior to the beginning of the Fiscal Year.

Should the Board of Aldermen not approve a budget or tax rate by the beginning of a Fiscal Year, the proposed budget or tax rate recommended by the Board of Estimate and Apportionment, or, in its absence, the submission by the Budget Director, is deemed to have been approved by the Board of Aldermen.

Except with respect to the general appropriation bill and bills providing for the payment of principal of or interest on debt, no appropriation may be made from any revenue fund in excess of the credit balance of such fund, and no appropriation may be made for any purpose to which the money is not lawfully applicable. The Board of Estimate and Apportionment may, from time to time, appropriate any accruing, unappropriated City revenue, and whenever an appropriation exceeds the amount required for the purpose for which it was made, the excess or any portion or portions thereof may, by ordinance recommended by the Board of Estimate and Apportionment, be appropriated to any other purpose or purposes. All unexpended appropriated money, not appropriated by special ordinance for a specific purpose, reverts at the end of the then current Fiscal Year to the fund or funds from which the appropriation was made.

Financing Controls

During recent years, the City has implemented significant measures to upgrade its financial reporting systems. This was done in an effort to bring the financial system in line with the requirements of generally accepted accounting principles. The City's Comprehensive Annual Financial Report for Fiscal Year 2004 was awarded the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association ("GFOA"). This was the eighteenth year the City has received this prestigious award. The Certificate of Achievement is awarded to recognize a governmental unit that published an easily readable and efficiently organized comprehensive annual report that meets both generally accepted accounting principles and applicable legal requirements. The GFOA presented an award of Distinguished Presentation to the Budget Division, City of St. Louis for its annual budget for the Fiscal Year beginning July 1, 2005. This award is given in recognition of a government unit that publishes a budget document that meets program criteria as a policy document, an operations guide and as a communicative device.

At present, the City utilizes a fully computerized Accounting Information Management System (the "AIM System"). The AIM System is based on a single transaction concept of processing whereby all relevant files and reports are updated from a single input of information. The AIM System provides (1) integrated general and subsidiary accounting of all funds, (2) appropriation/encumbrance accounting and controls, and (3) generation of cost/expenditure data in multiple formats that are useful for budgetary control and other managerial purposes. In developing and evaluating the City's accounting system, consideration was given to the adequacy of internal accounting controls. Internal account controls are designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability of assets.

Through annual appropriations, the City maintains budgetary control at the department level by line item. Cost classifications are categorized in the following groups: personnel services, supplies and materials, rental and leases, non-capital equipment, capital leases, contractual and other services, and debt service.

Encumbrances are recorded by the Control Section through an on line budgetary control module before requisitions are sent to the Purchasing Division. If sufficient funds are not available to cover a purchase, the requisition is returned to the originating department for transfer of funds or cancellation. Department appropriations are allowed to be adjusted by transfers of appropriations with the prior approval of the Board of Estimate and Apportionment. The Comptroller is able to control all of the above using the AIM System.

It is the special responsibility of the Comptroller, as set forth in the Charter, to provide City officials and taxpayers with reasonable assurances that public funds and property are adequately safeguarded and that financial transactions are authorized and properly recorded. The internal audit staff of the Office of the Comptroller is responsible for carrying out the Charter and ordinance provisions relating to the audit of records, funds and securities of every person charged with safekeeping of the City's assets. The objective is to evaluate the procedures in effect to conserve and safeguard the City's property. Besides the focus on the collection and recording of receipts, department audits include development of recommended procedures for improvement of internal controls in the maintenance of accounts receivable and properly control records. Audits are conducted on a continuing cycle.

Cash Management

Cash management is handled by the City Treasurer. The City Treasurer, an elected official, maintains bank accounts, invests funds and maintains account records.

All cash not restricted by law to specific accounts is pooled into the "General Pooled Cash" and invested by the City Treasurer. The City Treasurer provides cash forecasting so that adequate cash is available while investments are maximized. Consistent with state law, all investments held by the City Treasurer are in direct securities backed by the full faith and credit of the U.S. Government or its agencies and those that may be approved by the State Treasurer, or in time deposits collateralized by those securities.

Cash Management Investment Policy

In 1998, the City adopted its revised Public Funds Investment Policy, through the Funds Committee of the City. The investment policy applies to all financial assets of the City, including the General Fund, Special Revenue Funds, Capital Project Funds, Debt Service Funds, Internal Service Funds, Enterprise Funds, Trust and Agency Funds and proceeds of bond issues, but does not apply to the City's pension funds. The objectives stated in the Public Funds Investment Policy (in order of priority) are (a) security, (b) liquidity, (c) investment return, (d) local economic benefit and (e) social policy. The Public Funds Investment Policy applies a prudent person standard to management of the overall portfolio, with investments limited to U.S. Government obligations, obligations of any agency or instrumentality of the U.S., bonds of the State or the City, certificates of deposit, repurchase agreements maturing within 90 days and deposits with listed institutions. Certificates of deposit, repurchase agreements maturing within 90 days and deposits with listed institutions must be collateralized. The City's revised Public Funds Investment Policy has been approved for certification by the Municipal Treasurers' Association of the United States and Canada. Columbia Capital Management LLC serves as investment consultant to the City Treasurer's office.

General Revenue Fund

In accordance with generally accepted accounting procedures for governmental units, the City records its financial transactions under various funds. The largest is the General Revenue Fund from which all general operating expenses are paid and to which taxes and all other revenues not specifically allocated by law or contractual agreement to other funds are deposited. Expenditures from the General Revenue Fund are for payments of the payroll, pension, employee benefits and other miscellaneous ordinary operating expenses.

General Revenue Fund Expenditures

The following table is a combined statement of revenues, expenditures and changes in fund balances on an accrual basis for the Fiscal Years 2001 through 2005.

CITY OF ST. LOUIS
General Revenue Fund
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Accrual Basis – Fiscal Years Ended June 30
(In Thousands)

	2005	2004	2003	2002	2001
Revenues					
Taxes	$ 308,836	$ 294,387	$ 310,932	$ 313,482	$ 329,498
Licenses & Permits	18,597	16,960	15,942	15,691	15,191
Intergovernmental Aid	25,593	22,531	13,082	12,175	13,155
Charges for Services	14,747	15,810	12,340	12,283	15,312
Court Fines & Forfeitures	8,773	8,906	8,680	8,200	7,132
Interest	1,749	1,621	2,260	3,544	3,680
Interfund Services provided	4,519	3,921	4,476	4,864	-
Miscellaneous	2,766	4,263	7,499	4,367	3,455
Total Revenues	$ 385,580	$ 368,399	$ 375,211	$374,606	$ 387,423
Expenditures					
General Government	$ 41,651	$ 43,036	$ 42,474	$ 39,043	$ 39,254
Convention & Tourism	1,795	199	2,201	2,219	2,159
Parks and Recreation	18,279	18,501	18,184	17,765	16,929
Judicial	40,478	40,059	41,603	39,393	35,608
Streets	28,000	28,695	30,005	31,680	29,245
Public Safety[1]	218,927	223,776	216,095	205,618	76,570
Health and Welfare	2,941	4,989	2,705	11,332	12,103
Public Services	21,401	22,131	24,283	22,868	22,961
Capital Outlay	-	-	-	15	2,134
Debt Service	27,000	19,832	30,060	26,209	22,702
Total Expenditures	$ 400,472	$ 401,218	$ 407,610	$396,142	$ 259,665
Excess of Revenues Over (Under) Expenditures Other Finance Sources/(Uses)	$ (14,892)	$ (32,819)	$ (32,399)	$ (21,536)	$ 127,758
Issuance of Note Payable	-	-	-	-	1,980
Issuance of refunding bonds – leasehold revenue bonds	-	-	141,975	65,348	-
Premium on leasehold revenue bonds	-	-	11,251	1,935	-
Payment refunded to Bond Escrow Agent	-	-	(149,808)	(62,789)	-
Transfers In	20,386	24,458	21,025	18,686	10,823
Operating Transfers from Component Units[1]	-	-	-	-	125
Recovery of legal judgment	-	2,972	-	-	-
Transfers Out	(2,603)	(1,419)	(3,249)	(9,802)	(12,322)
Operating Transfers to Component Units[1]	-	-	-	-	(118,378)
Total Other Financing Sources (Uses)	$ 17,783	$ 26,011	$ 21,194	$ 13,378	$ (117,772)
Excess of Revenues & Other Finance Sources Over (Under) Expenditures & Other Uses	**2,891**	(6,808)	(11,205)	(8,158)	9,986
Fund Balances (Beginning of Fiscal Year)[1]	69,906	76,714	87,919	96,077	86,091
Fund Balances (End of Fiscal Year)	$ 72,797	$ 69,906	$ 76,714	$ 87,919	$ 96,077

[1] Beginning in 2002, the City was required to show transfers to component units as expenditures.

Source: Audited Financial Statements.

The following table shows a General Revenue Fund Summary of Operations on a budgetary (cash) basis for Fiscal Years 2003 through 2005. Although, as of the date of this Official Statement, the City does not have audited financial statements for Fiscal Year 2006, the City's preliminary projections are that it ended Fiscal Year 2006 with a $9.8 million surplus. The City provides funding for several significant municipal services that are not subject to direct City management and control.

CITY OF ST. LOUIS
General Revenue Fund
Summary of Operations
Cash Basis - Fiscal Years Ended June 30
(In Thousands)

	2005	2004	2003
Revenues			
Taxes	$ 313,108	$ 318,813	$ 319,827
Licenses & Permits	18,597	17,165	15,822
Intergovernmental Aid	17,979	6,788	6,186
Charges for Services	19,954	20,243	18,019
Court Fines & Forfeitures	4,730	5,378	4,561
Interest	680	76	162
Miscellaneous	2,910	3,163	4,906
Total Revenues	$ 377,958	$ 371,626	$ 369,483
Expenditures			
General Government	$ 42,829	$ 41,424	$ 42,556
Convention & Tourism	1,797	1,895	2,204
Parks & Recreation	18,208	18,407	17,979
Judicial	40,102	40,216	41,299
Streets	28,104	28,569	30,007
Public Safety	91,244	94,083	90,452
Police	129,754	128,136	126,577
Health & Welfare	2,719	5,113	2,845
Public Services	21,447	22,141	24,204
Debt Service	22,398	14,374	22,687
Total Expenditure	$ 398,602	$ 394,358	$ 400,810
Excess of Revenues Over (Under) Expenditures	(20,644)	(22,732)	(31,327)
Other Financial Sources (Uses):			
Transfers In	$ 21,461	$ 18,665	$ 24,793
Transfers Out[1]	(2,639)	(3,327)	(2,049)
Total Other Finance Sources (Uses)	18,822	15,338	22,744
Excess of Revenues & Other Finance Sources Over (Under) Expenditures & Other Finance Uses	(1,822)	(7,394)	$ (8,583)
Fund Balances (Beginning of Fiscal Year)	13,037	20,431	29,014
Fund Balances (End of Fiscal Year)	$ 11,215	$ 13,037	$ 20,431

[1] Transfers out have been restated to include transfers to reserves.

Source: City Comptroller's Office.

GENERAL REVENUE RECEIPTS

General Revenue Fund Receipts by Category

The following table sets forth the percentage of receipts for various categories of the General Revenue Fund for the Fiscal Years 2003 through 2005.

	Fiscal Year		
	2005	**2004**	**2003**
TAXES:			
Earnings	30.78%	31.03%	31.00%
Franchise	13.04	13.39	13.23
Sales	11.52	11.51	11.74
Gross Receipts	2.96	3.00	3.04
Motor Vehicle Sales Tax	0.89	0.90	0.85
Motor Fuel	2.55	2.58	2.24
Real Estate	8.15	8.15	7.54
Personal Property	2.78	2.89	3.06
Payroll	7.91	8.07	8.08
Other Taxes	0.36	0.18	0.32
Total Taxes	80.94	81.70	81.10
License Fees	4.66	4.39	4.01
Departmental Receipts	8.99	9.13	8.58
27th Pay Reserve Transfers	0.04	-	0.03
Transfers	5.37	4.78	6.28
	100.00%	100.00%	100.00%

Source: City Comptroller's Office.

Earnings Tax

The City's Earnings Tax is the most significant single source of General Revenue Fund revenues, representing approximately 31% of the total General Revenue Fund revenues for the Fiscal Year ended June 30, 2005. The Earnings Tax is levied against residents of the City, nonresidents employed within the City and businesses within the City. The Earnings Tax was authorized by State statute in 1954 and is imposed on the gross income of individuals and of net profits of businesses within the City. The current rate of 1% has been in effect since 1959.

Earnings Taxes are withheld by employers and submitted to the City on a quarterly basis, except for employers withholding more than $1,500 per month, who remit their taxes monthly. Residents of the City who are employed outside of the City and do not have the Earnings Tax withheld from their pay are required to file a tax return and pay the Earnings Tax on an annual basis.

The City's General Fund Earnings Tax revenue for the Fiscal Years 2001 through 2005 was as follows:

Fiscal Year	Earnings Tax
2001	$ 122,594,135
2002	121,656,641
2003	122,206,236
2004	121,111,509
2005	122,941,515

Source: City Comptroller's Office.

Franchise Tax

The Franchise Tax of the City is a tax on utilities operating within the City and on certain gross receipts of the Airport. This tax is passed on to the consumers by the utilities. The tax on Laclede Gas Company and AmerenUE (formerly Union Electric Company) is 10% on the gross receipts from their commercial customers and 4% on the gross receipts from their residential customers. Charter Communications, Inc. is taxed at 5% on the gross revenues for its City cable franchise. Charter Communications is not included in General Fund. The telecommunications companies, Trigen Energy Corp. and the Water Division of the City, are taxed at 10% on their gross receipts from all users and the Airport pays 5% of its gross receipts to the General Revenue Fund. Franchise Taxes are collected and paid to the City monthly and/or quarterly.

The City's General Fund Franchise Tax revenue for the Fiscal Years 2001 through 2005 was as follows:

Fiscal Year	Franchise Tax
2001	$ 57,189,210
2002	51,581,018
2003	52,153,791
2004	52,271,960
2005	52,083,765

Source: City Comptroller's Office.

Sales and Use Tax

A City sales tax, which was authorized by the Missouri General Assembly and was approved by voters at an election held in 1969, is collected on a monthly basis by the State of Missouri along with the State sales tax and is remitted to the City by the 10th of the following month. The current sales tax rate is 7.616%, which includes both the State and the City portions of the sales tax. A portion of revenue collected from the tax goes to the Metropolitan Park and Recreation District as do funds from other counties which have a similar tax. A portion of the tax revenues is placed in a special fund, the "Metro Parks Trust Fund" for local park improvement.

In addition, the City imposes a use tax that is earmarked to provide funds for the development and preservation of affordable and accessible housing and public health care services. The current use tax rate is 6.95%. A use tax return need not be filed by persons who spend less than $2,000 on purchases from out of State in any calendar year.

The City's General Fund Revenue Sales Tax receipts for the Fiscal Years 2001 through 2005 were as follows:

Fiscal Year	Sales Tax
2001	$ 49,807,227
2002	47,555,507
2003	46,280,903
2004	44,916,621
2005	46,013,082

Source: City Comptroller's Office.

Gross Receipts Tax

The City's Gross Receipts Tax is comprised of three components: (1) public garage and parking lots tax; (2) amusements admission tax; and (3) restaurant tax.

The City's Gross Receipts Tax revenue for the Fiscal Years 2001 through 2005 was as follows:

Fiscal Year	Gross Receipts Tax
2001	$ 11,304,969
2002	12,236,354
2003	11,982,766
2004	11,566,876
2005	11,826,756

Source: City Comptroller's Office.

Motor Vehicle Sales Tax

The Motor Vehicle Sales Tax is collected by the State in the form of the State sales tax and remitted to the City monthly. A constitutionally-mandated portion of the proceeds of the State sales tax is distributed to local governments, including the City, based on their proportionate share of the State's total population.

The City's General Fund Motor Vehicle Sales Tax revenue for the Fiscal Years 2001 through 2005 was as follows:

Fiscal Year	Motor Vehicle Sales Tax
2001	$ 4,134,656
2002	3,868,712
2003	3,364,018
2004	3,522,049
2005	3,563,374

Source: City Comptroller's Office.

Motor Fuel Tax

The City receives a share of the State motor fuel tax based upon the City's proportionate share of the State's population. Motor fuel tax is collected by the State on a monthly basis and remitted to the City monthly. The City's General Fund Motor Fuel Tax revenue for the Fiscal Years 2001 through 2005 was as follows:

Fiscal Year	Motor Fuel Tax
2001	$ 10,219,892
2002	9,275,077
2003	8,831,066
2004	10,069,537
2005	10,189,014

Source: City Comptroller's Office.

Real and Personal Property Taxes

Taxes are levied on all real and personal property owned as of January 1 of each year. Tax bills are mailed out in November and payment is due by December 31, after which taxes become delinquent. Residential property is currently assessed at 19% of true value, commercial property is assessed at 32% of true value, and agricultural property is assessed at 12% of true value. Real property is reassessed every two years (in odd-numbered years), as required by State law. Real property and personal property are taxed at the same rate. The formula for setting the tax rate does not allow for more than normal growth in tax collections. As a result, there is no "windfall" to the City as a result of the reassessments.

	Real Property[1]		Personal Property[1]			
Calendar Year	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Manufacturers' Inventory Value[2]	Total Assessed Value
2001	$2,056,858,341	$ 8,606,069,224	$901,303,561	$2,706,617,300	$ 305,621,759	$3,263,783,661
2002	2,059,506,810	8,616,895,464	811,285,903	2,436,294,003	305,359,625	3,176,152,338
2003	2,277,100,961	9,611,957,762	789,866,491	2,371,971,444	296,768,056	3,363,735,508
2004	2,310,268,668	9,741,401,301	770,103,724	2,312,623,796	285,352,828	3,365,725,220
2005	2,802,683,651	12,127,086,889	789,536,333	2,370,979,979	290,522,619	3,882,742,603

Source: [1] City Assessor's Office.
[2] City License Collector's Office.

The estimated "Market Value" of real property in the City for the last five calendar years is set forth below:

Calendar Year	Commercial	Residential	Total Real Property
2001	$ 3,243,886,066	$ 5,362,183,158	$ 8,606,069,224
2002	3,248,435,938	5,368,459,526	8,616,895,464
2003	3,467,915,278	6,144,042,484	9,611,957,762
2004	3,533,864,775	6,207,536,526	9,741,401,301
2005	3,834,901,094	8,292,185,795	12,127,086,889

Source: City Assessor's Office.

The tax rate levied on real and personal property during the Fiscal Year 2005 was $1.3074 per $100 of assessed valuations and during the Fiscal Year 2004 was $1.411 per $100 of assessed valuations. The collection rate for the Fiscal Year 2005 was 86.1% compared to the rate of 86.9% for the Fiscal Year 2004. Tax receipts paid in protest are distributed to the City after the normal due date for real property taxes. Consequently, the rate of collection as a percentage of current amounts due is understated. The City's General Fund Real and Personal Property Tax revenue for the Fiscal Years 2001 through 2005, on a cash basis, was as follows:

Fiscal Year	Real Property	Personal Property
2001	$ 27,602,292	$ 11,583,306
2002	29,274,005	12,206,249
2003	29,729,948	12,051,536
2004	31,133,552	11,308,831
2005	32,535,672	11,117,309

Source: City Comptroller's Office.

Payroll Tax

Voters approved a Payroll Tax in 1988. The Payroll Tax is 1/2 percent of total compensation paid by a business to its employees for work in the City. The tax is not applicable to nonprofit, charitable, civic organizations or hospitals. The Payroll Tax is administered by the Collector of Revenue and is payable quarterly on the last day of January, April, July and October for the preceding calendar quarter. The City's General Fund Payroll Tax revenue for the Fiscal Years 2001 through 2005, on a cash basis, was as follows:

Fiscal Year	Payroll Taxes
2001	$ 34,719,193
2002	35,358,684
2003	31,890,987
2004	31,483,891
2005	31,588,099

Source: City Comptroller's Office.

Other Taxes

Other taxes collected by the City include the intangible tax, land tax suits, manufacturers tax, commercial property surcharge and county stock insurance tax. The City's General Fund other tax revenue for the Fiscal Years 2001 through 2005, on a cash basis, was as follows:

Fiscal Year	Other Taxes
2001	$ 1,595,189
2002	1,358,594
2003	1,335,736
2004	1,427,576
2005	1,438,646

Source: City Comptroller's Office

License Fees

License Fees are collected by the City for the use or sale of or conduct of business in the following categories: automobiles, cigarettes, liquor, business, contractors and certain miscellaneous items. A variety of business licenses and inspection fees were replaced with the Graduated Business License Tax and the Payroll Tax in 1988 by voter approval. The Graduated Business License Tax is a flat rate, depending on the number of City employees in the previous calendar year. The tax ranges from $150 for employers with two or fewer employees to $25,000 for employers with greater than 500 employees. The issuing of business licenses and the collection of the new license fees is administered by the License Collector's Office.

The City's General Fund license fee revenue for the Fiscal Years 2001 through 2005, on a cash basis, was as follows:

Fiscal Year	License Fees
2001	$ 15,118,463
2002	15,674,582
2003	15,821,888
2004	17,164,611
2005	18,597,181

Source: City Comptroller's Office.

Departmental Receipts

Several City departments generate revenues from fees and charges. Those revenue-producing departments include the Department of Parks and Recreation and Forestry, the Public Safety Department, the Street Department, the Public Utilities Department, the Department of Health and Hospitals, Recorder of Deeds, Circuit Court, Juvenile Detention Center, Sheriff, Medical Examiner, Probate Court and the City Courts. The City's General Fund Departmental Receipts revenue for the Fiscal Years 2001 through 2005, on a cash basis, was as follows:

Fiscal Year	Departmental Receipts
2001	$ 31,134,787
2002	33,559,853
2003	33,834,201
2004	35,647,737
2005	36,064,127

Source: City Comptroller's Office.

Operating Transfers

A major source of transferred funds is from other Special Revenue Funds. Other Special Revenue Funds consist of the Child Support Unit-Circuit Attorney Fund and the Columbia Bottoms Fund. Remaining transfers represent funds which by law must first be deposited in a fund, other than the General Revenue Fund, which, after a determination by the Comptroller that such deposits are a surplus, are transferred to the General Revenue Fund.

The City's Operating Transfers for Fiscal Years 2001 through 2005, on a cash basis, were as follows:

Fiscal Year	Operating Transfers[1]
2001	$ 19,200,864
2002	19,775,991
2003	24,793,323
2004	18,664,916
2005	21,460,749

[1] Figures do not include transfers related to certain employment reserves.
Source: City Comptroller's Office.

The Board of Police Commissioners

The Board of Police Commissioners was established by Chapter 84 of the Revised Statutes of Missouri to provide the police force for the City. The Police Board employs the police force, administers the police department and provides offices, police stations and equipment for the police department.

Although the Police Board is not subject to direct City management and control, it derives almost all of its revenue from the City and has no power to levy taxes for any purpose. The Police Board does receive from time to time special grants and proceeds from asset forfeitures that amount in total to approximately 5% of their budget. The Police Board is required by law to prepare on or before the last day of February of each year a written estimate of the amount that will be necessary for the upcoming Fiscal Year to enable the Police Board to discharge its duties and meet the expenses of the police department and to certify the amount to the Board of Aldermen.

The Board of Aldermen is required by State statute to make the necessary appropriation for the amount certified, payable out of revenues of the City after deducting the amount necessary to make the City's indebtedness payments, and to pay City hospital, health department and lighting expenses, but courts have held that the Board of Aldermen is not required under the statute to appropriate for the Police Board for any Fiscal Year a sum in excess of $66,634,713, which was the amount of the budget certified as of the effective date of the amendment to the Constitution of Missouri commonly known as the "Hancock Amendment," which became effective on December 4, 1980. For additional information, see "**The Hancock Amendment**" herein.

Although the Board of Aldermen is not required to do so, it may appropriate sums for the Police Board in excess of $66,634,713 per Fiscal Year, and the Board of Aldermen has done so for each of the past 17 Fiscal Years. The Board of Aldermen, however, did not approve the entire amount of the initial budget submitted for each of those Fiscal Years. The budget, as approved by the Board of Aldermen, was $130,245,835 for Fiscal Year 2004, $129,871,255 for Fiscal Year 2005, $135,413,005 for Fiscal Year 2006 and is $131,795,210 for Fiscal Year 2007. The Police Board entered into a lease agreement in August 1988 in connection with the $12,890,000 Missouri Industrial Development Board's Capital Improvement and Refunding Leasehold Revenue Bonds, Series 1988 (Board of Police Commissioners of the City of St. Louis, Missouri, Lessee). Proceeds of the financing were used to purchase, construct and equip three new police stations. The bonds were refinanced in February 2003 and additional proceeds generated were used for further capital improvements. The lease payment obligation is secured by a portion of the ½ cent sales tax earmarked for this purpose. The payments under the lease average $1,423,000 per annum. See "**DEBT OF THE CITY - Capital Leases**" herein.

The amount budgeted by the Board of Aldermen for the Police Board is included in the budget for the City's General Revenue Fund. See "**FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS – Budget Process**" herein. The budget of the Police Board is prepared under the cash basis of accounting and any unexpended appropriations lapse and are returned to the City.

The Hancock Amendment

An amendment to the Missouri Constitution limiting taxation and government spending was approved by voters on November 4, 1980. The amendment (popularly known as the "Hancock Amendment") limits the rate of increase and the total amount of taxes which may be imposed in any Fiscal Year, and the limit may not be exceeded without voter approval. Provisions are included in the amendment for rolling back tax rates to produce an amount of revenues equal to that of the previous year if the definition of tax base is changed or if property is reassessed. The tax levy on the assessed valuation of new construction is exempt from this limitation. The limitation on local governmental units does not apply to taxes imposed for the payment of principal of and interest on general obligation bonds approved by the requisite percentage of voters.

The Hancock Amendment also requires political subdivisions of the State to obtain voter approval in order to increase any "tax, license or fee." The precise meaning and application of the phrase "tax, license or fee" is unclear, but in recent decisions, the Missouri Supreme Court has opined that it does not apply to traditionally set fees. The limitations imposed by the Hancock Amendment restrict the City's ability to increase many but not all taxes, licenses and certain fees without obtaining voter approval.

INSURANCE

The City uses a combination of insurance and self-insurance for risk protection. Certain coverage has been obtained for high risk activities or as required by law. Damage to City property, repair or replacement costs, if excessive in nature, would have to be made from the operating budget, or possibly, bond funds. All liability claims not covered by insurance are handled by the City Counselor's Office. The City's staff of attorneys attempts to settle or defend all claims which may be made. Each year an appropriation is made to a judgment account, which is segregated and reserved in a nonprofit corporation from which all judgments or settlements are paid. Expenditures for judgments and settlements during the Fiscal Years 2001 through 2005 were:

Fiscal Year	Expenditures
2001	$ 1,967,405
2002	1,726,155
2003	1,392,281
2004	1,577,279
2005	849,533

Source: City Comptroller's Office.

During Fiscal Year 1992, the City turned the administration of all workers' compensation responsibilities over to the Public Facilities Protection Corporation. A third-party administrator was contracted to process all claims and make recommendations regarding workers' compensation concerns. The utilization of a third party administrator working with improved City safety efforts has resulted in a reduction of the number and severity of workers' compensation claims. This also has enabled the City to process claims and payments more timely as well as provide more timely and accurate statistical data. In

June 2002, the City became self-insured for its employees' health insurance. An internal service fund was established to account for payment of health insurance claims for participants. During Fiscal Year 2005, the City ceased the self-insurance program and again contracted out the health insurance.

DEBT OF THE CITY

General

The City is authorized to issue general obligation bonds payable from unlimited ad valorem taxes upon a two-thirds majority vote of the qualified voters voting on the specific proposition. In August 1988, Missouri voters approved an amendment to the Missouri Constitution that reduced the majority vote required for the incurrence of debt for various public purposes by local government and other political subdivisions from two-thirds to four-sevenths at elections on the general municipal election days or the state primary or general election days. Since the City Charter presently requires a two-thirds vote for the issuance of bonds of the City, voter approval of a Charter amendment is needed to reduce the majority requirements as authorized by the State constitutional amendment. A proposed Charter amendment was submitted to City voters in August and November 1988 but at each election the proposal received more than a majority of the votes cast, but less that the required 60%. The Missouri Constitution provides that the amount of bonds payable out of tax receipts (which includes bonds payable from the special assessments) will not exceed 10% of the total assessed valuation of the taxable property of the City. The Constitution permits the City to become indebted for an additional 10% of the value of the taxable tangible property for the purpose of acquiring a right-of-way, construction, extending and improving a sanitary or storm sewer system.

The City also is authorized to issue revenue bonds to finance capital improvements to its water system, sewer system and Airport facilities. These types of revenue bonds require a two-thirds vote of the qualified electorate voting on the specific proposition. All revenue bonds issued by the City are payable solely out of the revenue derived from the operation of the facility that is to be financed with the proceeds of such bonds. Revenue bonds do not constitute a pledge of the full faith and credit of the City and are not considered in determining the legal debt margins resulting from the limitations described herein.

Likewise, the City is authorized by statute to issue TIF obligations pertaining to development projects. In July 1991, the City issued $15,000,000 of Tax Increment Revenue Bonds (Scullin Redevelopment Area), Series 1991A, for the St. Louis Marketplace project. TIF obligations are secured by incremental tax revenues generated from the property and other taxes generated by improvements to the project area. TIF obligations also may be secured by annual appropriations from the City's General Revenue Fund. As part of the St. Louis Marketplace financing, the City covenanted to request annual appropriations from the General Revenue Fund beginning in Fiscal Year 1993 to cover any shortfalls in the payment of debt service on these bonds until such time as the incremental revenues equaled at least 150% of the annual debt service payments on the bonds for five consecutive years. During Fiscal Year 2006, the General Revenue covered a debt service shortfall of $1,057,295.

Tax Increment Financing Projects

The City has entered into several TIF projects. To the extent that the City has issued or will issue TIF revenue bonds to finance the projects, such bonds will be paid from taxes generated in the respective tax increment areas and are not anticipated to affect the City's General Fund. Although numerous TIF areas have been approved by the City, to date, TIF revenue bonds or notes have been issued for only 28 projects.

The only TIF project that has been financed with the City's TIF Revenue Bonds is the St. Louis Marketplace (Scullin) TIF project, the cost of which was approximately $15 million. The TIF area for the project was approved on July 20, 1990. In addition, the City's TIF Revenue Bonds were pledged to supplement repayment in the event surplus operating revenues fall short for the Argyle TIF project, which was financed with parking revenue bonds and cost approximately $3 million. The TIF area for this project was approved on December 11, 1998.

Two projects were financed with Industrial Development Authority TIF Revenue Bonds, namely, Edison Brothers, estimated at $5.5 million and approved on January 29, 2000, and MLK Development, estimated at $2.3 million and approved on March 18, 2002.

In addition, two TIF projects were financed "Pay as you go", namely, Lafayette Square, estimated at $2.0 million and approved on December 26, 2001, and Post Office Square, estimated at $6.7 million and approved on July 23, 2002.

In December of 2000, the City provided certain financial assistance in connection with the development and construction of a new 165-room all-suites hotel and a new 918-room convention headquarters hotel (collectively, the "Convention Hotel") located in downtown St. Louis. The total cost of developing and constructing the Convention Hotel was approximately $266 million, of which the City contributed approximately $50 million. The City's contribution was funded by a Section 108 loan from the Department of Housing and Urban Development, Community Development Block Grant Funds and certain moneys realized by the City from a refinancing of the Convention Center. The City is using contractual PILOTS payable by the owner of the Convention Hotel to repay the Section 108 loan. The City's PILOT payments are secured by a series of first mortgages on the Convention Hotel and the City expects such amounts to continue to be paid by the hotel owner.

The remaining TIF projects are financed with developer-held TIF revenue notes. All TIF revenue notes are special, limited obligations of the City payable solely from and secured by available revenues. The general revenues of the City are not pledged to the payment of the TIF revenue notes and the TIF revenue notes do not constitute a general obligation of the City. The following is a list of TIF projects financed with TIF revenue notes.

Project	Estimated TIF Costs	TIF Area Approved
Cupples	$52,200,000	03/08/1991
4548 West Pine	300,000	12/22/1997
Chouteau/Compton	3,600,000	12/17/1998
Center for Emerging Technology	1,493,000	09/24/1999
Robert E. Lee	600,000	01/29/2000
100 North Condominium LLC	400,000	02/09/2000
3800 Park	390,000	08/01/2001
Gravois Plaza	4,049,000	11/30/2001
Tech Electronics	900,000	02/21/2002
1505 Missouri	621,100	08/05/2002
1141-1151 S. Seventh St.	1,136,800	12/10/2002
Paul Brown/Arcade	3,264,200	12/10/2002
920 Olive/1000 Locust	2,667,732	12/21/2002
Walter Knoll Florist	1,036,000	12/21/2002
Terra Cotta Annex	3,500,000	04/25/2003
Printer Lofts	3,880,000	07/23/2003

Project	Estimated TIF Costs	TIF Area Approved
Southtown Redevelopment	$ 7,500,000	07/23/2003
Soulard Apartments	4,800,000	07/23/2003
1619 Washington Avenue	1,583,379	03/10/2004
1133 Washington Avenue	1,100,000	08/02/2004
410 Jefferson	1,525,000	08/02/2004
Maryland Plaza South	5,367,052	08/05/2004
2300 Locust	1,800,000	06/23/2005

Source: City Comptroller's Office.

The following is a list of TIF projects that are still in progress. TIF revenue notes will not be issued for each of these projects until the projects are substantially complete.

Project	Estimated TIF Costs	TIF Area Approved
4100 Forest Park	$ 7,000,000	12/20/2001
4200 Laclede	925,400	06/20/2002
Grand Center	80,000,000	02/02/2002
1100 Locust – Louderman building	2,444,400	12/21/2002
Grace Lofts	1,550,000	02/25/2003
1312 Washington Avenue	500,000	04/25/2003
2500 S. 18th Street	550,000	07/23/2003
City Hospital RPA1	5,000,000	07/23/2003
Fashion Square	3,700,000	07/23/2003
1601 Washington Avenue	3,000,000	07/23/2003
Highlands at Forest Park	2,400,000	03/21/2004
Security Building	3,000,000	03/10/2004
Catlin Townhomes	415,000	03/30/2004
Shenandoah Place	231,540	03/30/2004
Barton Lofts	370,000	08/02/2004
Warehouse of Fixtures	6,100,000	08/02/2004
Maryland Plaza North	1,033,418	08/05/2004
Adler Loft Condominiums	1,300,000	12/06/2004
Marquette Building	3,600,000	12/22/2004
Gaslight Square East	1,500,000	12/22/2004
1136 Washington Avenue	3,650,000	12/22/2004
Washington East Condominiums	1,400,000	12/22/2004
Bottle District	41,900,000	12/22/2004
Automobile Row I	1,800,000	12/22/2004
Automobile Row II	3,000,000	12/22/2004
1300 Convention	925,000	01/03/2005
Mississippi Place	825,000	01/03/2005
Loughborough Commons	11,000,000	02/28/2005
5700 Arsenal	1,340,000	02/28/2005
Dogtown Walk II	415,000	02/28/2005
East Bank Lofts	1,414,000	02/28/2005
The Pet Building	3,000,000	04/19/2005
4800-5000 Goodfellow	5,652,458	08/03/2005

Project	Estimated TIF Costs	TIF Area Approved
Moon Brothers Carriage Lofts	$ 1,300,000	08/03/2005
Switzer Building	1,040,000	08/05/2005
1635 Washington	2,330,000	08/05/2005
3949 Lindell	3,000,000	08/05/2005
Ely Walker Lofts	6,000,000	08/05/2005
West Town Lofts	2,400,000	08/09/2005
Southside National Bank Building	1,400,000	08/09/2005
Packard Lofts	1,300,000	08/09/2005
Bee Hat Building	1,350,000	08/09/2005
Lindell Condos	7,500,000	01/03/2006
5819 Delmar	1,200,000	01/03/2006
Delmar East Loop	6,000,000	01/03/2006
6175-81 Delmar	2,100,000	01/03/2006
Delmar Loop Center North	1,500,000	01/03/2006
Syndicate Trust Building	8,200,000	01/18/2006
Ludwig Lofts	850,000	03/22/2006
Euclid/Buckingham	2,300,000	03/22/2006
Union Club	1,900,000	03/22/2006

Source: City Comptroller's Office

Short-Term Borrowing

The City first issued Tax and Revenue Anticipation Notes ("TRANs") during Fiscal Year 1984. The following table sets forth certain information concerning the issuance of TRANs since Fiscal Year 2002.

Fiscal Year	TRANs Issued During Fiscal Year	As a Percent of General Fund Revenues[1]
2002	$ 43,000,000	10.93%
2003	46,000,000	11.67%
2004	50,000,000	12.83%
2005	47,000,000	11.77%
2006	45,000,000	10.81%[2]

[1] The percentage is based on cash, rather than modified accrual revenues. Revenue also includes transfers from other funds.
[2] Based on estimated General Fund Revenues.
Source: City Comptroller's Office.

Outstanding Debt

The following table sets forth the principal amount of all bonds, other than the TIF obligations, issued by the City that are outstanding as of April 30, 2006:

Bonds	Amount Outstanding
General Obligation Bonds	$ 45,219,742
Water Revenue Bonds	31,820,000
Parking Revenue Bonds	64,772,000
Airport Revenue Bonds	871,345,000
Total	$ 1,013,156,742

Source: City Comptroller's Office.

Capital Leases

The City has outstanding a number of lease-purchase agreements which can be characterized as capital leases. The major agreements of this type are listed below.

Description	Amount Outstanding April 30, 2006	Remaining Term in Years	Issue Date
Convention Center Bonds, Series 1993A	$ 2,567,205	8	June 1993
Justice Center Bonds, Series 1996A	4,725,000	2	Aug. 1996
Justice Center Bonds, Series 1996B	2,475,000	7	Aug. 1996
Convention and Sports Facility Project and Refunding Bonds (includes Preservation Payments)	68,376,000	16	Feb. 1997
Kiel Site Rev Refunding Bonds, Series 1997A	6,240,000	14	Aug. 1997
Kiel Site Rev Refunding Bonds, Series 1997B	4,355,000	11	Aug. 1997
Firemen's Retirement System Bonds, Series 1998	13,230,000	5	Apr. 1998
Justice Center Leasehold Improvement Bonds, Series 2000A	3,765,000	4	Feb. 2000
Justice Center Leasehold Revenue Bonds, Series 2001	62,010,000	15	Sept. 2001
Carnahan Courthouse Leasehold Revenue Bonds, Series 2002	21,750,000	21	Apr. 2002
Convention Center Leasehold Refunding Bonds, Series 2003	103,765,000	8	Apr. 2003
Police Board Lease Series 2003	3,200,000	2	Feb. 2003
Civil Courts Revenue Refunding Bonds, Series 2003A	18,560,000	7	May 2003
MDNR Energy Efficiency Program	1,136,199	3	Nov. 2003
Forest Park Revenue Improvement Bonds, Series 2004	15,685,000	17	Dec. 2004
Compound Interest Leasehold Revenue Bonds, Series 2005	44,997,891	24	May 2005
Justice Center Leasehold Revenue Bonds, Series 2005	15,370,000	14	Aug. 2005
Rolling Stock	7,195,529	12	Oct. 2005
MDNR Energy Efficiency Program	781,628	7	Dec. 2005
	$ 400,184,452		

Source: City Comptroller's Office.

On May 26, 2005, the City caused to be issued the St. Louis Municipal Finance Corporation Compound Interest Leasehold Revenue Bonds, Series 2005A and Series 2005B in the amount of $44,997,891. These bonds were issued for the purpose of (i) current refunding of a portion of the outstanding bonds issued to finance the convention center, dome stadium and Kiel center facilities and (ii) funding a portion of convention center asset preservation costs and other public infrastructure and convention and tourism improvements in the City.

The proceeds of the Corporation's Carnahan Courthouse Leasehold Revenue Refunding Bonds, Series 2006A, will be used to refund the outstanding Carnahan Courthouse Leasehold Revenue Bonds, Series 2002A.

Direct and Overlapping Debt

The direct and overlapping general obligation debt of the City as of April 30, 2006, is set forth below.

	General Obligation Bonds Outstanding	Percent Applicable to St. Louis	City's Direct and Overlapping Debt
The City of St. Louis	$ 45,219,742	100.00%	$ 45,219,742
Board of Education of the City of St. Louis	249,246,846	100.00%	249,246,846
Total	$ 294,466,588		$ 294,466,588

Source: City Comptroller's Office.

Debt Ratios

The following table sets forth the City's direct and overlapping general obligation debt ratios as of April 30, 2006. These figures do not include lease agreements.

	Amount	Per Capita[1]	Ratio to Assessed Value
Total Direct Debt	$ 45,219,742	$ 129.87	1.16%
Total Direct and Overlapping Debt	$ 294,466,588	$ 845.71	7.58%

[1] Based on Population from U.S. Census, 2000 (348,189).
Source: City Comptroller's Office.

Legal Debt Margin

The following table sets forth the City's Legal Debt Margin as of April 30, 2006.

	City Purposes Basic Limit	Streets and Sewers Additional Limit
2005 Assessed Value	$ 3,882,742,603	$ 3,882,742,603
Debt limit - 10% of assessed value	388,274,260	388,274,260
Less: General Obligation Bonds	45,219,742	--
Legal Debt Margin	$ 343,054,518	$ 388,274,260

Source: City Comptroller's Office.

EMPLOYEES AND EMPLOYEE RELATIONS

The City currently employs approximately 5,300 persons who are paid from the City's General Revenue Fund, approximately 1,900 of whom are employees of the Police Department.

Under State law, employees of the City, including those of the Police Department, do not have the authority to bargain collectively. The salaries of employees of the Police Department are established by the Board of Police Commissioners within the maximum established by the General Assembly, with the provision that the City need not appropriate sums in excess of the limit established by the Hancock Amendment. All City employees, other than the commissioned employees of the Police Department, have "meet and confer" rights, which means that they have the right to meet and confer with their employers to discuss salaries, benefits and other similar issues. The City is obliged to discuss these issues in good faith with its employees, although the discussions are not binding. City police officers have no such rights. No City employee has the right to strike. The City considers its employee relations to be good.

RETIREMENT SYSTEMS

The City maintains three retirement plans covering substantially all full-time employees. The plans are The Employees' Retirement System, The Firemen's Retirement System, and The Police Retirement System. For each of the plans, liabilities for benefits are not limited to pension fund assets and are a statutory obligation of the City.

Contributions from the City's General Revenue Fund to all plans for the Fiscal Year ended June 30, 2006, totaled $19,633,954.

	(In Thousands)		
Benefits	Actuarial Value of System Assets	Actuarial Accrued Liability	Plan Assets in Excess of (Unfunded) Plan Benefits
Employee's Retirement System	$ 527,733	$ 666,182	$ (138,449)
Police Retirement System	702,038	852,599	(150,561)
Firemen's Retirement System	391,182	429,764	(38,582)

Source: City Comptroller's Office.

LITIGATION

The City is involved in various claims and lawsuits arising in the ordinary course of business that are covered by insurance or that the City does not believe to be material. The following is a summary of lawsuits the City is involved in that may be material, if the outcome of the lawsuit is adverse to the City.

Firemen's Retirement System v. City of St. Louis, Francis Slay, James Shrewsbury and Darlene Green, Missouri Court of Appeals, Eastern District, Cause No. 86921 (appeal of City of St. Louis Circuit Court, Cause No. 034-0266). Plaintiff claims that the Board of Estimate and Apportionment of the City of St. Louis did not recommend the appropriation for the Firemen's Retirement System certified by the plaintiff, by and through its actuaries, for the Fiscal Year 2004 and 2005 City Budgets, which amounts the plaintiff claims are binding under City ordinance. The difference between the amounts recommended by the Board of Estimate and Apportionment and the amounts certified by the plaintiff was $6.8 million for Fiscal Year 2004 and $11.7 million for Fiscal Year 2005. In June 2005, the Circuit Court entered judgment for the Firemen's Retirement System, concluding that the Board of Estimate & Apportionment was required to recommend an appropriation as certified by the System's actuaries. Although the judgment contained no monetary amount, it is presumed that, if the decision is upheld on appeal, the entire unfunded total of $18.5 million would be required. The City appealed the Circuit Court decision to the Missouri Court of Appeals. The Missouri Court of Appeals issued its decision on August 22, 2006, holding that the Board of Estimate and Apportionment does not have unlimited discretion to set the amount of the City's contribution to the Firemen's Retirement System but rather is constrained to certify an amount determined to be necessary for the Firemen's Retirement System to remain actuarially sound and that City's statutes and ordinances mandate that the City appropriate as the City's contribution to the Firemen's Retirement System the amount certified by the actuary and the board. Because of the general interest and importance of the issues involved in the case, the Missouri Court of Appeals transferred the case to the Supreme Court of Missouri.

Firemen's Retirement System v. City of St. Louis, Francis Slay, James Shrewsbury and Darlene Green, City of St. Louis Circuit Court, Cause No. 054-01780. A suit identical to the preceding suit, filed by the Firemen's Retirement System, claiming it was underfunded for Fiscal Year 2006. The difference between the amount recommended by the Board of Estimate and Apportionment and the amount certified by the plaintiff was about $13.7 million. This suit is currently stayed in the Circuit Court, pending a decision on the appeal of the judgment entered for Fiscal Years 2004 and 2005.

Police Retirement System v. City of St. Louis, Francis Slay, James Shrewsbury, and Darlene Green, Missouri Court of Appeals, Eastern District, Cause No. 86919 (appeal of City of St. Louis Circuit Court, Cause No. 034-02186). Plaintiff claims that the Board of Estimate and Apportionment of the City of St. Louis did not recommend the appropriation for the Retirement System certified by the plaintiff, by and through its actuaries, for the Fiscal Year 2004 City Budget, which amount the plaintiff claims is binding under state statute. The difference between the amount recommended by the Board of Estimate and Apportionment and the amount certified by the plaintiff is $5.3 million. In June 2005, the Circuit Court entered judgment for the Police Retirement System, concluding that the Board of Estimate & Apportionment was required to recommend an appropriation as certified by the System's actuaries. Although the judgment contained no monetary amount, it is presumed that, if the decision is upheld on appeal, the entire unfunded total of $5.3 million would be required. The City appealed the Circuit Court decision to the Missouri Court of Appeals. The Missouri Court of Appeals issued its decision on August 22, 2006, holding that the Circuit Court did not err in ordering the City to pay the actuarially certified amount to the Police Retirement System and, because of the general interest and importance of the issues involved in the case, it transferred the case to the Supreme Court of Missouri.

Police Retirement System v. City of St. Louis, Francis Slay, James Shrewsbury and Darlene Green, City of St. Louis Circuit Court, Cause No. 044-02636. A suit identical to the preceding suit, filed by the Police Retirement System, claiming it was underfunded for Fiscal Year 2005; the suit was later amended to add a claim for underfunding in Fiscal Year 2006. The difference between the amounts recommended by the Board of Estimate and Apportionment and the amounts certified by the plaintiff were about $7 million in Fiscal Year 2005 and $7 million in Fiscal Year 2006. This suit is currently stayed in the Circuit Court, pending a decision on the appeal of the judgment entered for the Fiscal Year 2004.

The City is a defendant in *Families for Asbestos Compliance, Testing And Safety v. The City of St. Louis, Missouri and City of St. Louis Airport Authority*, pending in the United States District Court for the Eastern District of Missouri (Civil Action No. 5 CV00719CJ). This law suit, filed on May 5, 2005, by a not-for-profit-group alleges that the City, as owner and operator of the Airport violated the Clean Air Act and the Resource Conservation and Recovery Act when it performed "wet demolition" of approximately 300 residential structures under the Airport's W-1W Expansion Program. Plaintiff seeks injunctive and declaratory relief as well as civil penalties and recovery of its costs. The City believes that the suit is without merit and intends to vigorously defend the matter.

APPENDIX B

GENERAL PURPOSE FINANCIAL STATEMENTS OF THE CITY OF ST. LOUIS, MISSOURI FOR THE YEAR ENDED JUNE 30, 2005

(THIS PAGE LEFT BLANK INTENTIONALLY)

KPMG LLP
Suite 900
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, 2005, 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, St. Louis Development Corporation, and the Harry S. Truman Restorative Center. The assets and additions of the pension trust funds represent 92% and 100% of the assets and additions, respectively, of the aggregate remaining fund information. The assets of St. Louis Development Corporation and Harry S. Truman Restorative Center represent 52% and 1%, respectively, of the assets of the aggregate discretely presented component units. The revenues of St. Louis Development Corporation and Harry S. Truman Restorative Center represent 14% and 1%, respectively, of the revenues of the aggregate discretely presented component units. The financial statements of the pension trust funds, St. Louis Development Corporation, and Harry S. Truman Restorative Center 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 and Harry S. Truman Restorative Center discretely presented component unit 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 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, 2005, and the respective changes in financial position, and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Effective July 1, 2004, the City of St. Louis adopted Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures—an Amendment of GASB Statement No. 3.*

In accordance with *Government Auditing Standards,* we have also issued our report dated January 19, 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 19, the Budgetary Comparison Information on pages 135 through 140, and the Firemen's Retirement System of St. Louis and Employees' Retirement System of the City of St. Louis Information on page 141 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was 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
January 19, 2006

CITY OF ST. LOUIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

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 years ended June 30, 2005 and 2004. 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 $1.5 billion.

- Governmental activities and business-type activities had net assets of $340.2 million and $1.2 billion, respectively.

- On a government-wide basis during the year, the City's total expenses were $36.0 million less than the $891.3 million revenue generated in charges for services, grants, taxes, and other revenues.

- The cost of services for the City's governmental activities was $658.4 million in fiscal year 2005.

- As of June 30, 2005, the City's governmental funds reported combined ending fund balances of $220.0 million. Of this amount, $118.4 million is unreserved fund balance and available for spending at the City's discretion.

- The unreserved fund balance for the general fund was $47.6 million or 11.9% of total general fund expenditures.

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

- In fiscal year 2005, the City issued $172.3 million in long-term debt to finance projects and refund debt. There was a net increase of $23.9 million or 4.5% in bond debt during the current fiscal year.

- Total actual resources available in the general fund were $3.7 million less than originally estimated and appropriated. However, management limited general fund spending primarily through a decrease in transfers from the general fund and a reduction in planned departmental expenditures.

- Net pension obligations increased by $20.7 million and net pension asset decreased by $7.9 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 $11.0 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 facilities.

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 2005 and 2004 were $1.5 billion for each year. 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, 2005 and 2004
(dollars in millions)

		Governmental Activities		Business -type Activities		Total	
		2005	**2004**	**2005**	**2004**	**2005**	**2004**
Assets:							
Current and other assets	$	345.2	341.6	457.3	590.5	802.5	932.1
Capital assets		777.5	776.8	1,860.5	1,694.5	2,638.0	2,471.3
Total assets		**1,122.7**	**1,118.4**	**2,317.8**	**2,285.0**	**3,440.5**	**3,403.4**
Liabilities:							
Long-term debt outstanding		719.8	671.8	1,012.4	1,047.9	1,732.2	1,719.7
Other liabilities		62.7	64.7	67.4	76.9	130.1	141.6
Total liabilities		**782.5**	**736.5**	**1,079.8**	**1,124.8**	**1,862.3**	**1,861.3**
Net assets:							
Invested in capital assets,							
net of related debt		395.9	329.5	1,068.2	928.7	1,464.1	1,258.2
Restricted		121.3	127.3	153.7	197.5	275.0	324.8
Unrestricted		(177.0)	(74.9)	16.1	34.0	(160.9)	(40.9)
Total net assets	$	**340.2**	**381.9**	**1,238.0**	**1,160.2**	**1,578.2**	**1,542.1**

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 $1.5 billion in the current year and the previous year.

The largest portion of the City's net assets, 92.8% reflects its investments of $1.4 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 2005 and fiscal 2004, respectively, is $275.0 million and $324.8 million, which represent resources that are subject to external restrictions on how they may used.

All net assets generated by governmental activities are either externally restricted or invested in capital assets. Total unrestricted net assets decreased by $102.1 million for the year ended June 30, 2005. Consequently, unrestricted governmental activities net assets showed a $177.0 deficit at the end of this year as compared to a $74.9 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, $68.2 million
- Joint venture financing agreement for the expansion of the convention center, $68.4 million
- Tax increment financing debt for economic development projects in the amount of $41.7 million

Although the net assets of the business-type activities demonstrated an increase of $77.8 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, the Water Division, and the Parking Division.

The City of St. Louis, Missouri
Changes in Net Assets
For the Fiscal Years ended June 30, 2005 and 2004
(dollars in millions)

		Governmental activities		Business-type activities		Total	
		2005	**2004**	**2005**	**2004**	**2005**	**2004**
Revenues:							
Program revenues:							
Charges for services	$	77.6	71.2	194.2	204.3	271.8	275.5
Operating Grants and Contributions		111.3	145.4	4.0	48.9	115.3	194.3
Capital Grants and Contributions		1.0		72.0		73.0	0.0
General revenues:							
Taxes		416.0	398.0			416.0	398.0
Investment income		3.1	2.7	11.1	8.1	14.2	10.8
Total revenues		**609.0**	**617.3**	**281.3**	**261.3**	**890.3**	**878.6**
Expenses:							
General government		93.7	91.8			93.7	91.8
Convention and tourism		6.3	4.5			6.3	4.5
Parks and recreation		25.7	23.7			25.7	23.7
Judicial		47.7	47.9			47.7	47.9
Streets		56.2	54.0			56.2	54.0
Public Safety:						0.0	0.0
Fire		51.1	51.1			51.1	51.1
Police		130.6	131.5			130.6	131.5
Other		52.6	55.2			52.6	55.2
Health and welfare		40.6	37.0			40.6	37.0
Public service		62.6	73.2			62.6	73.2
Community development		57.2	64.2			57.2	64.2
Interest on long-term debt		34.0	38.5			34.0	38.5
Airport				143.4	147.7	143.4	147.7
Water Division				39.8	41.6	39.8	41.6
Parking Division				13.6	14.0	13.6	14.0
Total expenses		**658.3**	**672.6**	**196.8**	**203.3**	**855.1**	**875.9**
Increase (decrease) in net assets							
before gain, special item, transfers		**(49.3)**	**(55.3)**	**84.5**	**58.0**	**35.2**	**2.7**
Gain on sale		0.5	1.9	0.4		0.9	1.9
Special item			3.0		3.4		6.4
Transfers		7.1	7.2	(7.1)	(7.2)	0.0	0.0
Increase (decrease) in net assets		**(41.7)**	**(43.2)**	**77.8**	**54.2**	**36.1**	**11.0**
Net assets—beginning		381.9	425.1	1,160.2	1,106.0	1,542.1	1,531.1
Net assets—ending	$	**340.2**	**381.9**	**1,238.0**	**1,160.2**	**1,578.2**	**1,542.1**

Changes in net assets. The City's total revenue on a government-wide basis was $890.3 million, an increase of $11.7 million over the previous year. Taxes represent 46.7% of the City's revenue as compared to 45.3% last year. Additionally, 30.5% comes from fees charged for services, as compared to 31.4% of the previous year's revenue. The remainder is state and federal aid, interest earnings, and miscellaneous revenues.

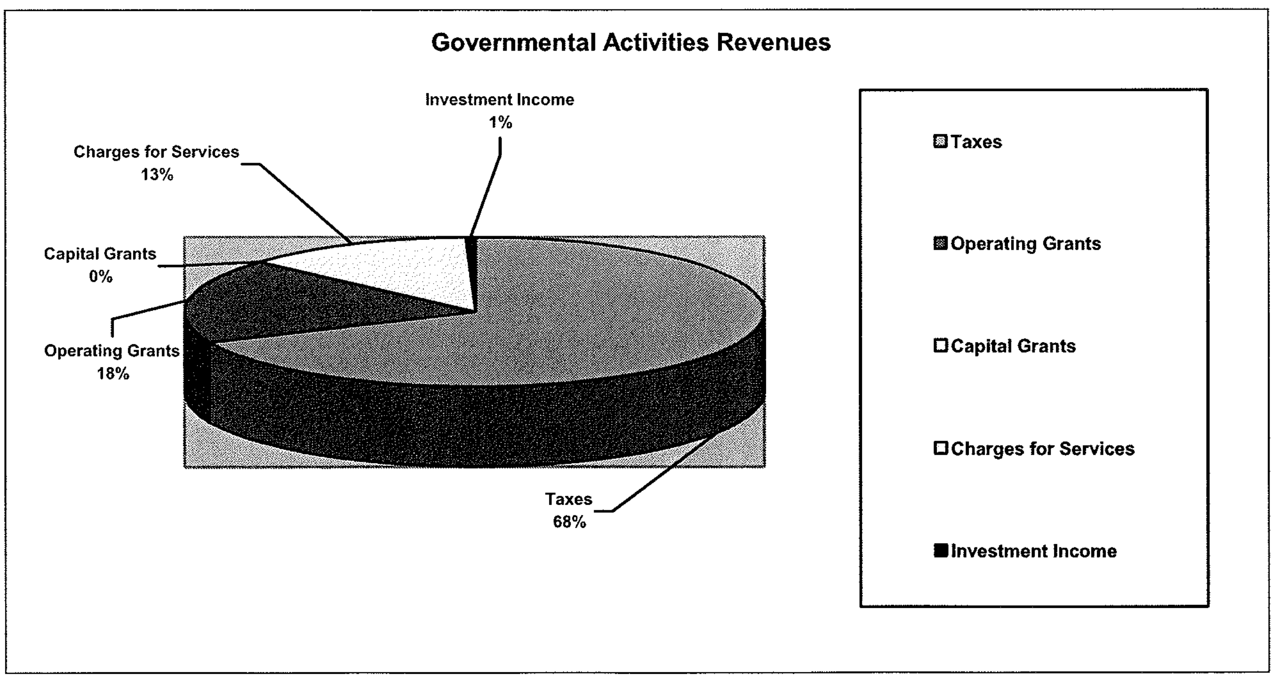
The total cost of all programs and services was $855.1 million, a decrease from $875.9 million last year. The City's expenses cover a range of typical City/county services. The largest program was the Airport. The program with the largest burden on general revenues was public safety.

Governmental activities. As a result of this year's operations, the net assets of governmental activities decreased by $41.7 million or 10.9%. The net asset decrease is primarily related to the anticipated level of spending over the expected growth in revenues. Revenues excluding the gain on the sale of assets decreased by $8.3 million or 1.3%, while total expenses decreased by $14.3 million or 21.3%. The gain on the sale of capital assets reduces the decrease in net assets by $0.5 million.

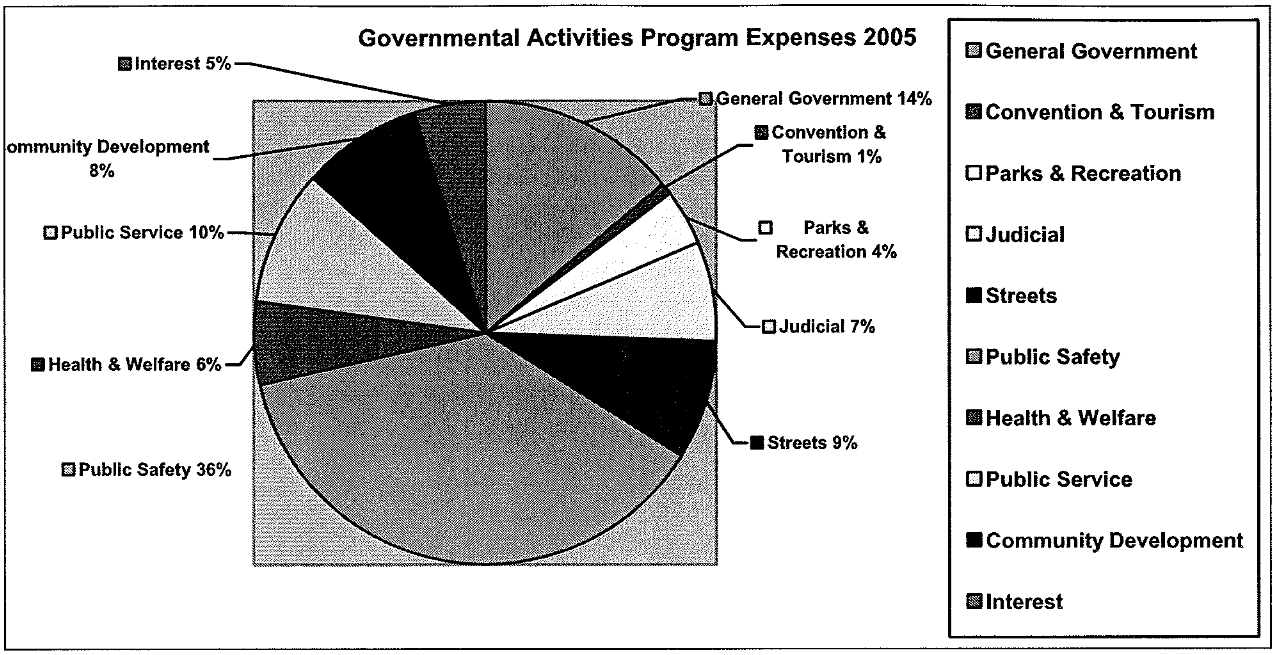
Several revenue sources fell short of the final budget estimates. Of the budgeted revenue, taxes increased by $2.0 million or 0.7%; license and permits decreased by $0.1 million or 0.5%; intergovernmental (motor fuel tax allocations, juvenile detention center) increased by $0.1 million or 0.6% and charges for services decreased by $0.9 million or 4.5%.

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.

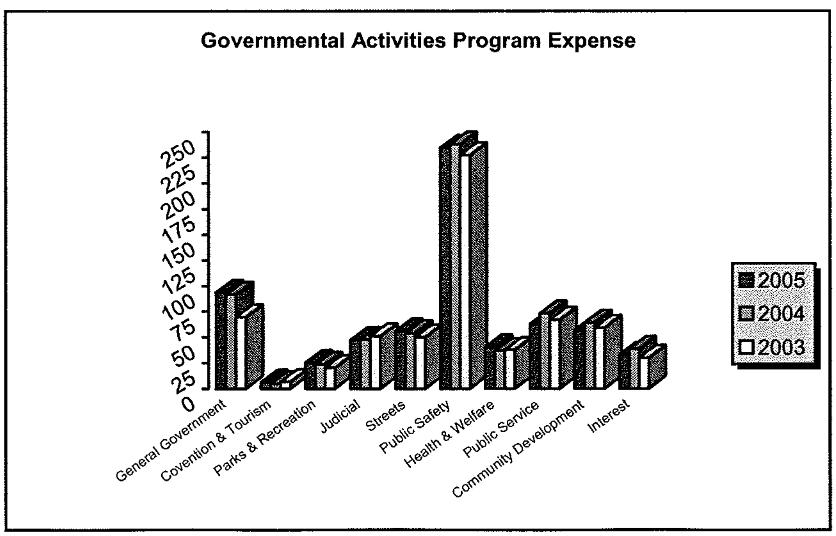
The following chart reflects the revenues by type as a percentage of total revenues for governmental activities for fiscal year 2005.



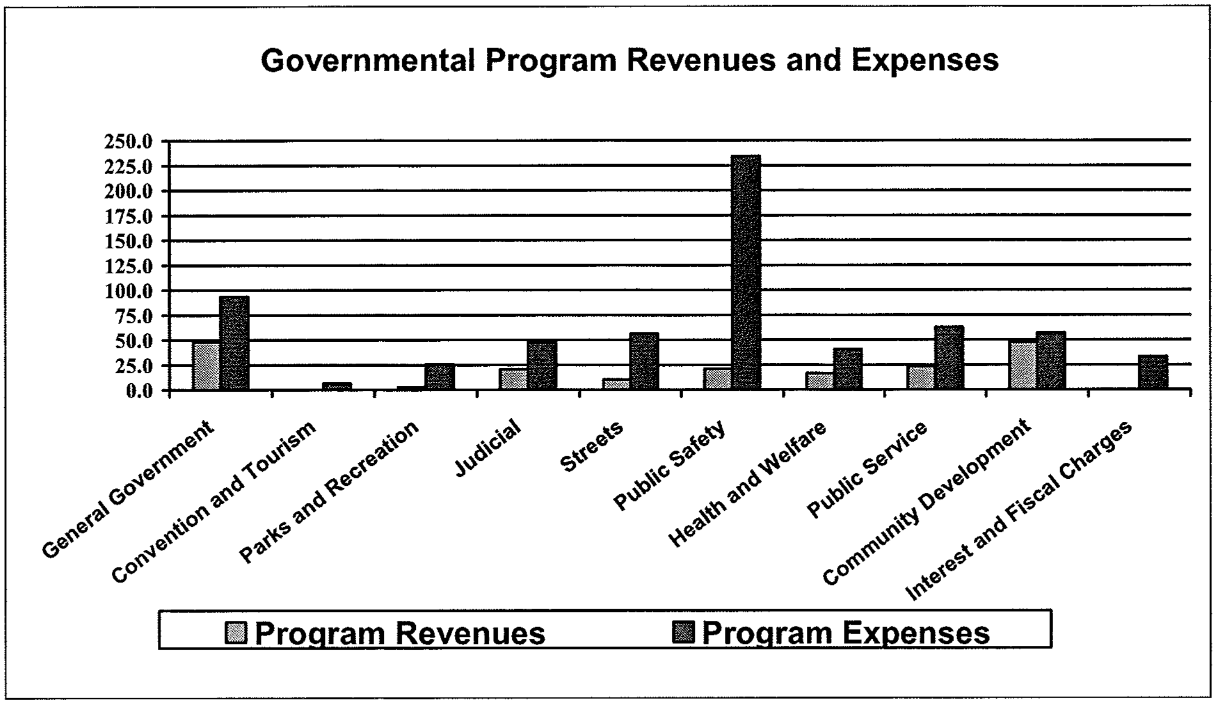
The following chart illustrates the City's governmental activities expenses by program. Total cost of governmental activities was $658.3, an decrease of $14.3 million or 21.3% over the prior year. As shown, public safety is the largest function in expense (35.6%). The majority of the spending was the result of funding the Police Department with $130.6 million and the Fire Department with $51.1 million.



The following chart is a comparison of expense of governmental activities for fiscal years ended 2005, 2004, and 2003.



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	
		2005	2004		2005	2004
General government	$	93.7	91.8		45.6	40.6
Convention and tourism		6.3	4.5		6.3	4.5
Parks and recreation		25.7	23.7		22.9	13.3
Judicial		47.7	47.9		27.2	26.6
Streets		56.2	54.0		45.9	26.8
Public Safety:						
Fire		51.1	51.1		44.4	45.0
Police		130.6	131.5		129.6	129.0
Other		52.6	55.2		39.1	43.7
Health and welfare		40.6	37.0		24.2	21.5
Public service		62.6	73.2		39.5	50.7
Community Development		57.2	64.2		9.8	15.5
Totals	$	624.3	634.1		434.5	417.2

The preceding charts represent the cost of governmental activities this year excluding interest and fiscal charges. The cost this year was $624.3 million compared to $634.1 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 $434.5 million. The difference of $189.8 million comprises charges for services ($77.6 million), operating grants and contributions ($111.2 million), and capital grants and contributions ($1 million).

Business-Type activities. Business-type activities reflect an increase in net assets of $77.8 million or 43.4%. 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 Division, and Parking Division.

Lambert—St. Louis International Airport. The net assets of the Airport increased by $74.2 million or 7.4%. Operating income was $4.3 million this year versus an operating income of $15.2 million in 2004. Total operating revenues for 2005 was $110 million. Of this amount, major sources of operating revenue included aviation revenue (62.5%), concession revenue (27.3%), and lease revenue (8.8%). A form of non-operating revenue is passenger facility charges, which accounts for 18% of total revenues.

As the W-1W expansion project nears completion, the Airport expended $0.2 million on capital activities. At June 30, 2005, the Airport had outstanding bonded debt of $894.4 million.

Parking Division. The net assets of the Parking Division increased by $1.5 million or 8%. Operating income was $2.9 million this year versus an operating income of $3.0 million in 2004. Total operating revenues for 2005 was $13 million. Of this amount, major sources of operating revenue included parking meter revenue (24.1%), parking violations notices revenue (29.4%), and parking facilities revenue (40.9%).

At June 30, 2005, the capital assets balance was $68.2 million. This amount includes buildings and parking garages (net of accumulated depreciation) with $44.3 million, parking meters and lot equipment with $2.7 million, and land with $21.2 million. At June 30, 2005, the Parking Division had outstanding bonded debt of $66.2 million.

Water Division. The net assets of the Water Division increased by $1.9 million or 1.4%. Operating income was $6.3 million this year versus an operating income of $4.0 million in 2004. Total operating revenues for 2005 was $43.3 million. Of this amount, major sources of operating revenue included metered revenue (45.4%) and flat rate revenue (41.6%).

At June 30, 2005, the capital assets balance was $152.6 million. This amount includes buildings and structures (net of accumulated depreciation) with $19.3 million, reservoirs and water mains with $87.5 million, equipment with $36.8 million, land with $1.2 million and construction-in-progress with $7.8 million. At June 30, 2005, the Water Division had outstanding bonded debt of $32.9 million.

City of St. Louis, Missouri
Balance Sheet
Governmental Funds
June 30, 2005
(dollars in millions)

	2005	2004	2005 vs. 2004 $ Change	2005 vs. 2004 % Change
Total Assets	333.1	330.6	2.5	0.8
Total Liabilities	113.0	124.9	(11.9)	(9.5)
Fund Balances:				
Reserved:	101.7	120.3	(18.6)	(15.5)
Unreserved:				
General Fund	47.6	44.7	2.9	6.5
Special Revenue	43.1	43.4	(0.3)	(0.7)
Capital Projects	27.7	(2.7)	30.4	(1,125.9)
Total fund balances	220.1	205.7	14.4	7.0
Total liabilities and fund balance	333.1	330.6	2.5	0.8

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 $47.6 million, while the total general fund balance was $72.8 million. As of June 30, 2004, the balances were $44.7 million and $69.9 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 $47.6 million represents 11.8% of total general fund expenditures and transfers out of $403.0 million, while total general fund balance of $72.8 million represents 18.0% of total general fund expenditures and transfers out. This compares to 11.1% and 17.4%, respectively, in fiscal year 2004.

The total fund balance in the City's general fund increased by $2.9 million or 4.1% in the current fiscal year. The City's general fund decreased by $6.8 million or 8.8% 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, and franchise taxes came in $1.1 million, $2.1 million, and $1.8 million, respectively, higher than budget estimates.

2. Building permits generated $1.0 million more than original estimates.

The capital projects fund ended the fiscal year with a positive unreserved fund balance of $27.7 million and a total positive fund balance of $91.0 million, as compared to a negative unreserved fund balance of $2.7 million and a total positive fund balance of $77.3 million in fiscal year 2004. Capital project bond proceeds were in place to cover all expenditures in excess of revenues for the capital projects fund.

The grants fund received $78.2 million in intergovernmental revenues and the Community Development Agency spent $43.4 million, or 55.5%, 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 $15.7 million, the Water Division $1.3 million, and the Parking Division was $0.5 million, as compared to $35.0 million, $0.7 million, and negative $0.2 million, respectively in 2004. The internal service funds which are used to account for certain governmental activities, also had negative unrestricted net assets in the amount of $18.9 million. Last year the unrestricted net assets were negative $18.9 million. The total growth in net assets for the proprietary funds was $77.7 million in the current year and $55.2 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 $1.5 billion, an increase of $71.9 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 $54.5 million. This amount comprises activity from the collector of revenue, property tax escrow, general insurance, bail bonds, license collector, 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.

In the current fiscal year, $3.6 million had been set aside for prior year encumbrances and commitments, and there were no supplemental appropriations.

Excluding the $3.6 million prior year encumbrance and commitment appropriation, the original general fund budget for the fiscal year 2005 was $403.1 million, as compared to the prior year budget of $411.3 million. General fund revenues and other resources were originally estimated at $403.1 million. However, during the fiscal year, actual revenues and other sources fell short of original estimates by $0.7 million. In response to the revenue shortfall, a number of actions were taken to reduce expenditures.

With some underspending in salary and discretionary accounts, the general fund ended the year with a deficit of $0.4 million. As of June 30, 2005, the unreserved fund balance of the general fund was $11.2 million per the cash basis.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City had invested $2.5 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 $165.9 million, or 6.7%, over last year.

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

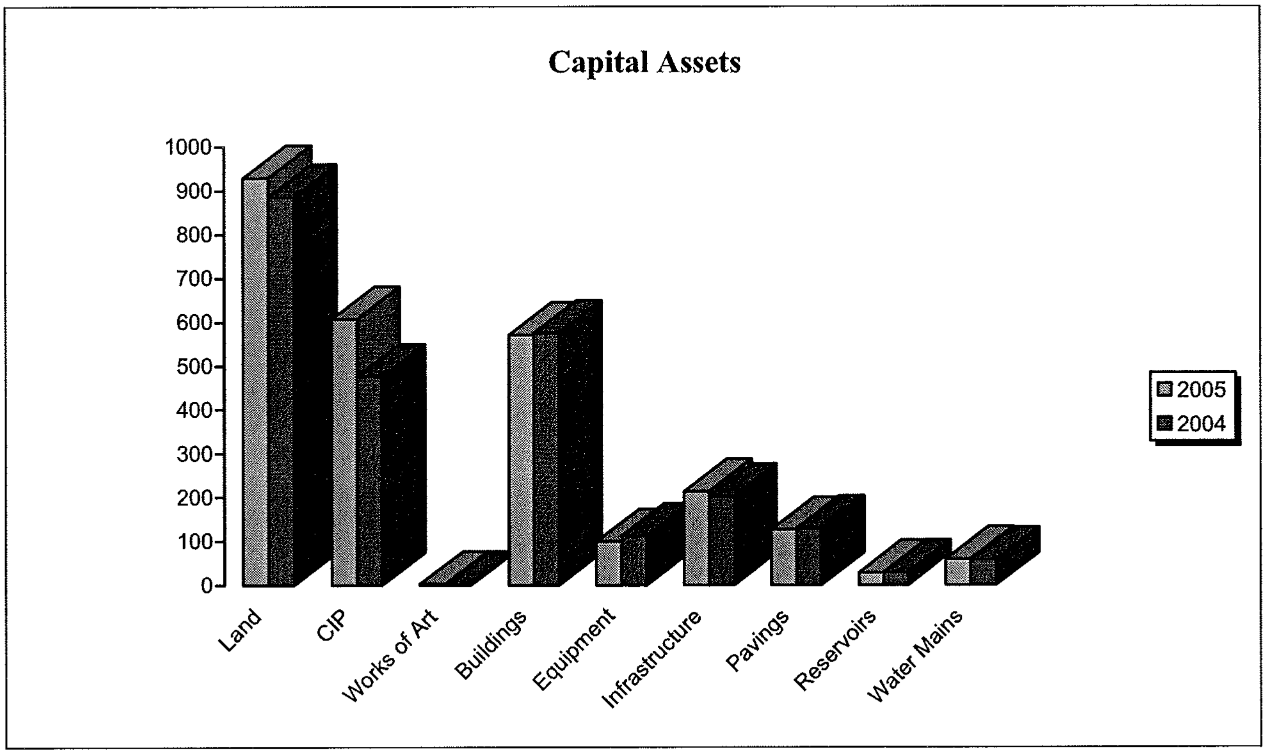
		Governmental Activities		Business-type Activities		Total	
		2005	**2004**	**2005**	**2004**	**2005**	**2004**
Land	$	77.4	77.4	851.5	807.5	928.9	884.9
Construction-in-progress		79.7	85.7	527.7	390.5	607.4	476.2
Works of art		3.0	2.8			3.0	2.8
Buildings and improvements		352.7	357.0	218.6	218.6	571.3	575.6
Equipment		50.5	51.0	49.0	61.7	99.5	112.7
Infrastructure		214.2	202.9			214.2	202.9
Pavings				126.2	129.5	126.2	129.5
Reservoirs				28.5	29.1	28.5	29.1
Water mains, line, accessories				59.0	57.6	59.0	57.6
Total	$	**777.5**	**776.8**	**1,860.5**	**1,694.5**	**2,638.0**	**2,471.3**

This year's major capital asset additions included:

- $ 18.5 million construction-work-in-progress (CIP) addition in governmental activities
- $147.7 million construction work in progress addition at the Airport
- $ 43.5 million land additions at the Airport

The net decrease in construction-in-progress in governmental activities is due to the completion of the justice center. Its cost is now included in buildings and improvements.

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. Fund financial statements record capital asset purchases as expenditures.

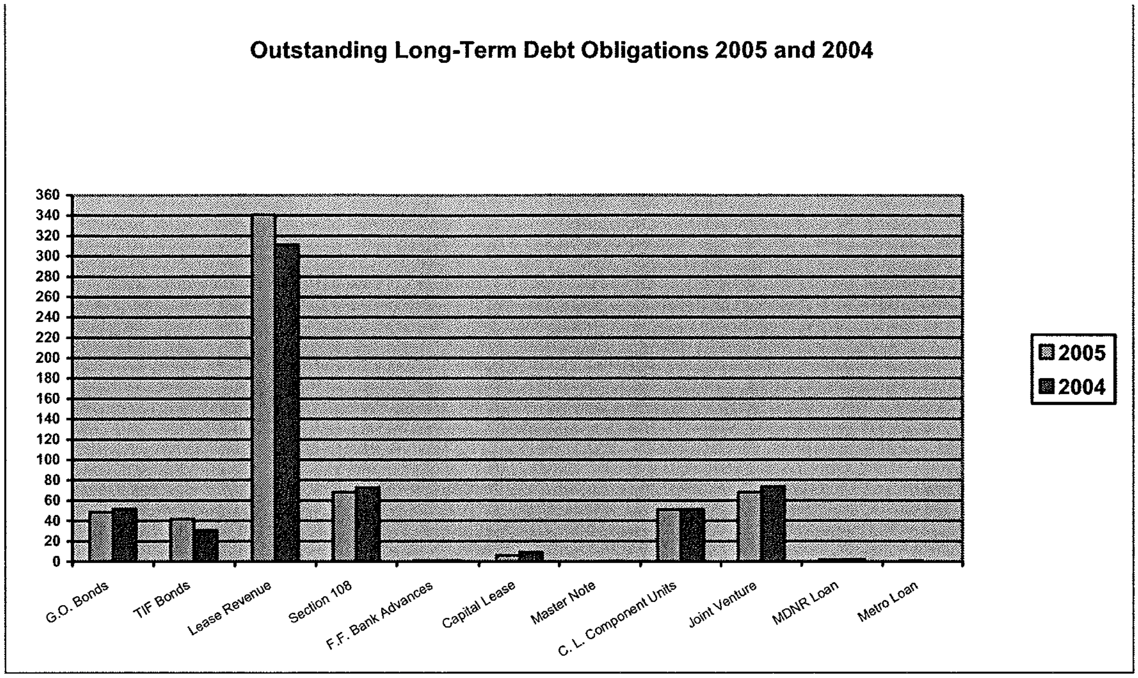
For additional information on capital assets, refer to note 7 in the notes to the basic financial statements.

Long-Term Debt

At the end of fiscal year 2005, the City had outstanding long-term debt obligations for governmental activities in the amount of $628.0 million, compared to $603.1 million in fiscal year 2004. Of this amount, $48.5 million are general obligation bonds and $41.7 million are tax increment financing bonds. Lease revenue obligations outstanding totaled $340.9 million.

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

	Fiscal Year 2005	Fiscal Year 2004	% Change
General obligation bonds $	48.5	51.7	(6.2)
Tax increment financing bonds	41.7	30.7	35.8
Lease revenue obligations	340.9	311.5	9.4
Section 108 loan guarantee assistance	68.2	72.5	(5.9)
Federal financing bank advances	0.8	0.8	0.0
Capital lease	6.0	9.0	(33.3)
Master note purchase agreement	0.1	0.2	(50.0)
Obligations under capital leases with component units	51.0	51.4	(0.8)
Joint venture financing agreement	68.3	73.5	(7.1)
Missouri Department of Natural Resources (MDNR) direct loan agreement	1.5	1.8	(16.7)
Metro loan agreement	1.0	0.0	100.0
Total $	**628.0**	**603.1**	**4.1**



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 2005 was $336.5 million. The City's effective legal debt margin as of June 30, 2005 was $288.1 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 2005. The City ratings on uninsured general obligation bonds as of June 30, 2005 were:

Moody's Investor's Service, Inc.	A3
Standard & 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 2005	Fiscal Year 2004	$ Change	% Change
Airport	$	894.7	930.5	(35.8)	(3.8)
Water Division		34.3	36.7	(2.4)	(6.5)
Parking Division		66.3	68.1	(1.8)	(2.6)
Total	**$**	**995.3**	**1,035.3**	**(40.0)**	**(3.9)**

Outstanding revenue bonds of the business-type activities of the City as of June 30, 2005 was $995.3 million. The amount reflects a decrease of $40.0 million, or 3.9%. This amount includes Airport bonds of $894.7 million, Water Division bonds of $34.3 million, and Parking Division bonds of $66.3 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 2006 annual operating budget allocates $799.4 million among all budgeted funds.
- The fiscal year 2006 general fund budget is $416.4 million, which includes an anticipated expenditure for the cyclical 27^{th} pay period of approximately $9 million. The overall percentage increase in the general fund budget after adjusting for the 27^{th} pay expenditure is about 1%.
- The FY06 budget contains a combination of service efficiencies and cost reductions and includes one-time revenue sources. The budget also allocates $10 million to replenish the unreserved general fund balance.

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.

City of St. Louis, Missouri
Statement of Net Assets
June 30, 2005
(dollars in thousands)

	Primary Government			Component Units			
	Governmental Activities	Business-type Activities	Total	SLDC	SLPD	HSTRC	SWMDC
ASSETS							
Cash and cash equivalents	$ 31,361	12,731	44,092	6,472	655	40	784
Investments	75,655	9,388	85,043	-	2,559	-	670
Receivables, net	120,880	13,580	134,460	10,122	919	-	-
Inventories	-	3,883	3,883	-	750	-	-
Restricted assets	85,739	404,936	490,675	2,049	679	-	-
Deferred charges	7,820	19,038	26,858	-	91	-	-
Internal balances	8,339	(8,339)	-	-	-	-	-
Other assets	46	2,048	2,094	833	2,332	6	-
Receivable from primary government	-	-	-	1,804	3,484	-	-
Receivable from component unit	1,632	-	1,632	-	-	-	-
Net pension asset	13,776	-	13,776	-	-	-	-
Property held for development	-	-	-	13,637	-	-	-
Capital assets, net:							
Non-depreciable	160,129	1,379,187	1,539,316	4,914	1,646	-	-
Depreciable	617,420	481,305	1,098,725	12,407	27,976	-	5,529
Total assets	1,122,797	2,317,757	3,440,554	52,238	41,091	46	6,983
LIABILITIES							
Accounts payable and accrued liabilities	17,420	35,369	52,789	2,293	544	40	-
Accrued salaries and other benefits	10,921	1,838	12,759	397	5,275	30	-
Accrued interest payable	24,774	24,440	49,214	-	-	-	-
Unearned revenue	499	4,258	4,757	-	479	-	-
Other liabilities	4,289	-	4,289	-	-	10	-
Commercial paper payable	-	1,000	1,000	-	-	-	-
Payable to primary government	-	-	-	341	1,291	-	-
Payable to component units	4,888	400	5,288	-	-	-	-
Long-term liabilities:							
Due within one year	72,390	36,037	108,427	8,498	14,866	-	-
Due in more than one year	647,377	976,451	1,623,828	23,188	67,531	-	-
Total liabilities	782,558	1,079,793	1,862,351	34,717	89,986	80	-
NET ASSETS							
Invested in capital assets, net of related debt	395,983	1,068,231	1,464,214	4,261	25,371	-	5,529
Restricted:							
Debt service	36,498	114,566	151,064	2,118	679	-	-
Capital projects	33,842	8,296	42,138	-	-	-	-
Passenger facility charges	-	30,745	30,745	-	-	-	-
Statutory restrictions	50,993	-	50,993	-	-	-	-
Unrestricted (deficit)	(177,077)	16,126	(160,951)	11,142	(74,945)	(34)	1,454
Total net assets	$ 340,239	1,237,964	1,578,203	17,521	(48,895)	(34)	6,983

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Activities
For the Year ended June 30, 2005
(dollars in thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets — Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units: SLDC	Component Units: SLPD	Component Units: HSTRC	Component Units: SWMDC
Primary Government:											
Governmental activities:											
General government	$ 93,740	37,906	10,288	-	(45,546)	-	(45,546)	-	-	-	-
Convention and tourism	6,263	-	-	-	(6,263)	-	(6,263)	-	-	-	-
Parks and recreation	25,683	1,733	38	1,009	(22,903)	-	(22,903)	-	-	-	-
Judicial	47,723	11,482	8,997	-	(27,244)	-	(27,244)	-	-	-	-
Streets	56,151	4,428	5,881	-	(45,842)	-	(45,842)	-	-	-	-
Public safety:											
Fire	51,072	2,660	4,014	-	(44,398)	-	(44,398)	-	-	-	-
Police—Payment to SLPD	130,584	-	965	-	(129,619)	-	(129,619)	-	-	-	-
Other	52,600	13,424	13	-	(39,163)	-	(39,163)	-	-	-	-
Health and welfare	40,660	901	15,559	-	(24,200)	-	(24,200)	-	-	-	-
Public service	62,647	5,094	18,080	-	(39,473)	-	(39,473)	-	-	-	-
Community development	57,237	-	47,439	-	(9,798)	-	(9,798)	-	-	-	-
Interest and fiscal charges	34,016	-	-	-	(34,016)	-	(34,016)	-	-	-	-
Total governmental activities	658,376	77,628	111,274	1,009	(468,465)	-	(468,465)	-	-	-	-
Business-type activities:											
Airport	143,475	137,487	4,005	72,036	-	70,053	70,053	-	-	-	-
Water Division	39,759	43,346	-	-	-	3,587	3,587	-	-	-	-
Parking Division	13,694	13,408	-	-	-	(286)	(286)	-	-	-	-
Total business-type activities	196,928	194,241	4,005	72,036	-	73,354	73,354	-	-	-	-
Total primary government	$ 855,304	271,869	115,279	73,045	(468,465)	73,354	(395,111)	-	-	-	-
Component Units:											
SLDC	$ 24,766	9,306	15,048	-	-	-	-	(412)	-	-	-
SLPD	150,074	2,544	4,845	6,737	-	-	-	-	(135,948)	-	-
HSTRC	55	35	-	-	-	-	-	-	-	(20)	-
SWMDC	269	330	-	103	-	-	-	-	-	-	164
Total component units	$ 175,164	12,215	19,893	6,840	-	-	-	(412)	(135,948)	(20)	164
General revenues:											
Taxes:											
Property taxes, levied for general purpose					$ 51,138	-	51,138	-	-	-	-
Property taxes, levied for debt service					6,087	-	6,087	-	-	-	-
Sales taxes					122,213	-	122,213	-	-	-	-
Earnings/payroll taxes					158,533	-	158,533	-	-	-	-
Gross receipts taxes (includes franchise tax)					58,937	-	58,937	-	-	-	-
Miscellaneous taxes					19,136	-	19,136	-	-	-	-
Unrestricted investment earnings					3,112	11,128	14,240	178	81	-	15
Support provided by City of St. Louis, Missouri					-	-	-	-	130,584	224	-
On-behalf payment for pension contribution from the City of St. Louis, Missouri					-	-	-	-	4,047	-	-
Gain on sale of capital assets					494	417	911	-	108	210	-
Transfers					7,126	(7,126)	-	-	-	-	-
Total general revenues and transfers					426,776	4,419	431,195	178	134,820	434	15
Change in net assets					(41,689)	77,773	36,084	(234)	(1,128)	414	179
Net assets—beginning of year					381,928	1,160,191	1,542,119	17,755	(47,767)	(448)	6,804
Net assets—end of year					$ 340,239	1,237,964	1,578,203	17,521	(48,895)	(34)	6,983

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Balance Sheet
Governmental Funds
June 30, 2005
(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	$ -	39,510	-	9,041	48,551
Unrestricted	7,206	12,240	-	11,580	31,026
Investments:					
Restricted	20,194	15,269	-	1,725	37,188
Unrestricted	12,386	27,298	11,139	24,832	75,655
Receivables, net of allowances:					
Taxes	86,244	2,600	-	21,231	110,075
Intergovernmental	2,151	738	3,454	37	6,380
Charges for services	2,346	-	-	1,204	3,550
Notes and loans	-	-	-	131	131
Other	737	-	-	7	744
Due from component units	1,291	-	-	341	1,632
Due from other funds	16,214	-	-	1,980	18,194
Total assets	$ 148,769	97,655	14,593	72,109	333,126
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	$ 3,351	6,371	6,404	828	16,954
Accrued salaries and other benefits	9,115	112	719	975	10,921
Due to component units	3,484	-	-	1,404	4,888
Due to other funds	1,003	219	7,532	1,195	9,949
Deferred revenue	54,836	-	-	11,260	66,096
Other liabilities	4,183	-	-	102	4,285
Total liabilities	75,972	6,702	14,655	15,764	113,093
Fund balances:					
Reserved:					
Encumbrances	1,753	29,488	-	5,165	36,406
Debt service	23,432	-	-	7,990	31,422
Capital projects	-	33,842	-	-	33,842
Unreserved, reported in:					
General fund	47,612	-	-	-	47,612
Special revenue funds	-	-	(62)	43,190	43,128
Capital projects fund	-	27,623	-	-	27,623
Total fund balances	72,797	90,953	(62)	56,345	220,033
Total liabilities and fund balances	$ 148,769	97,655	14,593	72,109	333,126

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, 2005
(dollars in thousands)

Total fund balances—governmental funds—balance sheet	$	220,033
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.		777,498
Various taxes related to fiscal year 2005 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.		12,377
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, 2005 and payable on December 31, 2005 are deferred within the fund financial statements. However, revenue for this amount is recognized in the government-wide financial statements.		53,220
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.		(17,348)
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.		13,776
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.		7,820
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, 2005 are:		
Accrued compensated absences		(27,339)
Net pension obligation		(47,231)
Accrued interest payable on bonds		(24,774)
Landfill closure liability		(243)
Capital lease		(56,985)
Bonds and notes payable		(570,997)
Unamortized discounts		789
Unamortized premiums		(13,791)
Unamortized deferred amounts on refunding		13,434
Total net assets—governmental activities—statement of net assets	$	340,239

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, 2005
(dollars in thousands)

	Major Funds			Nonmajor Funds	
	General Fund	Capital Projects Fund	Grants Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 308,836	18,132	-	85,702	412,670
Licenses and permits	18,597	-	-	3,157	21,754
Intergovernmental	25,593	6,973	78,190	2,481	113,237
Charges for services, net	14,747	-	-	13,453	28,200
Court fines and forfeitures	8,773	-	-	274	9,047
Investment income	1,749	773	1	589	3,112
Interfund services provided	4,519	-	-	-	4,519
Miscellaneous	2,766	4,271	-	6,137	13,174
Total revenues	385,580	30,149	78,191	111,793	605,713
EXPENDITURES					
Current:					
General government	41,651	-	3,404	13,218	58,273
Convention and tourism	1,795	-	-	215	2,010
Parks and recreation	18,279	3,568	6	744	22,597
Judicial	40,478	-	4,774	2,234	47,486
Streets	28,000	5,610	-	1,608	35,218
Public Safety:					
Fire	49,193	-	3	8	49,204
Police	127,372	1,315	-	1,897	130,584
Other	42,362	-	13	9,396	51,771
Health and welfare	2,941	-	15,335	21,999	40,275
Public services	21,401	4,022	7,216	29,776	62,415
Community development	-	-	43,412	13,879	57,291
Capital outlay	-	37,383	-	-	37,383
Debt service:					
Principal	13,734	11,959	2,650	6,897	35,240
Interest and fiscal charges	13,266	8,302	1,378	6,235	29,181
Advance refunding escrow	-	717	-	642	1,359
Total expenditures	400,472 -	72,876	78,191	108,748	660,287
Excess (deficiency) of revenues over expenditures	(14,892)	(42,727)	-	3,045	(54,574)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	-	937	-	-	937
Proceeds of general obligation bonds and revenue bonds	-	61,398	-	37,555	98,953
Premium on general obligation bonds and revenue bonds	-	428	-	2,645	3,073
Discount on general obligation bonds	-	-	-	(29)	(29)
Proceeds from capital lease	-	851	-	-	851
Proceeds from tax increment revenue notes	-	-	-	12,964	12,964
Proceeds of loan agreement	-	1,000	-	-	1,000
Payment to refunded bond escrow agent	-	(16,341)	-	(39,621)	(55,962)
Transfers in	20,386	9,627	-	1,494	31,507
Transfers out	(2,603)	(1,570)	-	(20,208)	(24,381)
Total other financing sources (uses), net	17,783	56,330	-	(5,200)	68,913
Net change in fund balances	2,891	13,603	-	(2,155)	14,339
Fund balances:					
Beginning of year	69,906	77,350	(62)	58,500	205,694
End of year	$ 72,797	90,953	(62)	56,345	220,033

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, 2005
(dollars in thousands)

Net change in fund balances—governmental funds—statement of revenues, expenditures, and changes in fund balances		$ 14,339
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.		804
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	(440)	
Property taxes due in the fiscal year following the fiscal year in which they were assessed	2,785	
		2,345
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.		2
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.		(28,575)
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, repayment 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 Convention Center Leasehold Revenue bonds	(44,998)	
Series 2004 Forest Park Leasehold Revenue bonds	(16,400)	
Series 2005 General Obligation bonds	(37,555)	
Metro loan agreement	(1,000)	
Capital lease—rolling stock	(851)	
Tax increment financing bonds and notes payable	(12,964)	
Repayments during the current year:		
Advance refunding of Series 1997 Forest Park Leasehold Revenue Bonds	16,120	
Advance refunding of Series 1999 General Obligation bonds	37,710	
Annual principal payments on bonds and notes payable	30,854	
Annual principal payments on capital leases	4,387	
		(24,697)
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	(938)	
Accrued interest payable on bonds	(7,366)	
Landfill closure liability	(9)	
Discounts on debt issuances, net of amortization	80	
Premiums on debt issuances, net of amortization	(1,723)	
Deferred bond issuance costs, net of amortization	2,387	
Deferred advanced refunding differences on debt issuances, net of amortization	1,662	
		(5,907)
Change in net assets—governmental activities—statement of activities		$ (41,689)

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Fund Net Assets
Proprietary Funds
June 30, 2005
(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	$ 96,222	3,792	7,290	107,304	-
Unrestricted cash and cash equivalents	8,162	2,396	2,173	12,731	335
Receivables, net of allowances:					
Intergovernmental	3,457	-	-	3,457	-
Charges for services	3,109	5,402	55	8,566	-
Accrued interest	1,557	-	-	1,557	-
Prepaid assets	-	-	-	-	46
Due from other funds	-	-	-	-	3,862
Inventories	1,914	1,969	-	3,883	-
Other current assets	2,000	48	-	2,048	-
Total current assets	116,421	13,607	9,518	139,546	4,243
Noncurrent assets:					
Investments:					
Restricted investments	279,272	14,013	4,347	297,632	-
Unrestricted investments	-	5,497	3,891	9,388	-
Capital assets:					
Property, plant, and equipment	745,388	248,752	57,779	1,051,919	205
Less accumulated depreciation	(454,669)	(105,176)	(10,769)	(570,614)	(154)
	290,719	143,576	47,010	481,305	51
Land	829,024	1,238	21,219	851,481	-
Construction-in-progress	519,839	7,867	-	527,706	-
Capital assets, net	1,639,582	152,681	68,229	1,860,492	51
Deferred charges and other assets	16,247	422	2,369	19,038	-
Total noncurrent assets	1,935,101	172,613	78,836	2,186,550	51
Total assets	2,051,522	186,220	88,354	2,326,096	4,294
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	3,953	2,095	165	6,213	466
Accrued salaries and other benefits	1,154	404	280	1,838	-
Accrued vacation, compensatory, and sick time benefits	5,065	3,429	161	8,655	-
Contracts and retainage payable	29,145	-	11	29,156	-
Accrued interest payable	23,036	798	606	24,440	-
Current portion of revenue bonds	23,390	2,500	1,492	27,382	-
Commercial paper payable	1,000	-	-	1,000	-
Due to other funds	3,178	2,547	1,117	6,842	5,265
Due to component unit	-	-	400	400	-
Claims payable	-	-	-	-	17,404
Deferred revenue	724	1,402	2,132	4,258	-
Total current liabilities	90,645	13,175	6,364	110,184	23,135
Noncurrent liabilities:					
Revenue bonds payable, net	871,084	30,442	62,244	963,770	-
Deposits held for others	-	1,618	-	1,618	-
Other liabilities	6,654	3,475	934	11,063	4
Total noncurrent liabilities	877,738	35,535	63,178	976,451	4
Total liabilities	968,383	48,710	69,542	1,086,635	23,139
NET ASSETS					
Invested in capital assets, net of related debt	941,531	120,012	6,688	1,068,231	51
Restricted:					
Debt service	95,145	7,874	11,547	114,566	-
Capital projects	-	8,296	-	8,296	-
Passenger facility charges	30,745	-	-	30,745	-
Unrestricted (deficit)	15,718	1,328	577	17,623	(18,896)
Total net assets	$ 1,083,139	137,510	18,812	1,239,461	(18,845)

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

Certain internal service fund assets are included within business-type activities	(1,497)
Net assets of business-type activities—government-wide statement of net assets	$ 1,237,964

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, 2005
(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	$ 68,935	-	-	68,935	-
Concessions	30,683	-	-	30,683	-
Water sales	-	40,841	-	40,841	-
Lease revenue	9,767	-	-	9,767	-
Parking	938	-	12,986	13,924	-
Charges for services	-	-	-	-	20,159
Miscellaneous	-	2,505	-	2,505	-
Total operating revenues	110,323	43,346	12,986	166,655	20,159
OPERATING EXPENSES					
Claims incurred	-	-	-	-	16,110
Premiums	-	-	-	-	3,511
Personal services	35,716	15,574	5,768	57,058	232
Material and supplies	4,573	7,770	179	12,522	293
Purchased power	-	2,498	-	2,498	-
Contractual services	31,578	2,448	1,470	35,496	-
Miscellaneous	-	2,059	432	2,491	-
Depreciation and amortization	31,757	4,470	2,109	38,336	13
Interfund services used	2,318	2,142	59	4,519	-
Total operating expenses	105,942	36,961	10,017	152,920	20,159
Operating income	4,381	6,385	2,969	13,735	-
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental revenue	4,005	-	-	4,005	-
Investment income	9,793	918	417	11,128	-
Interest expense	(36,216)	(1,829)	(3,677)	(41,722)	-
Passenger facility charges	27,164	-	-	27,164	-
Amortization of bond issue costs	(1,279)	(64)	-	(1,343)	-
Gain on sale of capital ssets	-	-	417	417	-
Gain (loss) on disposal of capital assets	-	(28)	-	(28)	2
Miscellaneous, net	(38)	(877)	422	(493)	-
Total nonoperating revenues (expenses), net	3,429	(1,880)	(2,421)	(872)	2
Income before transfers and contributions	7,810	4,505	548	12,863	2
Transfers in	-	-	1,149	1,149	-
Transfers out	(5,570)	(2,555)	(150)	(8,275)	-
Capital contributions	72,036	-	-	72,036	-
Change in net assets	74,276	1,950	1,547	77,773	2
Total net assets—beginning of year	1,008,863	135,560	17,265		(18,847)
Total net assets—end of year	$ 1,083,139	137,510	18,812		(18,845)

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

Certain internal service fund assets are included within business-type activities	-
Change in net assets of business-type activities—government-wide statement of activities	$ 77,773

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Cash Flows
Proprietary Funds
For the Year ended June 30, 2005
(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	$ 118,783	43,476	12,663	174,922	-
Receipts from interfund services provided	-	-	-	-	20,279
Other operating cash receipts	938	-	298	1,236	-
Payments to suppliers of goods and services	(36,591)	(15,050)	(1,748)	(53,389)	(19,773)
Payments to employees	(33,108)	(14,602)	(5,399)	(53,109)	(232)
Payments for interfund services used	(2,993)	(2,604)	-	(5,597)	-
Net cash provided by operating activities	47,029	11,220	5,814	64,063	274
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	-	1,149	1,149	-
Transfers to other funds	(5,570)	(2,575)	(150)	(8,295)	-
Net cash provided by (used in) noncapital financing activities	(5,570)	(2,575)	999	(7,146)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Cash collections from passenger facility charges	27,164	-	-	27,164	-
Receipts from federal financing assistance	79,075	-	-	79,075	-
Acquisition and construction of capital assets	(181,405)	(5,431)	(1,944)	(188,780)	-
Proceeds from sale of capital assets	-	-	600	600	(1)
Proceeds from issuance of commercial paper	9,000	-	-	9,000	-
Principal paid on commercial paper	(18,000)	-	-	(18,000)	-
Principal paid on revenue bond maturities	(35,775)	(2,365)	(1,870)	(40,010)	-
Cash paid for interest	(46,575)	(1,603)	(3,531)	(51,709)	-
Other capital and financing activities	-	(901)	422	(479)	-
Net cash (used in) capital and related financing activities	(166,516)	(10,300)	(6,323)	(183,139)	(1)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments	(1,846,899)	(106,650)	(25,719)	(1,979,268)	-
Proceeds from sales and maturities of investments	1,948,930	109,440	25,218	2,083,588	-
Investment income	12,374	887	450	13,711	-
Net cash provided by (used in) investing activities	114,405	3,677	(51)	118,031	-
Net increase (decrease) in cash and cash equivalents	(10,652)	2,022	439	(8,191)	273
Cash and cash equivalents:					
Beginning of year:					
Unrestricted	9,355	2,292	2,842	14,489	62
Restricted	105,681	1,874	6,182	113,737	-
	115,036	4,166	9,024	128,226	62
End 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
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	$ 4,381	6,385	2,969	13,735	-
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	31,757	4,470	2,109	38,336	13
Changes in assets and liabilities:					
Receivables, net	9,844	407	11	10,262	10
Inventories	72	(57)	-	15	-
Other assets, net	(37)	-	5	(32)	11
Accounts payable and accrued liabilities	1,313	(1,051)	(3)	259	6
Accrued salaries and other benefits	(807)	(95)	10	(892)	-
Claims payable	-	-	-	-	1,691
Deferred revenue	(83)	51	(35)	(67)	-
Due to/from other funds	25	(169)	389	245	(1,449)
Deposits held for others	-	264	-	264	-
Other long term liabilities	564	1,015	359	1,938	(8)
Total adjustments	42,648	4,835	2,845	50,328	274
Net cash provided by operating activities	$ 47,029	11,220	5,814	64,063	274

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005
(dollars in thousands)

		Pension Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents—unrestricted	$	8,750	25,782
Investments—unrestricted		-	10,513
Pension trust investments—unrestricted:			
U. S. government securities		117,753	-
Corporate bonds		104,263	-
Domestic bond funds		43,983	-
Stocks		781,523	-
Foreign government obligations		11,212	-
Mortgage-backed securities		76,622	-
FHA mortgages		8	-
Collective investment funds		201,212	-
Real estate group annuity		47,084	-
Investment property		1,761	-
Money market mutual funds		37,953	-
Managed international equity funds		96,594	-
Total pension trust investments		1,519,968	-
Securities lending collateral		29,382	-
Receivables, net of allowances:			
Taxes		-	16,963
Contributions		5,998	-
Accrued interest		9,958	-
Other		1,644	1,271
Prepaid expenses		82	-
Capital assets		470	-
Total assets		1,576,252	54,529
LIABILITIES			
Accounts payable and accrued liabilities		2,828	1,338
Deposits held for others		1,531	27,898
Due to other governmental agencies		-	25,293
Securities lending collateral liability		29,382	-
Other liabilities		21,231	-
Total liabilities		54,972	54,529
NET ASSETS			
Net assets held in trust for pension benefits	$	1,521,280	-

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, 2005
(dollars in thousands)

	Pension Trust Funds
ADDITIONS	
Contributions:	
Members	$ 7,055
Employers	21,533
Investment income:	
Interest and dividends	28,890
Net appreciation in fair value of investments	142,859
	171,749
Less investment expense	(5,898)
Net investment income	165,851
Total additions	194,439
DEDUCTIONS	
Benefits	95,056
Refunds of contributions	12,738
Administrative expense	2,426
Total deductions	110,220
Net increase	84,219
Net assets held in trust for pension benefits:	
Beginning of year:	
As previously reported	1,449,357
Adjustment	(12,296)
As adjusted	1,437,061
End of year	$ 1,521,280

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

a. Reporting Entity

The City's financial reporting entity has been determined in accordance with governmental standards for defining the reporting entity and identifying entities to be included in its basic financial statements. 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. Refer to subsequent event discussed at note 28.

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 is a 220-bed skilled nursing facility operated as a not-for-profit entity supported by the City and located in a City-owned building. Under court-ordered receivership, the City has administrative 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, 2005.

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 SWMDC may be obtained from their administrative offices as follows:

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

Harry S. Truman Restorative Center
c/o City Counselor's Office
City Hall
1200 Market Street
St. Louis, Missouri 63103

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 2004 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. <u>Cash and Investments</u>

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. <u>Inventories</u>

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. <u>Capital Assets</u>

1) <u>Governmental Activities Capital Assets</u>

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

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 that, 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	20 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	5 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 ½-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 $0.08 (in dollars) per ticket operating fee retained by the airlines. As information pertaining to PFC activity is not available to the Airport prior to receipt of PFC remittances from the airlines, PFC revenue is recognized as received and is classified as nonoperating revenue.

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, 2005.

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, $35,106 will remain in force and will be liquidated under the current year's budget and $1,300 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, 2005 are comprised of the following:

1) General Fund

Cash and investments with trustees to be used for debt service related to the Convention Center, the Kiel Site Project, the Argyle, Kiel, and 7^{th} and Pine 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.

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.

(dollars in thousands)

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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenue, expenses, and expenditures during the reporting period. Actual results could differ from those estimates.

t. Individual Fund Deficit

At June 30, 2005, the grants fund has a deficit fund balance of $62. This amount will be offset by future revenues. Additionally, the assessor's office nonmajor special revenue fund has a deficit fund balance of $280. This amount will be offset by future commissions. Finally, the PFPC internal service fund and the health internal service fund have deficit net assets of $13,775 and $5,083, respectively. These accumulated deficits will be offset by charges for services to other funds in future years.

u. Prior Period Adjustment

The previously stated net assets held in trust for pension benefits within the pension trust funds has been adjusted as follows:

Net assets held in trust for pension benefits, beginning of the year, as previously stated	$ 1,449,357
Restatement for portion of prior year contribution receivable from employer deemed uncollectible	(12,296)
Net assets held in trust for pension benefits, beginning of the year, as restated	$ 1,437,061

As discussed in note 10, the Firemen's System and Police System (plans) have filed lawsuits to require the City to contribute the actuarially determined annual contributions for the plans. As the plans do not expect this amount to be received for several years, the plans have fully reserved for this contribution receivable.

(dollars in thousands)

2. DEPOSITS AND INVESTMENTS

a. Primary Government

The following is a reconciliation of the City's deposit and investment balances as of June 30, 2005:

		Cash and Cash Equivalents	Investments	Restricted Assets	Total
Government-wide statement of net assets	$	44,092	85,043	490,675	619,810
Fiduciary statement of fiduciary net assets—agency funds		25,782	10,513	–	36,295
Total primary government excluding pension trust funds		69,874	95,556	490,675	656,105
Fiduciary statement of fiduciary net assets—pension trust funds:					
Firemen's System		3,215	387,109	–	390,324
Police System		5,121	659,453	–	664,574
Employees' System		414	473,406	–	473,820
Total pension trust funds		8,750	1,519,968	–	1,528,718
Total primary government	$	78,624	1,615,524	490,675	2,184,823

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, 2005, the primary government (excluding the pension trust funds) had the following cash deposits and investments:

Federal National Mortgage Association	$ 171,959
Federal Home Loan Mortgage Corp.	112,441
United States Treasuries	60,657
Government Backed Trusts	977
Guaranteed Investment Contract	10,987
Commercial Paper	7,479
Money Market Mutual Funds	65,085
Certificates of Deposit	93,455
Other Cash Deposits	133,065
	$ 656,105

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-1" or better by Standard & Poor's Corporation and "P-1" 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, 2005:

			Investment maturities (in years)			
		Fair Value	**Less than 1**	**1 – 5**	**6 – 10**	**More than 10**
Federal National Mortgage Association	$	171,959	165,724	–	–	6,235
Federal Home Loan Mortgage Corp.		112,441	98,695	12,917	–	829
United States Treasuries		60,657	60,301	–	–	356
Government Backed Trusts		977	–	–	–	977
Guaranteed Investment Contract		10,987	–	–	–	10,987
Commercial Paper		7,479	7,479	–	–	–
	$	364,500	332,199	12,917	–	19,384

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.

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

- Of the total investment of $171,959 in Federal National Mortgage Association securities, $135,754 had a rating of AAA and $36,205 had a rating of A-1+.
- Of the total investment of $112,441 in Federal Home Loan Mortgage Corporation securities, $87,714 had a rating of AAA, $829 had a rating of AA-, and $23,898 had a rating of A-1+.
- The $977 investment in government backed trusts had a rating of AAA.

- The $10,987 guaranteed investment contract was unrated.
- The $7,479 investment in commercial paper had a rating of A-1.

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, 2005, the following City investments are held by the counterparty's trust department or agent, and are not in the City's name: $2,228 of Federal National Mortgage Association securities, $11,406 of Federal Home Loan Mortgage Corporation securities, $40,976 of U.S. Treasury securities, and the $10,987 guaranteed investment contract. Additionally, $25 of City deposits are collateralized by securities held by the counterparty's trust department or agent, not in the City's name. All remaining City investments and all remaining collateral securities pledged against City deposits are held by the counterparty's trust department or agent in the City's name.

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.

(dollars in thousands)

At June 30, 2005, the concentration of the City's deposits and investments was as follows:

Federal National Mortgage Association	26.21%
Federal Home Loan Mortgage Corp.	17.14%
United States Treasuries	9.25%
Government Backed Trusts	0.15%
Guaranteed Investment Contract	1.67%
Commercial Paper	1.14%
Money Market Mutual Funds	9.92%
Certificates of Deposit	14.24%
Other Cash Deposits	20.28%
	100.00%

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

As of September 30, 2004, the Firemen's System had the following cash deposits and investments:

Common Stock	$ 157,994
Collective Investment—Equity	109,014
Corporate Obligations	15,480
Collective Investment—Bonds	92,198
U.S. Treasury Notes	5,703
Federal Agency Notes	8
Money Market Funds	6,712
Other Cash Deposits	3,215
	$ 390,324

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:

			Investment maturities (in years)			
	Fair Value	**No Maturity**	**Less than 1**	**1 – 5**	**6 – 10**	**More than 10**
Common Stock	$ 157,994	157,994	–	–	–	–
Collective Investment—Equity	109,014	109,014	–	–	–	–
Corporate Obligations	15,480	–	–	4,960	3,404	7,116
Collective Investment—Bonds	92,198	–	723	91,475	–	–
United States Treasury Notes	5,703	–	–	5,703	–	–
Federal Agency Notes	8	–	–	–	–	8
Money Market Funds	6,712	6,712	–	–	–	–
	$ 387,109	273,720	723	102,138	3,404	7,124

(dollars in thousands)

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:

Credit Rating Level		Common Stock	Collective Investment	Corporate Obligations	Government Securities	Money Market
Agency	$	–	–	6,996	8	–
AAA		–	723	5,323	4,690	–
AA		–	91,475	613	–	–
A		–	–	1,815	–	–
BBB		–	–	413	–	–
BB		–	–	319	–	–
Not Rated		157,994	109,014	1	1,013	6,712
	$	157,994	201,212	15,480	5,711	6,712

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:

		Money Market	Equities	Fixed Income	Total
Australian Dollar	$	–	1,640	–	1,640
British Pound Sterling		–	6,023	204	6,227
Canadian Dollar		–	3,547	–	3,547
Euro		–	12,759	–	12,759
Japanese Yen		–	9,452	–	9,452
Mexican Peso		–	122	–	122
Norwegian Krone		–	618	–	618
Portugal Escudo		–	339	–	339
Singapore Dollar		–	1,226	–	1,226
Spanish Peseta		–	2,181	–	2,181
Swedish Krona		–	992	–	992
Swiss Franc		–	1,875	–	1,875
Total Foreign Currency		–	40,774	204	40,978
United States Dollar		6,712	226,234	113,185	346,131
Total	$	6,712	267,008	113,389	387,109

(dollars in thousands)

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 "A1" (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.

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

The Firemen's System participates in securities lending programs in order to enhance investment yield. In a securities lending transaction, the Firemen's System transfers possession—but not title—of the security to the borrower. Collateral consisting of cash, letter of credit, or government securities is received and held by a financial institution. The collateral maintained is at least 100% of the market value of the securities lent. The Firemen's System maintains all the rights in the collateral of a secured lender under the Uniform Commercial Code. The Firemen's System continues to earn income on the loaned security. In addition, the Firemen's System receives 60% of the net lending fees generated by each loan of securities. At the Firemen's System's fiscal year end, $36,722 in loans was outstanding to borrowers. The Firemen's System earned income of $97 for its participation in the securities lending program for the 13 months ended September 30, 2004.

(dollars in thousands)

3) Primary Government—Pension Trust Fund—Police System

As of September 30, 2004, the Police System had the following cash deposits and investments:

Common Stock	$	410,626
Mortgaged-Backed Securities—Government		54,404
Mortgaged-Backed Securities—Nongovernment		22,218
Corporate Bonds		56,111
Government Bonds		87,535
Short-Term Notes and Commercial Paper		13,741
Money Market Funds		13,057
Investment Property		1,761
Other Cash Deposits		5,121
	$	664,574

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:

	Fair Value	No Maturity	Investment maturities (in years): Less than 1	1 – 5	6 – 10	More than 10
Corporate Stock	$ 410,626	410,626	–	–	–	–
Mortgaged-Backed Securities— Government	54,404	–	–	1,659	1,423	51,322
Mortgaged-Backed Securities— Nongovernment	22,218	–	–	2,749	483	18,986
Corporate Bonds	56,111	–	5,182	22,425	20,194	8,310
Government Bonds	87,535	–	337	45,204	20,129	21,865
Short-Term Notes and Commercial Paper	13,741	13,741	–	–	–	–
Money Market Funds	13,057	13,057	–	–	–	–
Investment Property	1,761	1,761	–	–	–	–
	$ 659,453	439,185	5,519	72,037	42,229	100,483

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:

Credit Rating Level	Corporate Stock	Government Mortgage Backed Securities	Nongovernment Mortgage Backed Securities	Corporate Bonds	Government Bonds	Short-term Notes and Commercial Paper	Money Market Fund	Investment Property
Agency	$ –	54,404	–	–	10,502	–	–	–
AAA	–	–	15,458	8,303	74,605	–	–	–
AA	–	–	4,347	2,870	903	–	–	–
A	–	–	704	26,343	1,244	–	–	–
BBB	–	–	311	11,426	281	–	–	–
BB	–	–	–	4,824	–	–	–	–
B	–	–	287	2,345	–	–	–	–
Not Rated	410,626	–	1,111	–	–	13,741	13,05	1,761
	$ 410,626	54,404	22,218	56,111	87,535	13,741	13,05	1,761

(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:

		Money Market	Real Property	Equities	Fixed Income	Total
Australian Dollar	$	–	–	–	492	492
Austrian Schilling		–	–	–	384	384
Bermuda Dollar		–	–	19	–	19
British Pound Sterling		1,892	–	4,689	620	7,201
Canadian Dollar		–	–	2,209	386	2,595
Cayman Islands Dollar		–	–	652	217	869
Chilean Peso		–	–	–	573	573
Euro		–	–	2,738	4,791	7,529
Indian Rupee		–	–	350	–	350
Israeli Shekel		–	–	1,061	–	1,061
Mexican Peso		–	–	108	2,727	2,835
Polish Zloty		–	–	–	31	31
Swiss Franc		–	–	2,484	–	2,484
Total Foreign Currency		1,892	–	14,310	10,221	26,423
United States Dollar		24,906	1,761	396,316	210,047	633,030
Total	$	26,798	1,761	410,626	220,268	659,453

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 Securites, 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
Large Cap U.S. Stocks	43	45	47
Small Cap U.S. Stocks	8	10	12
Non-U.S. Stocks	8	10	12

The Police System participates in securities lending programs in order to enhance investment yield. In a securities lending transaction, the Police System transfers possession—but not title—of the security to the borrower. Collateral consisting of cash, letter of credit, or government securities is received and held by a financial institution. The broker/dealer collateralizes their borrowing (usually in cash) to 102% of the security value plus accrued interest, and this collateral is adjusted daily to maintain the 102% level. The Police System maintains all the rights in the collateral of a secured lender under the Uniform Commercial Code. The Police System continues to earn income on the loaned security. In addition, the Police System receives 70% of the net lending fees generated by each loan of securities. The financial institution receives the remaining 30% of the net lending fees as compensation for its services provided in the securities lending program. The financial institution indemnifies operational risk and 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, 2004, outstanding loans to borrowers were $99,034. The Police System earned income of $97 for its participation in the securities lending program for the year ended September 30, 2004.

(dollars in thousands)

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

As of September 30, 2004, the Employees' System had the following cash deposits and investments:

Stocks	$ 212,903
Managed International Equity Funds	96,594
Corporate Bonds and Debentures	32,672
Foreign Governmental and Corporate Obligations	11,212
Domestic Bond Funds	43,983
Real Estate Fund	47,084
United States Government and Agency Securities	24,515
Temporary Cash Investments	4,443
Other Cash Deposits	414
	$ 473,820

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
British Pounds	$ –	1,208	–	1,208
Canadian Dollar	–	392	–	392
Danish Krone	–	159	–	159
Euros	778	6,352	–	7,130
Japanese Yen	–	1,657	–	1,657
United States Dollar	–	289	–	289
Swedish Krona	–	128	–	128
Total	$ 778	10,185	–	10,963

(dollars in thousands)

Credit Risk of Debt Securities

The Employees' System does not have a formal policy to limit credit risk of debt securities. The Employees' System's rated debt investments as of September 30, 2004 were rated by Standard & Poor's Corporation, and the ratings are presented using the Standard & Poor's Corporation rating scale.

		AAA	AA+	AA-
Corporate Bonds and Debentures	$	11,672	5,447	3,725
Foreign Government and Corporate Obligations		5,761	493	237
Domestic Bond Funds		10,524	8,360	4,346
U.S. Government Securities		13,691	–	–
Agency Securities		10,095	–	–
Total	$	51,743	14,300	8,308

		A+	A	A-
Corporate Bonds and Debentures	$	3,804	649	135
Foreign Government and Corporate Obligations		442	131	382
Domestic Bond Funds		7,663	4,864	4,498
U.S. Government Securities		–	352	376
Agency Securities		–	–	–
Total	$	11,909	5,996	5,391

		BBB+	BBB	BBB-	Unrated
Corporate Bonds and Debentures	$	248	2,893	570	3,529
Foreign Government and Corporate Obligations		267	312	1,279	1,908
Domestic Bond Funds		–	2,264	–	1,464
U.S. Government Securities		–	–	–	–
Agency Securities		–	–	–	–
Total	$	515	5,469	1,849	6,901

(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 – 10**	**More than 10**
United States Government Securities	$	14,419	1,756	7,747	1,329	3,587
Agency Securities		10,095	399	6,605	1,797	1,294
Corporate Bonds and Debentures		32,672	763	13,231	10,209	8,469
Federal Government and Corporate Obligations		11,212	777	5,342	2,663	2,430
Domestic Bond Funds		43,983	1,433	22,311	18,537	1,702
	$	112,381	5,128	55,236	34,535	17,482

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, 2004, the Employees' System had a net liability of $295 (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, 2004, 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, 2004, the Employees' System cannot pledge or sell non-cash collateral unless the borrower defaults. As of September 30, 2004, the Employees' System has lending arrangements outstanding with a market value for securities lent of $28,718 and a total market value for securities received as collateral of $29,382 resulting in no credit risk for the Employees' System.

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, 2005, 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, 2005, the market value of investments approximates the carrying value of $27.

(dollars in thousands)

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, 2005, the SLPD had the following cash deposits and investments:

Federal Home Loan Mortgage Corp.	$	2,559
Money Market Mutual Funds		679
Other cash deposits		655
Total		3,893

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, 2005:

	Maturity		**Carrying Value**
Federal Home Loan Mortgage Corp.	July 12, 2005	$	2,559

(dollars in thousands)

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 Mortgage Corp. notes as of June 30, 2005, 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.

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 is such capacity.

At June 30, 2005, 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

At June 30, 2005, the concentration of the SLPD's investments (excluding cash deposits) was as follows:

	Concentration
Federal Home Loan Mortgage Corp.	79.0%
Money Market Mutual Funds	21.0%
	100.0%

d. Component Unit—HSTRC

At May 31, 2005, the carrying amount of HSTRC's cash deposits was $40 and was insured by the Federal Deposit Insurance Corporation (FDIC).

(dollars in thousands)

e. Component Unit—SWMDC

At June 30, 2005, the carrying amount and bank balance of SWMDC's cash deposits was $784. Of the bank balance, $100 was insured by the FDIC and $684 was uncollateralized. SWMDC's investments of $670 at year-end consisted entirely of Federal Home Loan Mortgage Corporation Securities with less than one year to maturity and rated A-1+ by Standard & Poor's Corporation.

3. RECEIVABLES, NET

		Taxes	Intergovern-mental	Charges for Services	Notes and Loans	Other	Total Receivables
Governmental activities:							
General fund	$	86,244	2,151	2,346	—	737	91,478
Capital projects fund		2,600	738	—	—	—	3,338
Grants fund		—	3,454	—	—	—	3,454
Other governmental funds		21,231	37	1,204	131	7	22,610
Internal service funds		—	—	—	—	—	—
Total governmental activities	$	110,075	6,380	3,550	131	744	120,880
Business-type activities:							
Airport	$	—	3,457	3,109	—	1,557	8,123
Water Division		—	—	5,402	—	—	5,402
Parking Division		—	—	55	—	—	55
Total business-type activities	$	—	3,457	8,566	—	1,557	13,580

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

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	$	940
Taxes receivable—other governmental funds		142
Charges for services receivable—general fund		57
Charges for services receivable—other governmental funds		399
Business-type activities:		
Charges for services receivable—Airport		411
Charges for services receivable—Water Division		2,902
	$	4,851

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

(dollars in thousands)

(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. 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, 2005:

Airport bond fund:		
Debt service account	$	53,869
Debt service reserve account		41,276
Airport renewal and replacement fund		3,500
Passenger facility charge fund		4,757
Airport development fund		67,651
Airport construction fund		202,385
Airport contingency fund		2,056
	$	375,494

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.

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.

(dollars in thousands)

b. Water Division

Cash and investments restricted in accordance with City ordinances at June 30, 2005 are as follows:

Bond funds:	
Waterworks bond and interest Account	$ 3,614
Water revenue bond reserve account	3,559
Water replacement and improvement account	701
Total bond funds	7,874
Construction funds	8,296
Customer deposits	1,635
	$ 17,805

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

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

   2) To the Waterworks Bond and Interest Account, an amount at least equal to 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.

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

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

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

lien bonds; paying any redemption premium due on the bonds; or any other lawful purpose for use by the Waterworks System.

2) 1998 Water Revenue Bond Funds

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) Construction Funds

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) Customer Deposits

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

5) Service Line Maintenance

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, 2005 are as follows:

Series 2002, 1999, and 1996 bonds:		
Debt service reserve	$	5,499
Construction		—
Debt service		950
Parking trust—Parking Division accounts		4,887
Total series 2002, 1999, and 1996 bonds		11,336
Series 2003A and 2003B bonds:		
Gross revenues		149
Bond		88
Repair and replacement		16
Operating reserve		42
Redemption		6
Total series 2003A and 2003B bonds		301
	$	11,637

The June 30, 2005 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

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

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

(dollars in thousands)

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, 2005 are as follows:

Bond funds	$ 2,049

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 $2,049.

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 $679 at June 30, 2005 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, 2005:

		Balance June 30, 2004	Additions	Retirements	Transfers	Balance June 30, 2005
Governmental activities:						
Capital assets not being depreciated:						
Land	$	77,388	31	—	—	77,419
Construction in progress		85,644	18,501	—	(24,390)	79,755
Works of art		2,804	19	—	132	2,955
Total capital assets not being depreciated		165,836	18,551	—	(24,258)	160,129
Capital assets being depreciated:						
Buildings		391,437	751	—	3,719	395,907
Improvements other than buildings		69,514	1,356	—	2,288	73,158
Equipment		94,754	6,085	(1,818)	—	99,021
Infrastructure		379,727	11,689	—	18,251	409,667
Total capital assets being depreciated		935,432	19,881	(1,818)	24,258	977,753
Less accumulated depreciation for:						
Buildings		90,015	10,728	—	—	100,743
Improvements other than buildings		13,929	1,698	—	—	15,627
Equipment		43,711	6,170	(1,375)	—	48,506
Infrastructure		176,858	18,599	—	—	195,457
Total accumulated depreciation		324,513	37,195	(1,375)	—	360,333
Total capital assets being depreciated, net		610,919	(17,314)	(443)	24,258	617,420
Governmental activities capital assets, net	$	776,755	1,237	(443)	—	777,549

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

(dollars in thousands)

The following is a summary of changes in capital assets – business-type activities for the year ended June 30, 2005. Business-type activities for the City include the Airport, Water Division, and Parking Division.

	Balance June 30, 2004	Additions	Retirements	Transfers	Balance June 30, 2005
Business-type activities:					
Combined:					
Capital assets not being depreciated:					
Land	$ 807,497	44,159	(175)	—	851,481
Construction-in-progress	390,496	150,211	—	(13,001)	527,706
Total capital assets not being depreciated	1,197,993	194,370	(175)	(13,001)	1,379,187
Capital assets being depreciated:					
Buildings and structures	460,863	944	—	4,951	466,758
Equipment	70,160	2,261	(392)	156	72,185
Pavings	303,536	185	—	7,120	310,841
Parking meters and lot equipment	5,271	770	—	—	6,041
Reservoirs	34,393	—	—	55	34,448
Boiler plant equipment	661	—	—	—	661
Pumping equipment	8,415	—	—	177	8,592
Purification basins and equipment	37,945	14	—	267	38,226
Water mains, lines, and accessories	103,130	2,438	(29)	275	105,814
Motor vehicle equipment	8,319	217	(183)	—	8,353
Total capital assets being depreciated	1,032,693	6,829	(604)	13,001	1,051,919
Less accumulated depreciation for:					
Buildings and structures	242,224	6,120	(161)	—	248,183
Equipment	44,109	14,541	(205)	—	58,445
Pavings	174,024	10,591	—	—	184,615
Parking meters and lot equipment	3,287	409	—	—	3,696
Reservoirs	5,317	663	—	—	5,980
Boiler plant equipment	612	3	—	—	615
Pumping equipment	7,318	152	—	—	7,470
Purification basins and equipment	9,325	731	—	—	10,056
Water mains, lines, and accessories	45,522	1,283	(19)	—	46,786
Motor vehicle equipment	4,370	563	(165)	—	4,768
Total accumulated depreciation	536,108	35,056	(550)	—	570,614
Total capital assets being depreciated, net	496,585	(28,227)	(54)	13,001	481,305
Business-type activities capital assets, net	$ 1,694,578	166,143	(229)	—	1,860,492

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.

(dollars in thousands)

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

Governmental activities:		
General government	$	5,790
Convention and tourism		4,247
Parks and recreation		2,924
Judicial		347
Streets		20,810
Public safety:		
Fire		1,683
Other		765
Health and welfare		416
Public service		213
Total depreciation expense, governmental activities	$	37,195
Business-type activities:		
Airport	$	28,588
Water Division		4,470
Parking Division		1,998
Total depreciation expense, business-type activities	$	35,056

(dollars in thousands)

b. Component Unit—SLDC

The following is a summary of changes in SLDC capital assets for the year ended June 30, 2005:

	Balance June 30, 2004	Additions	Retirements	Balance June 30, 2005
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	643	5	—	648
Parking facilities	18,897	—	—	18,897
Total capital assets being depreciated	22,540	5	—	22,545
Less accumulated depreciation for:				
Leasehold improvements	700	200	—	900
Equipment	634	5	—	639
Parking facilities	8,051	548	—	8,599
Total accumulated depreciation	9,385	753	—	10,138
Total capital assets being depreciated, net	13,155	(748)	—	12,407
SLDC capital assets, net	$ 18,069	(748)	—	17,321

(dollars in thousands)

c. Component Unit—SLPD

The following represents a summary in SLPD's capital assets for the year ended June 30, 2005:

	Balance June 30, 2004	Additions	Retirements	Balance June 30, 2005
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	32,371	6,358	—	38,729
Furniture, fixtures, and other equipment	2,410	682	(263)	2,829
Automotive equipment	8,528	1,529	(1,091)	8,966
Communications equipment	4,639	52	—	4,691
Computers and software	2,487	472	(103)	2,856
Aircraft	258	—	—	258
Total capital assets being depreciated	50,693	9,093	(1,457)	58,329
Less accumulated depreciation for:				
Buildings and improvements	15,431	537	—	15,968
Furniture, fixtures, and other equipment	1,615	357	(255)	1,717
Automotive equipment	6,116	1,611	(1,032)	6,695
Communications equipment	3,845	191	—	4,036
Computers and software	1,360	389	(62)	1,687
Aircraft	226	24	—	250
Total accumulated depreciation	28,593	3,109	(1,349)	30,353
Total capital assets being depreciated, net	22,100	5,984	(108)	27,976
SLPD capital assets, net	$ 23,746	5,984	(108)	29,622

(dollars in thousands)

d. Component Unit—SWMDC

		Balance June 30, 2004	Additions	Retirements	Balance June 30, 2005
Capital assets being depreciated:					
Infrastructure	$	7,555	385	—	7,940
Total capital assets being depreciated		7,555	385	—	7,940
Less accumulated depreciation for:					
Infrastructure		2,161	250	—	2,411
Total accumulated depreciation		2,161	250	—	2,411
SWMDC capital assets, net	$	5,394	135	—	5,529

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, 2005, 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
Government activities:				
General fund	$	3,038	313	3,351
Capital projects fund		—	6,371	6,371
Grants fund		6,404	—	6,404
Other governmental funds		828	—	828
Internal service		466	—	466
Total governement activities	$	10,736	6,684	17,420
Business-type activities:				
Airport	$	3,953	29,145	33,098
Water Division		2,095	—	2,095
Parking Division		165	11	176
Total business-type activities	$	6,213	29,156	35,369

(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, 2004
Police	September 30, 2004
Employees'	September 30, 2004

During the current period, the Firemen's System changed its fiscal year to October 1 through September 30 so it would end at a calendar quarter for accounting purposes. The activity included on the Statement of Changes in Fiduciary Net Assets includes a 13 month period as a one-time adjustment to change the Firemen's System's fiscal year-end. All future periods will be 12 months.

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

(dollars in thousands)

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.

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, 2005 are as follows:

Annual required contribution	$ (9,722)
Interest on net pension asset	1,651
Adjustment to annual required contribution	(1,855)
Annual pension cost	(9,926)
Contributions made	2,055
Decrease in net pension asset	(7,871)
Net pension asset, beginning of year	21,647
Net pension asset, end of year	$ 13,776

The net pension asset of $13,776 as of June 30, 2005, 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.

(dollars in thousands)

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
2005	$ 9,926	21%	$ 13,776
2004	4,517	46	21,647
2003	3,595	94	24,086

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

Date of actuarial valuation	October 1, 2004
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%

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 and 2005 fiscal years. The City received an unfavorable ruling in the initial court proceedings, and has appealed the decision. The City Counselor's Office has determined that it is probable that the City 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, 2005. A similar lawsuit has been filed against the City by the Firemen's System relating to fiscal year 2006 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; One South Memorial Drive, Suite 600; St. Louis, Missouri, 63102-2447.

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

(dollars in thousands)

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, 2005 are as follows:

Annual required contribution	$ (11,664)
Interest on net pension obligation	(423)
Adjustment to annual required contribution	602
Annual pension cost	(11,485)
Contributions made	4,047
Increase in net pension obligation	(7,438)
Net pension obligation, beginning of year	(5,460)
Net pension obligation, end of year	$ (12,898)

The net pension obligation of $12,898 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
2005	$ 11,485	35%	$ (12,898)
2004	9,576	43	(5,460)
2003	–	–	–

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

Date of actuarial valuation	October 1, 2004
Actuarial cost method	Aggregate (this method does not identify or separately amortize unfunded actuarially accrued liabilities)
Asset valuation methods	5-year smoothed average of market value
Inflation rate	3.00%, per year
Investment rate of return	7.75%, 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 two 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 and 2005 fiscal years. The City received an unfavorable ruling in the initial court proceedings for one of the lawsuits. The City has appealed the decision. The City Counselor's Office has determined that it is probable that the City 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, 2005. A similar lawsuit has been filed against the City by the Police System relating to fiscal year 2006 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 normal retirement age. The amount that would have been received as retirement benefit is put in a special DROP account monthly. The DROP account will not be adjusted for cost of living increases as the normal retirement benefits are. The DROP account earns interest at the actuarial valuation rate of return. After the member completely terminates employment, the member can withdraw amounts from the DROP account in a lump sum or according to a deferred retirement payment plan.

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 13.53% 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, 2005, are as follows:

Annual required contribution	$ (30,926)
Interest on net pension obligation	(2,375)
Adjustment to annual required contribution	2,636
Annual pension cost	(30,665)
Contributions made	12,988
Increase in net pension obligation	(17,677)
Net pension obligation, beginning of year	(29,681)
Net pension obligation, end of year	$ (47,358)

The net pension obligation of $47,358 is reflected as a long-term liability within the accompanying basic financial statements as follows:

Governmental activities	$ (34,333)
Business-type activities	(8,663)
Component unit—SLPD	(4,362)
	$ (47,358)

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
2005	$ 30,665	42.35%	(47,358)
2004	31,837	41.03	(29,682)
2003	24,124	75.72	(10,907)

(dollars in thousands)

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

Date of actuarial valuation	October 1, 2004
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, 2004
Actuarial value of assets	The book value at the beginning of the year, plus 25% of the difference between market value and book for the last four years, less the member savings fund
Investment rate of return	8.00%
Projected salary increases	3.00%
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, 2005 contributions of $287, which amount to 9% of current covered payroll, were made by SLDC. For the year ended June 30, 2005, SLDC's current covered payroll was $3,192 and total payroll amounted to $3,276. Employees are not required to contribute to the SLDC Plan; however, they can contribute up to 5.5% 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 1,297 retirees, while 1,354 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 $4,989 (in dollars) per retiree for healthcare and $10 (in dollars) per retiree for life insurance for the fiscal year ending June 30, 2005.

12. DEFERRED COMPENSATION PLAN

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

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

(dollars in thousands)

13. LONG-TERM LIABILITIES

a. Changes in Long-Term Liabilities

Following is a summary of the changes in long-term liabilities for the year ended June 30, 2005:

	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005	Due Within One Year
Governmental activities:					
General obligation bonds payable	$ 51,720	37,555	(40,810)	48,465	3,245
Section 108 Loan Guarantee Assistance Programs	72,500	–	(4,280)	68,220	4,550
Federal Financing Bank advances	805	–	(40)	765	40
Tax increment financing bonds and notes payable	30,692	12,964	(1,978)	41,678	2,140
Master note purchase agreement	181	–	(60)	121	–
Loan agreement with Missouri Department of Natural Resources	1,798	–	(325)	1,473	338
Loan agreement with Metro	–	1,000	–	1,000	–
Capital lease—rolling stock	9,011	851	(3,892)	5,970	605
Capital leases—other	90	–	(90)	–	–
Capital leases—Obligations with component units	51,420	–	(405)	51,015	420
Leasehold revenue improvement and refunding bonds	311,526	61,398	(32,025)	340,899	18,940
Joint venture financing agreement	73,542	–	(5,166)	68,376	1,053
Unamortized discounts, premiums, and deferred amounts on refunding	(413)	95	(114)	(432)	–
Net pension obligation	26,527	20,704	–	47,231	12,486
Accrued vacation, compensatory, and sick time benefits	26,401	17,954	(17,016)	27,339	17,915
Landfill closure	234	9	–	243	128
Claims and judgments payable	15,713	19,730	(18,039)	17,404	10,530
Governmental activities long-term liabilities	$ 671,747	172,260	(124,240)	719,767	72,390

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.

(dollars in thousands)

	Balance, June 30, 2004	Additions	Reductions	Balance, June 30, 2005	Due Within One Year
Business-type activities:					
Airport:					
Revenue bonds payable	$ 930,510	–	(35,775)	894,735	23,390
Net pension obligation	2,987	1,663	–	4,650	–
Other	3,103	–	(1,099)	2,004	–
Accrued vacation, compensatory, and sick time benefits	4,837	3,334	(3,106)	5,065	5,065
Unamortized discounts, premiums, and deferred amounts on refunding	(1,487)	–	1,226	(261)	–
Total Airport	939,950	4,997	(38,754)	906,193	28,455
Water Division:					
Revenue bonds payable	36,685	–	(2,365)	34,320	2,500
Customer deposits	1,354	264	–	1,618	–
Net pension obligation	2,012	1,067	–	3,079	–
Other	448	–	(52)	396	–
Accrued vacation, compensatory, and sick time benefits	2,920	1,994	(1,485)	3,429	3,429
Unamortized discounts, premiums, and deferred amounts on refunding	(1,666)	–	288	(1,378)	–
Total Water Division	41,753	3,325	(3,614)	41,464	5,929
Parking Division:					
Revenue bonds payable	68,134	–	(1,870)	66,264	1,492
Net pension obligation	575	359	–	934	–
Accrued vacation, compensatory, and sick time benefits	167	322	(328)	161	161
Unamortized discounts, premiums, and deferred amounts on refunding	(2,681)	–	153	(2,528)	–
Total Parking Division	66,195	681	(2,045)	64,831	1,653
Business-type activities long-term liabilities	$ 1,047,898	9,003	(44,413)	1,012,488	36,037

(dollars in thousands)

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 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 to 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 remain 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.

The City advance refunded the series 1999 bonds to reduce its total debt service payments over the next 10 years by approximately $4,348 and to obtain economic gain of $3,206.

Principal and interest requirements are as follows:

		Principal	Interest	Total
Year ending June 30:				
2006	$	3,245	1,603	4,848
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
2010 – 2014		17,345	5,262	22,607
2015 – 2019		17,125	2,085	19,210
	$	48,465	19,146	67,611

c. Section 108 Loan Guarantee Assistance Programs

(dollars in thousands)

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

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

During 2001, the City issued a note in the amount of $50,000 for the Downtown Convention Headquarters Hotel project. Additionally, during 2001, the City received $5,000 in an advance funding draw for the Darst-Webbe Housing Redevelopment project. The $50,000 note is intended to spur redevelopment in the downtown area. The $50,000 note is a 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:			
2006	$ 4,550	3,995	8,545
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 – 2015	18,680	13,117	31,797
2016 – 2020	25,320	6,313	31,633
2021	6,050	200	6,250
	$ 68,220	37,574	105,794

(dollars in thousands)

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%.

Principal and interest requirements are as follows:

	Principal	Interest	Total
Year ending June 30:			
2006	$ 40	51	91
2007	45	48	93
2008	50	45	95
2009	50	42	92
2010	55	38	93
2011 – 2015	350	126	476
2016 – 2017	175	13	188
	$ 765	363	1,128

e. Tax Increment Financing Bonds 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.

(dollars in thousands)

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, 2005, the City had $33,573 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 $12,964 in TIF bonds and notes payable during fiscal year 2005.

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:					
2006	$	1,055	758	1,086	2,447
2007		1,160	647	1,166	2,367
2008		1,275	525	1,252	2,281
2009		1,405	391	1,344	2,188
2010		1,545	244	1,443	2,089
2011 – 2015		1,665	83	7,856	8,748
2016 – 2020		–	–	8,199	5,901
2021 – 2025		–	–	10,017	2,253
2026		–	–	1,210	86
	$	8,105	2,648	33,573	28,360

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, 2005, the balance of the note outstanding is $121.

(dollars in thousands)

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 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. As of June 30, 2005, the City has not drawn against the loan agreement.
Principal and interest requirements under the loan agreement with the DNR are as follows:

	Principal	Interest	Total
Year ending June 30:			
2006	$ 338	57	395
2007	352	43	395
2008	366	28	394
2009	381	13	394
2010	36	1	37
	$ 1,473	142	1,615

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, 2005:

	Balance, June 30, 2004	Additions	Reductions	Balance, June 30, 2005	Due Within One Year
Due to other governmental agencies	$ 8,291	2,601	(1,799)	9,093	2,025
Notes payable	9,930	960	(3,809)	7,081	4,380
Other liabilities	4,905	5,546	(7,999)	2,452	1,808
Revenue bonds	13,320	–	(260)	13,060	285
	$ 36,446	9,107	(13,867)	31,686	8,498

Maturities on notes payable are as follows:

	Principal	Interest	Total
Year ending June 30:			
2006	4,379	153	4,532
2007	$ 648	16	664
2008	–	4	4
2009	54	1	55
2010	2,000	–	2,000
	$ 7,081	174	7,255

Revenue bonds outstanding at June 30, 2005 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%.

(dollars in thousands)

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

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:							
2006	$	285	142	–	569	–	214
2007		310	115	–	569	–	214
2008		335	86	–	569	–	214
2009		365	55	–	569	–	214
2010		425	19	220	562	–	214
2011 – 2015		–	–	2,430	2,395	–	1,072
2016 – 2020		–	–	5,650	1,343	–	1,072
2021 – 2025		–	–	–	–	3,040	692
	$	1,720	417	8,300	6,576	3,040	3,906

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, 2005:

		Balance June 30, 2004	**Additions**	**Deductions**	**Balance, June 30, 2005**	**Due Within One Year**
Accrued banked overtime, vacation, and sick time leave	$	28,029	3,088	(3,392)	27,725	7,740
Capital lease obligation		5,522	30	(1,210)	4,342	1,235
Workers' compensation		39,211	11,456	(4,699)	45,968	5,891
Net pension obligation		2,841	1,521	–	4,362	–
	$	75,603	16,095	(9,301)	82,397	14,866

(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 ½ 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:				
2006	$	1,235	80	1,315
2007		1,255	55	1,310
2008		1,945	21	1,966
	$	4,435	156	4,591
Unamortized premium		31		
Unamortized deferred amount on refunding		(124)		
	$	4,342		

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%.

(dollars in thousands)

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%.

Principal payments of $3,892 were made on these lease agreements in fiscal year 2005. The following is a schedule of future minimum lease payments as of June 30, 2005.

Year ending June 30:	
2006	$ 903
2007	1,601
2008	785
2009	634
2010	511
2011 – 2015	1,939
2016 – 2018	1,164
Total future minimum lease payments	7,537
Amount representing interest	(1,567)
Present value of net minimum lease payments	$ 5,970

Capital assets (equipment) of $10,658 are recorded by the City on its statement of net assets in conjunction with these capital leases.

b. Capital Leases—Other

The City has a capital lease agreement for the purchase of digital equipment. This lease is due in annual installments through 2005 with an annual interest rate of 4.97%. The final lease payment of $94 was paid during fiscal year 2005 reflecting $90 in principal and $4 in interest.

Capital assets (equipment) of $223 are recorded by the City on its statement of net assets in conjunction with this capital lease.

c. 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, 2005.

Year ending June 30:	
2006	$ 970
2007	970
2008	973
2009	970
2010	971
2011 – 2015	4,836
2016 – 2020	4,872
2021 – 2022	1,957
Total future minimum lease payments	16,519
Amount representing interest	(5,504)
Present value of net minimum lease payments	$ 11,015

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.

d. 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, 2005.

Year ending June 30:		
2006	$	–
2007		–
2008		–
2009		–
2010		–
2011 – 2015		23,805
2016 – 2020		76,475
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, 2005, 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.

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

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. As of June 30, 2005, $58,115 of these defeased Series 1996A Bonds remain outstanding.

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 use the straight-line method, which approximates the effective interest method.

The City advance refunded the Series 1997 bonds to reduce its total debt service payments over the next 10 years by approximately $2,534 and to obtain economic gain of $1,397.

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:				
2006	$ 1,905	853	$ 2,185	927
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 – 2015	10,090	847	2,990	98
	$ 20,465	4,228	$ 15,415	3,191

	Justice Center		Forest Park	
	Principal	**Interest**	**Principal**	**Interest**
Year ending June 30:				
2006	$ 5,380	5,544	$ 715	653
2007	5,860	5,268	740	632
2008	6,160	4,964	760	610
2009	6,490	4,638	785	587
2010	6,790	4,337	805	563
2011 – 2015	42,705	15,651	4,490	2,360
2016 – 2020	34,410	4,234	5,530	1,321
2021 – 2022	–	–	2,575	164
	$ 107,795	44,636	$ 16,400	6,890

	Carnahan Courthouse		Convention Center	
	Principal	**Interest**	**Principal**	**Interest**
Year ending June 30:				
2006	$ –	1,139	$ 8,755	5,114
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 – 2015	2,160	5,633	57,697	13,441
2016 – 2020	6,540	4,390	–	–
2021 – 2025	8,395	2,529	24,053	31,751
2026 – 2030	4,655	379	20,944	39,731
	$ 21,750	18,626	$ 159,074	105,860

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 Authority will lease the Project to the Sponsors who will sublease the project back to the Authority. The rental payments made by the Sponsors under the Financing Agreement are designed to be sufficient to pay the principal and interest on the Project Bonds. The preservation payments to be made by the Sponsors under the Financing Agreement will be used to pay for repairs and replacement of major Project components and renovation necessary to maintain the Project. A portion of the preservation payments from each sponsor 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.

(dollars in thousands)

At June 30, 2005, 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:					
2006	$	–	2,842	1,053	3,895
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 – 2015		14,850	9,711	5,439	30,000
2016 – 2020		19,280	5,179	5,541	30,000
2021 – 2022		9,215	518	(733)	9,000
	$	52,815	28,519	15,561	96,895

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, 2005 are summarized as follows:

Bond Series 1996, interest rates ranging from 5.15% to 5.35%, payable in varying amounts through 2008	$ 12,205
Bond Series 1997, interest rates ranging from 4.50% to 6%, payable in varying amounts through 2028	190,500
Bond Series 1998, interest rates ranging from 4.0% to 5.13%, payable in varying amounts through 2016	63,620
Bond Series 2001A, interest rates ranging from 4.13% to 5.63%, payable in varying amounts through 2032	435,185
Bond Series 2002, Series A, B, and C, interest rates ranging from 2.50% to 5.50%, payable in varying amounts through 2033	112,185
Bond Series 2003A, interest rates ranging from 2.38% to 5.25%, payable in varying amounts through 2019	70,340
Bond Series 2003B, interest rates of 2.05%, payable in varying amounts through 2006	10,700
	894,735
Less:	
Current maturities	(23,390)
Unamortized discounts and premiums	4,636
Deferred amounts on refunding	(4,897)
	$ 871,084

The deferred amounts on refunding of $4,897 at June 30, 2005, relate to the refunded Bond Series 1984, Bond Series 1987, Bond Series 1992, Bond Series 1993, Bond Series 1993A, and Bond Series 2000 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, 2005.

(dollars in thousands)

As of June 30, 2005, 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:				
2006	$	23,390	45,649	69,039
2007		16,235	44,843	61,078
2008		31,495	43,727	75,222
2009		28,440	42,261	70,701
2010		29,890	40,740	70,630
2011 – 2015		174,395	177,656	352,051
2016 – 2020		177,070	129,189	306,259
2021 – 2025		170,220	84,665	254,885
2026 – 2030		172,940	39,492	212,432
2031 – 2033		70,660	4,199	74,859
	$	894,735	652,421	1,547,156

In prior years, the Airport advance refunded various Airport Revenue Bonds by placing funds in an irrevocable trust to provide for all future debt service payments on these bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At June 30, 2005, $70,070 of outstanding revenue bonds is considered defeased.

b. Water Division

Water revenue bonds outstanding at June 30, 2005 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	$	5,145
Series 1998 Water Revenue Bonds, 4.1% to 4.75% Payable in varying amounts through July 1, 2014		29,175
		34,320
Less:		
Current maturities		(2,500)
Deferred amount on refunding of a portion of the 1994 Water Revenue Bonds		(1,284)
Unamortized discounts		(94)
	$	30,442

1) Series 1994 Water Revenue Bonds

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

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

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

2) Series 1998 Water Revenue Bonds

In December 1998, the Water Division issued $29,225 in Series 1998 Bonds with an average interest rate of 4.56% to advance refund $27,775 of the outstanding Series 1994 Bonds, maturing between 2007 and 2014, with an average interest rate of 6.02%. The net proceeds of $28,451 (after the subtraction of an original issue discount of $190 and the payment of $584 in underwriting fees and other issuance costs) plus an additional $2,508 of Series 1994 Bonds Debt Service Fund moneys were deposited in an irrevocable trust with an escrow agent to provide for all future payments on the $27,775 principal of the Series 1994 Bonds. As a result, this portion of the Series 1994 Bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. At June 30, 2005, no defeased Series 1994 Bonds remain outstanding.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $3,257. This difference, with a current carrying value of $1,284, is reported in the accompanying financial statements as a reduction of revenue bonds payable and is being charged to operations through the year 2014 using the bonds outstanding method.

(dollars in thousands)

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

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

	Principal	Interest	Total
Year ending June 30:			
2006	$ 2,500	1,444	3,944
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 – 2015	19,585	1,894	21,479
	$ 34,320	7,712	42,032

c. Parking Division

Revenue bonds outstanding at June 30, 2005 are as follows:

Series 1996 Revenue Bonds, interest rates ranging from 3.6% to 5.375%, payable in varying amounts through 2021	$ 22,595
Series 1999 Revenue Bonds, interest rates ranging from 5.75% to 7.375%, payable in varying amounts through 2021	10,135
Series 2002 Revenue Bonds, interest rates ranging from 5.50% to 7.25% payable in varying amounts through 2028	20,620
SLPCFC Series 2003A tax exempt revenue bonds interest rates variable not to exceeded 12% payable in varying amounts through 2028	6,115
SLPCFC Series 2003B taxable revenue bonds interest rates variable not to exceeded 5% payable in varying amounts through 2038	6,799
	66,264
Less:	
Current maturities	(1,492)
Unamortized discount and deferred loss on refunding	(2,528)
	$ 62,244

On November 20, 2003, the SLPCFC issued $6,730 in Series 2003A Tax Exempt Parking Revenue Bonds at a variable interest rate not to exceed 12%, and $6,882 in Series 2003B Taxable Parking Revenue Bonds at a variable interest rate not to exceed 5% for the purpose of purchasing the Cupples Garage located in downtown St. Louis. The net proceeds of the bonds were $13,127, after the deduction of $485 in underwriting fees and issuance costs. The Series 2003A and 2003B bonds are secured solely by the net revenues of the Cupples Garage, and do not constitute a general obligation of the Parking Division or of the City.

On December 23, 2004, the lease between SLPCFC and the lessor was partially terminated relative to a surface lot near the Cupples Garage. Due to the termination of the lease, the lot was sold by the lessor and transferred to a developer. Additionally, the lessor paid a mutually agreed-upon lease termination fee of $422 to the Parking Division, which is reported as miscellaneous non-operating revenue. The fee proceeds were remitted to the financial institution that had purchased the Series 2003A Bonds and were utilized to redeem $420 of the bonds maturing on June 1, 2028, plus accrued interest. These bonds were called for redemption on February 1, 2005.

On August 28, 2002, the Parking Division issued $21,005 in Subordinated Parking Revenue Bonds with interest rates ranging from 5.50% to 7.25%. The bonds consist of $17,865 in Series 2002A Subordinated Tax Exempt Parking Revenue Bonds, and $3,140 in Series 2002B Subordinated Taxable Parking Revenue Bonds. The bonds were issued for the purpose of paying the costs of acquisition and construction of two parking facilities in downtown St. Louis and redeeming the Parking Division's outstanding short-term revenue bonds payable. The net proceeds from the bonds were $19,842 (after the deduction of an original issue discount of $341 and the payment of $822 in underwriting fees and other issuance costs). The Series 2002 bonds are secured solely by the revenues from the parking garages constructed and certain other pledged Parking Division revenues, and do not constitute a general obligation of the City.

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

On December 5, 1996, the Parking Division issued $25,820 in Parking Revenue Refunding Bonds with interest rates ranging from 3.600% to 5.375% to advance refund $22,750 of outstanding Series 1992 bonds with interest rates ranging from 4.200% to 6.625%. The net proceeds of $25,250 (after payment of $570 of original issue discount) were used to pay underwriting fees, insurance, and other issuance costs, and the remaining proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 1992 bonds. As a result, the Series 1992 bonds are considered defeased and the liability for those bonds have been removed from the financial statements. At June 30, 2005, no Series 1992 Bonds remain outstanding.

(dollars in thousands)

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

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

		Principal	Interest	Total
Year ending June 30:				
2006	$	1,492	3,589	5,081
2007		1,582	3,503	5,085
2008		1,670	3,412	5,082
2009		2,051	3,305	5,356
2010		2,179	3,182	5,361
2011 – 2015		13,140	13,911	27,051
2016 – 2020		17,264	9,820	27,084
2021 – 2025		16,858	4,603	21,461
2026 – 2030		6,663	1,669	8,332
2031 – 2035		2,096	633	2,729
2036 – 2038		1,269	126	1,395
	$	66,264	47,753	114,017

18. SHORT-TERM DEBT

a. City

Short-term debt activity for the year ended June 30, 2005 was as follows:

		Balance June 30, 2004	Issued	Redeemed	Balance June 30, 2005
Tax revenue anticipation notes	$	–	47,000	(47,000)	–

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, 2005, commercial paper of $1,000 was outstanding. This commercial paper bore interest at rate of 2.52% and was due on August 16, 2005.

(dollars in thousands)

Following is a summary of the changes in commercial paper for the Airport for the year ended June 30, 2005:

	Balance June 30, 2004	Issued	Redeemed	Balance June 30, 2005
Commercial paper payable	$ 10,000	9,000	(18,000)	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. <u>Terms</u>

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	December 2003	December 2003
Underlying bond account(s)	Series 1996, Series 2002C, Series 2003B debt service	Series 1997 debt service reserve	Series 2003A debt service reserve	Series 1997A debt service reserve	Series 1997B debt service	Series 2001A debt service
Guaranteed interest rate	6.34%	6.18%	6.47%	5.332%	5.352%	5.422%
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)	$13,911	$14,970	$7,034	$2,907	$12,382	$17,050
Obligation (representing the unamortized portion of lump sum payment) recorded on the statement of fund net assets at June 30, 2005	$1,231	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	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	5.463%	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)	$1,745	$782	$3,232	$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	$396	N/A

In July 2003, Airport forward purchase agreement I was amended to replace Bond Series 1993A with Bond Series 2003B. No payment was 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. 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.

(dollars in thousands)

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, 2005, these fair values are as follows:

Agreement		Fair Value
Airport II	$	5,057
Airport III		671
Airport IV		284
Airport V		1,172
Airport VI		3,566
Airport VII		584
Airport VIII		237
Airport IX		605
Parking Division		1,182

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, 2005 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, 2005 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, 2005. Should the financial institutions fail to perform according to the terms of the agreement, the Airport, the Water Division and the Parking Division face a maximum possible loss equivalent to the agreements' fair value.

(dollars in thousands)

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, 2005, 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:	
2006	$ 1,335
2007	956
2008	775
2009	561
2010	455
2011 – 2015	2,315
2016 – 2020	972
2021 – 2025	250
2026 – 2028	138
	$ 7,757

b. The Airport has long-term use agreements and leases with signatory air carriers, which expire on December 31, 2005. The Airport and the signatory air carriers have negotiated the terms of a new 5½-year use agreement to replace the current agreement upon its expiration.

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.

(dollars in thousands)

- 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 2005, revenues from signatory air carriers accounted for 56% 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, 2005:

		Signatory	Non-signatory	Total
Airfield	$	35,569	7,219	42,788
Terminal and concourses		23,469	414	23,883
Hangars and other buildings		387	30	417
Cargo buildings		1,847	–	1,847
	$	61,272	7,663	68,935

(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:	
2006	$ 20,367
2007	15,202
2008	15,520
2009	11,544
2010	6,693
2011 – 2015	19,113
2016 – 2020	5,121
2021 – 2025	3,587
2026 – 2030	3,562
2031 – 2035	3,206
Total minimum future rentals	$ 103,915

The above amounts do not include contingent rentals that may be received under certain leases. Such contingent rentals amounted to $14,748 for the year ended June 30, 2005.

The Airport leases computer and other equipment and has service agreements under noncancelable arrangements that expire at various dates through 2008. Expenses for operating leases and service agreements were $1,207 for the year ended June 30, 2005. Future minimum payments (excluding payments for snow removal, which are not determinable) are as follows:

Year ending June 30:	
2006	$ 134
2007	96
2008	85
Total minimum future rentals	$ 315

(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:	
2006	$ 255
2007	255
2008	255
2009	255
2010	255
2011 – 2015	1,428
2016 – 2017	502
	$ 3,205

Rent expenditures, net of $422 in rents received, were $294 during the year ended June 30, 2005.

Additionally, at June 30, 2005, SLDC was committed for approximately nine 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, 2005 are as follows:

Receivable Fund	Payable Fund	Amount
General fund	Special revenue—grants fund	$ 7,532
	Other governmental nonmajor funds	110
	Enterprise:	
	Airport	1,579
	Water Division	834
	Parking Division	894
	Internal service funds	5,265
		16,214
Other governmental nonmajor funds	General fund	676
	Capital projects fund	219
	Other governmental nonmajor funds	1,085
		1,980
Internal service funds	General fund	327
	Enterprise:	
	Airport	1,599
	Water Division	1,713
	Parking Division	223
		3,862
		$ 22,056

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, 2006.

(dollars in thousands)

22. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2005 consisted of the following:

		Transfer To				
		General fund	Capital projects fund	Other Govern-mental Funds	Parking Division	Total
Transfer From	General fund	$ –	1,344	1,259	–	2,603
	Capital projects fund	1,570	–	–	–	1,570
	Other govern-mental funds	10,541	8,283	235	1,149	20,208
	Airport	5,570	–	–	–	5,570
	Water Division	2,555	–	–	–	2,555
	Parking Division	150	–	–	–	150
		$ 20,386	9,627	1,494	1,149	32,656

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, 2005, 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, 2005, no amounts had been drawn against the letter of credit by DNR. At June 30, 2005, $243 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, 2005, the City had outstanding commitments amounting to approximately $26,310, resulting primarily from service agreements.

Additionally, at June 30, 2005, the Airport had outstanding commitments amounting to approximately $118,892 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 31% of the Airport's total operating revenues and 38% of total revenues from signatory air carriers for the fiscal year ended June 30, 2005. Airport accounts receivable at June 30, 2005 contained $(27) relating to amounts owed to the Airport by American. This amount includes $(3) of unbilled aviation revenues at June 30, 2005.

1) Decision by American to Reduce Operations at the Airport

On November 1, 2003, American's activities at the Airport were reduced as follows:

- The number of daily flights offered by American was reduced from 417 to 213.
- American discontinued nonstop flights to 25 cities.
- American reduced the number of gates that it operates at the Airport.

In order to address the significant decrease in aviation activity caused by American's decision, Airport management has developed a plan comprised of the following action steps:

Action steps for the current operations include the following:

- Effective November 1, 2003, the Airport has increased the airfield-landing rate from $2.45 to $3.40 (in dollars) per thousand pounds of landed weight. Effective July 1, 2004, the Airport increased the airfield landing rate again from $3.40 to $4.07 per thousand pounds of landed weight.
- The Airport reviewed its fiscal year 2005 operations and maintenance budget and identified annual reductions totaling $7,000, consisting of eliminating 105 personnel positions ($5,000) and reductions of various non-personnel expenses ($2,000).
- The Airport reevaluated its five-year capital improvement program and deferred $90,000 of improvements originally scheduled to be made in fiscal year 2004.
- The Airport developed a marketing campaign to aggressively pursue new service from existing or new airlines. As of August 2004, the Airport has successfully secured 55 additional flights from both existing and new carriers, and obtained nine flight upgrades.

Action steps for Phase I of the Airport development program include:

- The Airport reevaluated its Phase I of the Airport Development Program, which resulted in the deferral of approximately $85,000 in expenses.
- The Airport secured increased funding totaling $85,000 with the Federal Aviation Administration in the Airport's current Letter of Intent (LOI) funding. The increased funding is comprised of $50,000 for construction, $20,000 for noise abatement, and $10,000 advanced LOI funding.

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 decline 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 $7,607 for the year ended June 30, 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 1,937 parcels to be acquired. As of August 1, 2005, 1,782 offers have been extended; of these, 1,735 offers have been accepted; of these, 1,695 real estate transactions have been closed; of these, 1,638 properties have been vacated by the sellers and are in the possession of the Airport; and of these, 1,508 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.

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, 2005.

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, 2005.

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 $17,217 at June 30, 2005, 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 $187 at June 30, 2005 relating to such matters is recorded in the self-insurance internal service fund—health.

(dollars in thousands)

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, 2005 and, for the years ended June 30, 2005, 2004, and 2003, settlements did not exceed coverage.

Changes in the self-insurance claims liability for the years ended June 30, 2005 and 2004 are as follows:

	Beginning balance	Current year claims and changes in estimates	Claim payments	Ending balance
2005	$ 15,713	19,730	(18,039)	17,404
2004	24,856	27,913	(37,056)	15,713

Additionally, there is a range of general liability claims outstanding, from $2,206 to $2,518, which the City Counselor's office has determined there is a reasonable possibility that a loss contingency may be incurred but no accrual has been made within the government-wide financial statements or fund financial statements because the loss is not both probable and estimateable.

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.

Prior to Janury 11, 2005, SLPD was covered by PFPC for certain self-insured risks (most general liability and various other claims and legal actions). Accounting for and funding of these self-insured risks was generally covered by the City. On January 11, 2005, the Court of Appeals for the State of Missouri affirmed that under Missouri State Statutes, Chapter 84, SLPD is an agency of the state. As an agency of the state, SLPD is covered by the State of Missouri's legal expense fund for most general liability and various other claims and legal actions.

SLPD has established a risk management program and retains the risk related to workers' compensation. At June 30, 2005, these liabilities amounted to $45,968 for workers' compensation. Of SLPD's total worker's compensation liability, $36,509 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 $1,092 for the year ended June 30, 2005.

(dollars in thousands)

Changes in the balances of workers' compensation claims liabilities for the years ended June 30, 2005 and 2004 are as follows:

	Beginning balance	Current year claims and changes in estimates	Claim payments	Ending balance
2005	$ 39,211	11,456	(4,699)	45,968
2004	24,778	19,849	(5,416)	39,211

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, 2005 could not be determined; however, the original issue amounts totaled approximately $1.8 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 2005, the City issued $45,000 in Tax and Revenue Anticipation Notes payable from the general fund. The notes mature on June 30, 2006 and bear interest at a rate of 4.00% per year.

b. Issuance of Justice Center Leasehold Revenue Refunding Bonds Series 2005

On August 17, 2005, the SLMFC issued Justice Center Leasehold Revenue Refunding Bonds Series 2005 in the amount of $15,485. The proceeds are being issued to refund the Justice Center Leasehold Revenue Bonds Series 2000A. The Series 2005 bonds are due in installments through February 2020.

c. Issuance of Airport Revenue Refunding Bonds Series 2005

On July 7, 2005, the Airport issued $263,695 in Series 2005 Airport Revenue Refunding bonds that, together with other Airport funds, were used to advance refund $273,955 of Series 1997A, Series 2001A, and Series 2002A revenue bonds. The Series 2005 bonds mature in installments from 2014 to 2032 and bear interest at rates varying between 4.00% and 5.50%.

d. Airport Commercial Paper

On August 16, 2005, the Airport issued $1,000 in Series 2004A Commercial Paper Notes, due November 2, 2005, at an annual interest rate of 2.75% for the purpose of financing the cost of extension, improvement, purchase, acquisition, construction, and enlargement of facilities, appurtenances, and equipment at the Airport.

e. Tax Increment Revenue Notes

Subsequent to June 30, 2005, the City issued tax increment revenue notes totaling $10,715 with interest rates ranging from 5.5% to 7.5%.

f. Rolling Stock

On September 30, 2005, the City amended its capital lease agreement to increase the capital lease by $942 in order to finance the acquisition of additional rolling stock. This portion of the capital lease is due in semi-annual installments from 2006 through 2009 with an annual interest rate of 3.90%.

g. Dissolution of SLMFC—II

On November 1, 2005, the Secretary of State for the State of Missouri issued a Certificate of Termination for the St. Louis Municipal Finance Corporation II(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.

h. SLPD Claims Liability

On August 28, 2005, Missouri legislation became effective modifying the coverage provided to the SLPD by the State for general liability and various other claims and legal actions. State of Missouri Senate Bill No. 420 provides that the State is liable annually for funding general liability claims on an equal share basis per claim with the PFPC, up to a maximum of $1,000. SLPD is covered by PFPC for most general liability and various other claims and legal actions exceeding the limitations set forth by the enacted legislation.

29. FUTURE ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, establishes accounting and financial reporting standards for impairment of capital assets and also clarifies and establishes accounting requirements for insurance recoveries. This statement will be effective for the City for the fiscal year ending June 30, 2006. Management of the City has not yet completed its assessment of the statement.

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. As part of a total compensation package, many governments offer postemployment benefit plans other than pensions such as healthcare, life insurance, and so forth. 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 statement.

GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section,* revises the requirements of the statistical section of the Comprehensive Annual Financial Report (CAFR) to provide more uniform requirements for the statistical schedules required, to indicate how the schedules apply to various types of governmental entities, and to update the schedules to address the new information required by GASB Statement No. 34. This statement will be effective for the City for the fiscal year ending June 30, 2006. Management of the City has not yet completed its assessment of the statement.

GASB Statement No. 46, *Net Assets Restricted by Legislation,* clarifies that a legally enforceable enabling legislation restriction is one that a party external to the government—such as citizens, public interest groups, or the judiciary—can compel a government to honor. This may impact the extent to which governments report net assets as restricted. This statement will be effective for the City for the fiscal year ending June 30, 2006. Management of the City has not yet completed its assessment of the statement.

GASB Statement No. 47, *Accounting for Termination Benefits*, provides accounting and reporting guidance for entities that offer benefits such as early retirement incentives or to employees who are involuntarily terminated. The statement is intended to enhance both the consistency of reporting for termination benefits and the comparability of financial statements by requiring that similar forms of termination benefits be accounted for in the same manner. This statement will be effective for the City for the fiscal year ending June 30, 2006. Management of the City has not yet completed its assessment of the statement.

APPENDIX C

DEFINITIONS OF WORDS AND TERMS

(THIS PAGE LEFT BLANK INTENTIONALLY)

DEFINITIONS OF WORDS AND TERMS

The following words are defined in the Indenture of Trust, dated as of April 1, 2002, as amended and supplemented by the First Supplemental Indenture of Trust dated as of October 1, 2006. by and between the St. Louis Municipal Finance Corporation and UMB Bank, N.A., St. Louis, Missouri, as Trustee:

"**Additional Bonds**" means any additional Bonds, including refunding bonds, issued by the Corporation pursuant to the Indenture.

"**Additional Rentals**" means the payments payable by the City pursuant to the Lease Agreement.

"**Annual Debt Service**" means the total principal and interest due on the Bonds for any Fiscal Year.

"**Authorized Denominations**" means Five Thousand Dollars ($5,000) or any integral multiple thereof.

"**Base Lease**" means the Base Lease between the City and the Corporation, dated as of April 1, 2002, as from time to time supplemented or amended in accordance with the Indenture.

"**Base Lease Rent**" means the items referred to as such in the Base Lease.

"**Base Lease Term**" means the term of the Base Lease commencing as of the date of the delivery of the Base Lease and ending on the date specified in the Base Lease.

"**Board of Aldermen**" means the Board of Aldermen of the City.

"**Bond**", "**Bonds**" or "**Series of Bonds**" means any bond or bonds, including Additional Bonds, authenticated and delivered under and pursuant to the Indenture.

"**Bond Counsel**" means an attorney or firm of attorneys with nationally recognized standing in the field of municipal bond financing approved by the Corporation and the City.

"**Bond Fund**" means the Leasehold Revenue Bonds Bond Fund created in the Indenture.

"**Bond Insurance Policy**" means the municipal bond new issue insurance policy issued by the Credit Provider that guarantees payment of principal of and interest on the Bonds.

"**Bond Register**" means the register and all accompanying records kept by the Bond Registrar evidencing the registration, transfer and exchange of Bonds.

"**Bond Registrar**" means the Trustee when acting in such capacity under the Indenture.

"**Bondholder**", "**Holder**" or "**Registered Owner**" means the registered owner of any Bond as recorded on the Bond Register.

"**Business Day**" means any day except Saturday, Sunday, a legal holiday, or a day on which banking institutions located in the States of Missouri and New York are authorized by law to close.

"**Carnahan Courthouse**" means the former federal courthouse building located at 1100-1114 Market Street, St. Louis, Missouri, and the acquisition, construction, renovation, equipping and installing of furnishings and equipment thereof, and any Improvements thereto, acquired, constructed, renovated, furnished, equipped and installed as part of the Project as described in Schedule I to the Lease Agreement, the Property and any other real or personal property hereafter acquired by the Corporation and leased by the Corporation to the City pursuant to any Supplemental Lease Agreement.

"**Cede & Co.**" means Cede & Co., as nominee of the Depository Trust Company, New York, New York, and any successor nominee of the Depository with respect to the Bonds.

"**City**" means the City of St. Louis, Missouri, a municipal corporation and political subdivision organized and existing under its Charter and the constitution and laws of the State of Missouri.

"**City Representative**" means the person or persons at the time designated to act on behalf of the City in matters not requiring legislative authorization relating to the Base Lease, the Lease Agreement and the Indenture as evidenced by a written certificate furnished to the Corporation and the Trustee containing the specimen signature of such person or persons and signed on behalf of the City by its Mayor and its Comptroller. For the purpose of investing the Bond proceeds the authorized City Representative shall be the Treasurer or his designee. Such certificate may designate an alternate or alternates each of whom shall be entitled to perform all duties of the City Representative.

"**Closing Date**" means the date of delivery of and payment for any Series of Bonds.

"**Code**" means the Internal Revenue Code of 1986, as amended, and the applicable regulations there under.

"**Collateral**" or "**collateral**" as used in the definition of Permitted Investments means the obligation described in subparagraphs (1) and (2) of the definition of Permitted Investments.

"**Completion Date**" means the date of completion of the Project, as that date is certified as provided in the Lease Agreement and the Indenture.

"**Comptroller**" means the designated representative of the office of the Comptroller, which supervises the fiscal affairs of the City.

"**Construction Contracts**" means the contracts for the construction of the Project, by and between the City and Construction Contractors.

"**Construction Contractors**" means, collectively, the contractors who enter into Construction Contracts for the construction of all or any part of the Project.

"**Construction Costs**" means all reasonable and necessary expenses incidental to the acquisition of real and personal property, construction, renovation, equipping and installing of furnishings and equipment for the Carnahan Courthouse or any part thereof including without limitation architectural, engineering, legal, financial, administrative and accounting services relating thereto, the cost of all machinery, fixtures and equipment necessary or desirable in connection with the Project, costs as may be necessary or incidental to the Project and any and all other costs which in the opinion of Bond Counsel constitute construction expenditures within the meaning of Section 148(f)(4)(B)(i)(b) of the Code.

"**Corporation**" means the St. Louis Municipal Finance Corporation, a corporation organized under the Missouri Nonprofit Corporation Act, and its successors and assigns and any surviving, resulting or transferee corporation as provided in the Lease Agreement.

"**Corporation Representative**" means the person or persons at the time designated to act on behalf of the Corporation in matters relating to the Base Lease, the Lease Agreement and the Indenture as evidenced by a written certificate furnished to the City and the Trustee containing the specimen signature of such person or persons and signed on behalf of the Corporation by its President or any Vice President. Such certificate may designate an alternate or alternates, each of whom shall be entitled to perform all duties of the Corporation Representative.

"**Cost**" or "**Costs**" means all Construction Costs, and all reasonable and necessary expenses of or incidental to the Project directly or indirectly payable or reimbursable by the Corporation and costs reasonable and necessary and related to the authorization, sale and issuance of Bonds with respect to the Project, including but not limited to, legal, organizational, marketing or other special services; capitalized interest, financial or underwriting fees and expenses and any other fees and expenses incurred including the costs of Credit Enhancement, if any; filing and recording fees; initial fees and charges of the Trustee; expenses of feasibility studies; title insurance policies and all other reasonable, necessary and incidental expenses, provided, that, any legal fees of the Corporation with respect to the Bonds shall be as pre-approved by the Comptroller.

"**Costs of Issuance Fund**" means the Leasehold Revenue Bonds Costs of Issuance Fund created by the Indenture.

"**Counsel**" means an attorney duly admitted to practice law before the highest court of any state and, without limitation, may include legal counsel for either the City or the Corporation.

"**Credit Enhancement**" means a letter of credit, surety bond or municipal bond new issue insurance policy or policies, if any, issued by the Credit Provider guaranteeing, providing for or insuring the payment when due of the principal of, and the interest on, one or more series of Bonds as provided therein.

"**Credit Provider**" means, Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company, or any successor thereto.

"**Dated Date**" means the Dated Date on any series of Bonds as set forth in any supplemental indenture related to such series of Bonds. The Dated Date with respect to the Series 2006A Bonds is expected to be October 4, 2006.

"**Debt Service Reserve Fund**" means the Leasehold Revenue Bonds Debt Service Reserve Fund created in the Indenture.

"**Debt Service Reserve Fund Deposits**" means with respect to any Series of Bonds the deposits into the Debt Service Reserve Fund, if any, required by the Supplemental Indenture authorizing such Series of Bonds.

"**Debt Service Reserve Fund Requirement**" means the least of (a) the maximum Annual Debt Service on the Bonds Outstanding on the Dated Date, (b) 10% of the original proceeds of each Series of Bonds or (c) 125% of the average Annual Debt Service requirements on the Bonds; provided that for purposes of calculating Annual Debt Service, Annual Debt Service for the last annual period shall mean Net Debt Service. The Debt Service Reserve Fund Requirement may be satisfied by Debt Service Reserve Fund Deposits in cash or in partial substitution or in lieu of cash by an insurance policy, letter of credit, line of credit or surety bond or similar liquidity or credit facility guaranteeing payments into the Debt Service Reserve Fund in the amount of the Debt Service Reserve Fund Requirement which facility shall be issued by an entity that is rated in one of the two highest rating categories by any rating agency which rates such facility.

"**Defeasance Obligations**" means

1. Cash (insured at all times by the Federal Deposit Insurance Corporation),

2. Obligations of, or obligations guaranteed as to principal and interest by the United States of America or any agency or instrumentality thereof, when such obligations are backed by the full faith and credited of the United States of America, including:

U.S. treasury obligations
All direct or fully guaranteed obligations
Farmers Home Administration
General Services Administration
Guaranteed Title XI financing
Government National Mortgage Association (GNMA)
State and Local Government Series.

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the Bonds (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call.

"**Depository**" or "**DTC**" means Depository Trust Company, New York, New York, a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, and its successors and assigns.

"**Escrow Fund**" means the fund by that name created pursuant to the Escrow Agreement.

"**Escrow Agreement**" means the Escrow Trust Agreement, among the City, the Corporation and UMB Bank, N.A., as Escrow Agent, dated as of the October 1, 2006.

"**First Supplemental Lease Agreement**" means the First Supplemental Lease Purchase Agreement by and between the Corporation and the City, dated as of October 1, 2006.

"**Event of Default**" means (a) with respect to the Lease Agreement any Event of Default as defined in the Lease Agreement, and (b) with respect to the Indenture any Event of Default as defined in the Indenture.

"**Event of Non-Appropriation**" means the failure of the City to appropriate sufficient funds for the payment of Rentals and Additional Rentals for the succeeding Fiscal Year.

"**Fiscal Year**" means the fiscal year now or hereafter adopted by the Corporation and, with respect to the City, its fiscal year currently beginning on July 1 of each calendar year.

"**Fitch**" shall mean Fitch Ratings, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Fitch shall mean any other nationally recognized securities rating agency designated by the Corporation, with the approval of the City, by notice to the Trustee and the City.

"**Full Replacement Value**" means the actual replacement cost of any component of the Carnahan Courthouse, exclusive of land, excavations, footings, foundations and parking lots, but in no event shall such value be less than the principal amount of the Bonds at the time Outstanding.

"**Global Bond Certificates**" means one or more bond certificates of the Corporation, each certificate representing the entire principal amount of the Bonds due on a particular Stated Maturity, immobilized from general circulation in the Depository.

"**Impositions**" means those taxes, assessments and other impositions defined in the Lease Agreement.

"**Improvements**" means the improvements, fixtures and equipment constituting a part of the Carnahan Courthouse now or hereafter attached and all replacements thereto.

"**Indenture**" means the Original Indenture as amended and supplemented by the First Supplemental Indenture, as may be further amended and supplemented pursuant to the Original Indenture.

"**Insurance Trustee**" means The Bank of New York, New York, New York, or any successor duly appointed by the Credit Provider.

"**Interest Payment Date**" shall mean February 15 and August 15 of each year, beginning August 15, 2002, as long as the Bonds remain Outstanding.

"**Lease Agreement**" means the Lease Purchase Agreement between the Corporation and the City, dated as of April 1, 2002, as amended and supplemented by the First Supplemental Lease Agreement and as may be further amended from time to time.

"**Maturity**" means, with respect to any Bond, the date on which the principal of such Bond becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration or acceleration or call for redemption or otherwise.

"**Mayor**" means the designated representative of the office of the Mayor, which is the chief elected official of the City.

"**Moody's**" shall mean Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Moody's shall mean any other nationally recognized securities rating agency designated by the Corporation, with the approval of the City, by notice to the Trustee and the City.

"**Net Debt Service**" means the greater of (a) Annual Debt Service on the Bonds minus the Debt Service Reserve Fund Requirement or (b) zero.

"**Opinion of Bond Counsel**" means a written opinion of any legal counsel acceptable to the Corporation, the City and the trustee who shall be nationally recognized as expert in matters pertaining to the validity of obligations of governmental issuers and the exemption form federal income taxation of interest on such obligations.

"**Opinion of Counsel**" means a written opinion of any legal counsel acceptable to the Corporation and the Trustee and, to the extent the City is asked to take action in reliance thereon, the City, who may be an employee of or counsel to the Corporation or the City.

"**Ordinance**" means Ordinance No. 67094 of the City enacted on May 25, 2006, which authorizes, among other things, the issuance, sale and delivery of the Series 2006A Bonds, in accordance with the Indenture, and any amendments or supplements thereto.

"**Outstanding**" means, when used with reference to Bonds, as of a particular date, all Bonds theretofore authenticated and delivered, except:

(a) Bonds theretofore canceled by the Trustee or delivered to the Trustee for canceling;

(b) Bonds which are deemed paid under the Indenture;

(c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to the Indenture; and

(d) Bonds held by or for the account of the Corporation, the City or any person controlling, controlled by or under common control with either of them for purposes of any consent or other action to be taken by the holders of a specified percentage of Bonds outstanding under the Indenture, the Base Lease or the Lease Agreement.

"**Participants**" means those financial institutions for whom the Depository effects book-entry transfers and pledges of securities deposited with the Depository.

"**Paying Agent**" means the Trustee when acting in such capacity under the Indenture.

"**Permitted Encumbrances**" means:

(a) a Lease Agreement, dated as of May 1, 2001, between the City and General Services Administration; a Lease Agreement dated February 24, 2000, between the City and Lions Business Opportunities for Missouri Blind, Inc., and such easements, encumbrances and restrictions as are identified in Schedule B of the title company's commitment for title insurance effective on the date on which the City acquired title to the Property;

(b) any financing statements relating to the Indenture, the Base Lease or the Lease Agreement;

(c) Impositions which are not then delinquent, or if then delinquent, are being contested in accordance with the Lease Agreement;

(d) utility, access and other easements and rights-of-way, restrictions and exceptions, including operating agreements or leases, which will not interfere with or impair any of which may be necessary to the operation of the Carnahan Courthouse (or, if it is not being operated, the operation for which it was designed or last modified);

(e) any mechanic's, laborer's, materialman's, supplier's or vendor's lien or rights in respect thereof if payment is not yet due under the contract in question or if such lien is being contested in accordance with the Lease Agreement;

(f) such minor defects and irregularities of title as normally exist with respect to properties similar in character to the Property and which the Corporation certifies do not materially adversely affect the value of the Carnahan Courthouse or impair the Property affected thereby for the purpose for which it was acquired or is held by the Corporation;

(g) zoning laws and similar restrictions which are not violated by the Carnahan Courthouse;

(h) the Base Lease; and

(i) the Lease Agreement.

"**Permitted Investments**" means

(1) Defeasance Obligations;

(2) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

(a) Export-Import Bank;
(b) Rural Economic Community Development Administration;
(c) U.S. Maritime Administration;
(d) Small Business Administration;
(e) U.S. Department of Housing & Urban Development (PHAs);
(f) Federal Housing Administration; and
(g) Federal Financing Bank;

(3) Direct obligations of the following federal agencies which are not fully guaranteed by the faith and credit of the United States of America:

(a) Senior debt obligations of the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC);
(b) Obligations of the Resolution Funding Corporation (REFCORP);
(c) Senior debt obligations of the Federal Home Loan Bank System; and
(d) Senior debt obligations of other Government Sponsored Agencies approved by the Credit Provider;

(4) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P, and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(5) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;

(6) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;

(7) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local government unit of any such state which are not callable at the option of the obligator prior to maturity or as to which irrevocable instructions have been given by the obligor prior to maturity or as to which irrevocable instruction have been given by the obligor to call on the date specified in the notice; and

(a) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or

(b) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or Defeasance Obligations, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instruction, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations describe din this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(8) Municipal Obligations rated "Aaa/AAA" or general obligations of states with a rating of "A2/A" or higher by both Moody's and S&P;

(9) Investment Agreements approved in writing by the Credit Provider (supported by appropriate opinions of counsel);

(10) Other forms of investments (including repurchase agreements approved in writing by the Credit Provider;

(11) Forward delivery agreements in which the securities delivered mature on or before each interest payment date (for debt service or debt services reserve funds) or draw down date (construction funds) that meet the following criteria:

(a) A specific written investment agreement governs the transaction.

(b) Acceptable providers shall be limited to (i) any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated A2/P-1 or better by Moody's and A-/A-1 or better by S&P; (ii) any commercial bank insured by the FDIC, if such bank has an uninsured, unsecured, and unguaranteed obligation rated A2/P-1 or better by Moody's and A-/A-1 or better by S&P; and (iii) domestic structured investment companies approved by the Credit Provider and rated Aaa by Moody's and AAA by S&P.

(c) The forward delivery agreement shall provide for termination or assignment (to a qualified provider hereunder) of the agreement if the provider's ratings are suspended, withdrawn or fall below A2 or P-1 from Moody's or A- or A-1 from S&P. Within ten (10) days, the provider shall fulfill any obligations it may have with respect to shortfalls in market value. There shall be no breakage fee payable to the provider in such event.

(d) Permitted securities shall include the investments listed in 1, 2 and 3 above.

(e) The forward delivery agreement shall include the following provisions:

(i) The permitted securities must mature on or before a debt service payment date or schedule draw. The maturity amount of the permitted securities must equal or exceed the amount required to be in the applicable fund on the applicable valuation date;

(ii) The agreement shall include market standard termination provisions, including the right to terminate for the provider's failure to deliver qualifying securities or otherwise to perform under the agreement. There shall be no breakage fee or penalty payable to the provider in such event;

(iii) Any breakage fees shall be payable only on debt service payment dates and shall be subordinated to the payment of debt service and debt service reserve fund replenishments;

(iv) The provider must submit at closing a bankruptcy opinion to the effect that any bankruptcy, insolvency or receivership of the provider, the securities will not be considered to be apart of the provider's estate, and otherwise acceptable to the Credit Provider; and

(v) The agreement may not be assigned (except to a provider that would otherwise be acceptable under these guidelines) or amended without the prior written consent of the Credit Provider; and

(12) Forward delivery agreements in which the securities delivered mature after the funds may be required but provided for the right of the Corporation or the Trustee to put the securities back to the provider under a put, guaranty or other hedging arrangement, only with the prior written consent of the Credit Provider.

"**Plans and Specifications**" means the Plans and Specifications for the Carnahan Courthouse and any amendments, additions or change orders thereto.

"**Principal Payment Date**" means, with respect to the Series 2006A Bonds, February 15 of each year, beginning February 15, 2007, as long as any Series 2006A Bonds remain Outstanding.

"**Project Fund**" means the Leasehold Revenue Bonds Project Fund created in the Indenture.

"**Project**" means the acquisition of real and personal property, and the construction, renovation, equipping and installing of furnishings and equipment for the Carnahan Courthouse.

"**Property**" means the real property described in Schedule I to the Lease Agreement and situated in the City including all streets and roads adjoining thereto and all easements and tights of way now or hereafter used in connection therewith together with all land lying in the bed of any street or road, open or proposed, in front of or adjourning such site to the center line thereof now or hereafter used in connection with such site.

"**Rebate Fund**" means the Leasehold Revenue Bonds Rebate Fund established in the Indenture.

"**Record Date**" means, with respect to any Interest Payment Date, the first day (whether or not a Business Day) of the calendar month in which such Interest Payment Date occurs.

"**Redemption Date**", when used with respect to any Bond to be redeemed, means the date fixed for redemption pursuant to the Indenture.

"**Redemption Notice Information**" means information in a written and dated notice from the Trustee which (i) identifies the Bonds to be redeemed by the name of the issue (including the name of the issuer and any series designation), CUSIP number, if any, Dated Date, interest rate, Stated Maturities and any other descriptive information the Trustee deems desirable to accurately identify the Bonds to be redeemed and, if only a portion of the Bonds will be redeemed, the certificate numbers and the principal amount of the Bonds to be redeemed, (ii) identifies the date on which the notice is published and the Redemption Date, (iii) states the price at which the Bonds will be redeemed, (iv) states that interest on the Bonds or the portions of Bonds called for redemption will stop accruing from the Redemption Date if funds sufficient for their redemption and available for that purpose are on deposit with the Trustee on the Redemption Date, (v) states that payment for the Bonds will be made on the Redemption Date at the principal corporate trust office of the Trustee during normal business hours upon the surrender of the Bonds to be redeemed in whole or in part and (vi) identifies by name and telephone number a representative of the Trustee who may be contacted for additional information.

"**Refunded Bonds**" means the Series 2002A Bonds.

"Refunding Bonds" means bonds issues to refund any Series of Bonds or portion thereof then Outstanding.

"**Rentals**" or "**Rent**" means those payments required to be made by the City pursuant to the Lease Agreement.

"**Replacement Bonds**" means the Bonds authenticated and delivered by the Bond Registrar pursuant to the Indenture.

"**Resolution**" means the Resolution adopted by the Board of Directors of the Corporation on March 1, 2002, authorizing, among other things, the issuance, sale and delivery of Carnahan Courthouse Leasehold Revenue Bonds Series 2002A (City of St. Louis, Missouri, Lessee) and the execution of certain documents related thereto in accordance with the Indenture and any amendments or supplements thereto and any other resolution providing for the issuance of a Series of Bonds hereunder.

"**S&P**" means Standard & Poor's Ratings Service, a division of the McGraw-Hill Companies, a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall mean any other nationally recognized securities rating agency designated by the Corporation, with the approval of the City, by notice to the Trustee and the City.

"**Series**" means all of the Bonds delivered on original issuances in a simultaneous transaction and identified pursuant to the Indenture or pursuant to a supplemental Indenture authorizing the issuance of such Bonds as a separate Series, and any Bonds thereafter delivered in lieu of or in substitution for such Bonds pursuant to the Indenture, regardless of variations in maturity, interest rate, or other provisions. If a Series of Bonds is sold in installments, Series shall mean all of the Bonds of such installment.

"**Series 2002A Bonds**" means the St. Louis Municipal Finance Corporation Carnahan Courthouse Leasehold Revenue Bonds, Series 2002A, authorized by the Indenture.

"**Series 2006A Bond Insurance Policy**" shall mean the bond insurance policy issued by the Credit Provider insuring the payment when due of the principal of and interest on the Series 2006A Bonds as provided therein.

"**State**" means the State of Missouri.

“**Stated Maturity**” means, when used with respect to any Bond, the date specified in the Indenture or in any Supplemental Indenture authorizing Additional Bonds as the fixed date on which the principal of such Bond is due and payable.

“**Supplemental Base Lease**” means any lease supplemental or amendatory to the Base Lease entered into by the City and the Corporation pursuant to the Base Lease.

“**Supplemental Indenture**” means any indenture supplemental or amendatory to the Indenture entered into by the Corporation and the Trustee pursuant to the Indenture.

“**Supplemental Lease Agreement**” means any lease purchase agreement supplemental or amendatory to the Lease Agreement entered into by the Corporation and the City pursuant to the Lease Agreement and the Indenture.

“**Tax Compliance Agreement**” means the Tax Compliance Agreement by and among the City, the Corporation and the Trustee in connection with the issuance of the Series 2006A Bonds.

“Tax Certificate” means the Tax Certificate as to Arbitrage and the provisions of Sections 141-150 of the Internal Revenue Code of 1986, executed by the City in connecting with the issuance of the Series 2002A Bonds to evidence compliance with the provisions of Sections 141 through 150 of the Code.

“**Term**” or “**Lease Term**” means the term of the Lease Agreement beginning as of April 1, 2002, and ending (i) the last day of the then current Fiscal Year of the City during which there occurs an Event of Non-Appropriation with respect to the City; (ii) the date on which there occurs an Event of Default with respect to the City under the Lease Agreement if the Corporation or the Trustee elects such remedy pursuant to the Lease Agreement (iii) the date upon which all Rentals and Additional Rentals, as the case may be, required under the Lease Agreement shall be paid by the City or (iv) upon the discharge of the Indenture as provided in the Indenture.

“**Treasurer**” means the Treasurer of the City.

“**Trust Estate**” means the Trust Estate described in the Granting Clauses of the Indenture.

“**Trustee**” means UMB Bank, N.A., St. Louis, Missouri, as trustee under the Indenture and any successors or assigns.

“**United States Government Obligations**” means bonds, notes, certificates of indebtedness, treasury bills, or other securities constituting direct obligations of the United States of America or obligations the payment of the principal of and interest of which are fully and unconditionally guaranteed by the United States of America.

“**Value”** of Permitted Investments shall be determined as follows:

(a) For the purpose determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include by are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Citigroup Global Markets, Inc. Bear Stearns, or Lehman Brothers;

(b) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest thereon; and

(c) as to any investment not specified above: the value thereof established by prior agreement between the Corporation, the Trustee and the Credit Provider.

"**Written Request**" with reference to the Corporation means a request in writing signed by the Corporation Representative and with reference to the City means a request in writing signed by the City Representative, or any other officers designated by the Corporation or the City, as the case may be, to sign such Written Request.

APPENDIX D

SUMMARY OF LEGAL DOCUMENTS

(THIS PAGE LEFT BLANK INTENTIONALLY)

SUMMARY OF LEASE AGREEMENT

The following is a summary of certain provisions of the Lease Agreement, dated as of April 1, 2002, as amended and supplemented by the First Supplemental Lease Purchase Agreement, dated as of October 1, 2006, by and between the Corporation and the City, (the "Lease Agreement"). Pursuant to the terms of the Base Lease, dated as of April 1, 2002, by and between the City and the Corporation, the City leased to the Corporation certain real estate located in the City, including the buildings, structures and improvements thereon (the "Carnahan Courthouse"). Pursuant to the Lease Agreement, the Corporation leased to the City the Carnahan Courthouse, with the proceeds of the Bonds, and upon its acquisition, the City will pay, subject to annual appropriations, Rentals at such times and in amounts equal to the payment of the principal of, premium, if any, and interest on the Bonds. This summary does not purport to be complete or comprehensive, and this summary is qualified in its entirety by reference to the Lease Agreement, a copy of which is available from the Corporation.

Provisions for Payment

Rentals. The City, subject to annual appropriation, will pay the amounts required by the Lease Agreement. The Rentals made by the City under the Lease Agreement will be sufficient to pay the principal of, premium, if any, and interest on the Bonds until the principal of, premium, if any, and interest on the Bonds will have been fully paid. The City will pay to the Trustee, in funds which will be immediately available not less than five (5) Business Days before the date any payment is due, as Rentals in respect of the Project, amounts which correspond to the payments in respect of the principal of, premium, if any, and interest on the Bonds whenever and in whatever manner the same become due, whether at Stated Maturity, upon redemption or acceleration or otherwise.

In the Lease Agreement, the City covenants that it will pay Rentals at such times and in such amounts as to assure that no default in the payment of principal of, premium, if any, or interest on the Bonds will at any time occur. If the balance in the Bond Fund (not subject to the lien of the Trustee for fees and expenses) is less than the sum then required to be on deposit therein in order to pay the principal of, premium, if any, and interest then payable on the Bonds in accordance with the provisions of the Lease Agreement, the City will pay as Rentals any such deficiency to the Trustee for deposit in the Bond Fund in immediately available funds. Any amount at any time held by the Trustee in the Bond Fund (not subject to the lien of the Trustee under the Indenture) for the payment of the principal of, premium, if any, and interest on the Bonds will, at the election of the City, be credited against the Rentals next required to be paid by the City, to the extent such an amount is in excess of the amount required for payment of (i) any Bonds theretofore matured or called for redemption plus (ii) past due interest, in all cases where such Bonds or interest checks have not been presented for payment; and provided, further, that if the amount held by the Trustee in the Bond Fund (not subject to the lien of the Trustee under the Indenture) is sufficient to pay at the times required by the principal of, premium, if any, and interest on all of the Bonds then remaining unpaid, the City will not be obligated to pay Rentals.

The City covenants and agrees to make the Rentals to the Trustee at its principal payment office for the account of the Corporation during the Lease Term on or before 11:00 a.m., Trustee's local time, in the appropriate amount, and on the dates specified in the Lease Agreement. All Rentals shall be deposited by the Trustee in accordance with the provisions of the Indenture, and shall be used and applied by the Trustee in the manner and for the purpose set forth in the Indenture.

Additional Rentals. The City shall pay or cause to be paid, subject to the annual appropriation, the following as Additional Rentals:

(a) Fees, charges and expenses of the Trustee under the Indenture;

(b) Impositions;

(c) Such further sums of money, in cash, as may be required from time to time to the extent that adequate funds are not available to pay all principal of and all interest, and any redemption premium accruing on the Bonds, as the same become due and payable;

(d) All costs incident to the payment of principal of and interest on the Bonds, as the same shall become due and payable, including all costs, premiums and expenses in connection with the call, redemption and payment of all Outstanding Bonds which amounts shall be deposited in the Bond Fund;

(e) The payments, if any, which the City is required to deposit into the Debt Service Reserve Fund in accordance with the procedure set forth in the Indenture;

(f) All reasonable expenses and advances incurred or made in connection with the enforcement of any rights under the Lease Agreement or the Indenture by the Corporation or the Trustee and any reasonable expenses incurred by the Corporation to enable it to comply with the provisions of the Base Lease, the Lease Agreement or the Indenture;

(g) All reasonable fees and expenses of a Credit Provider, if any, for the provision of any Credit Enhancement, including any reimbursements and any amounts owing under any Credit Agreement;

(h) All reasonable and necessary fees and expenses the Corporation incurred in connection with the Bonds or the establishment and maintenance of the Corporation's status as a Missouri non-profit corporation or a qualified 501(c)(3) corporation; and

(i) All amounts required to be rebated to the United States as provided in the Indenture.

Term of Lease Agreement

The term of the Lease Agreement commenced as of April 1, 2002, and shall terminate on the earliest of the occurrence of any of the following events: (i) the last day of the then current Fiscal Year of the City during which there occurs an Event of Non-Appropriation with respect to the City; (ii) the date on which there occurs an Event of Default by the City under the Lease Agreement if the Corporation or the Trustee elects such remedy pursuant to the Lease Agreement; (iii) the date on which all Rentals and Additional Rentals, as the case may be, required to be paid under the Lease Agreement shall be paid by the City; or (iv) the date of discharge of the Indenture as provided in the Indenture. The Lease Agreement provides that the City will give notice to the Corporation with a copy to the Trustee as early as practicable in each Fiscal Year and in any case no later than three (3) Business Days following the date on which the budget of the next succeeding Fiscal Year is finally approved by the Board of Aldermen of the City of either (i) the termination of the Lease Agreement or (ii) that sufficient funds have been budgeted and appropriated to make all payments of Rentals and Additional Rentals due under the Lease Agreement during the next succeeding Fiscal Year. Notice that sufficient funds have been appropriated for the next succeeding Fiscal

Year shall be accompanied by evidence satisfactory to the Corporation that sufficient funds have been budgeted and appropriated to make all Rentals for the Fiscal Year to which such notice pertains and to make such payments of Additional Rentals as shall be required during the next Fiscal Year by the terms of the Lease Agreement.

SHOULD THE CITY GIVE A NOTICE OF TERMINATION, THE CITY'S RIGHT TO USE THE CARNAHAN COURTHOUSE UNDER THE LEASE AGREEMENT SHALL TERMINATE WITHOUT PENALTY ON THE LAST DAY OF THE THEN CURRENT FISCAL YEAR. ALL OTHER TERMS OF THE LEASE AGREEMENT AND THE INDENTURE, HOWEVER, INCLUDING THE CITY'S RIGHT TO PURCHASE THE CARNAHAN COURTHOUSE AND THE TRUSTEE'S OBLIGATIONS TO THE BONDHOLDERS AND RIGHT TO RECEIVE AND DISBURSE FUNDS SHALL CONTINUE UNTIL THE LIEN OF THE INDENTURE IS DISCHARGED. ALL OBLIGATIONS OF THE CITY TO PAY ANY AMOUNTS TO THE HOLDERS AND TO THE TRUSTEE HEREUNDER SHALL THEREAFTER BE SATISFIED ONLY AS PROVIDED IN THE INDENTURE AND, WITH RESPECT TO AN EVENT OF NON-APPROPRIATION PRIOR TO SUCH EXPIRATION OR TERMINATION AS PROVIDED IN THE LEASE AGREEMENT, ARE PAYABLE PRIOR TO THE TERMINATION OF THE LEASE AGREEMENT. THE TERMINATION OR EXPIRATION OF THE TERM OF THE LEASE AGREEMENT, OF ITSELF, SHALL NOT DISCHARGE THE LIEN OF THE INDENTURE.

Subject to the following two paragraphs, the payment obligations of the City under the Lease Agreement are absolute and unconditional, free of deductions and without abatement, offset, recoupment, diminution or setoff whatsoever, and shall be sufficient to provide all funds required for debt service on the Bonds, funding of the Debt Service Reserve Fund, and all other amounts required under the Indenture.

Nothing in the Lease Agreement shall be construed as requiring the Board of Aldermen to appropriate any money to pay any Rentals or Additional Rentals. If the City fails to pay any Rentals or Additional Rentals which are due, the City is required upon the request of the Trustee or the Corporation to immediately quit and vacate the Carnahan Courthouse, and the Rentals and Additional Rentals (except for payments which have been theretofore appropriated and then available for such purpose) will thereupon cease, and the City will not be obligated to pay any Rentals or Additional Rentals to the Corporation under the Lease Agreement. If the City fails to pay any required Rentals or Additional Rentals, the Trustee may bring legal action to evict the City from the Carnahan Courthouse.

The Rentals and Additional Rentals constitute current expenses of the City and the City's obligations under the Lease Agreement are from year to year, and do not constitute a mandatory payment obligation of the City in any ensuing Fiscal Year beyond the current Fiscal Year. No provision of the Lease Agreement is to be construed or interpreted as creating a general obligation or other indebtedness of the City or any agency or instrumentality of the City within the meaning of any constitutional or statutory debt limitation.

The City covenants and agrees in the Lease Agreement that the City's Budget Director, or any other officer at any time charged with responsibility of formulating budget proposals, is directed to include in the budget proposals submitted to the Board of Estimate and Apportionment, and to the extent permitted by law, to the Board of Aldermen of the City, in any year during the Lease Agreement term, a request or requests for the Rentals and a reasonable estimate of Additional Rentals. Requests for appropriations will be made in each Fiscal Year so that the City's Rentals and a reasonable estimate of Additional Rentals to be paid during the succeeding Fiscal Year will be available for such purposes. It is the intention of the City that the decision to appropriate the City's Rentals and Additional Rentals to provide financing for the Project pursuant to the Lease Agreement will be made solely by the Board of Aldermen and not by any other official of the City except subject to the power of the Mayor of the City to approve or disapprove ordinances. The City presently expects, in each Fiscal Year of the City during the Lease Agreement term, to appropriate funds to provide financing for the Project in an amount sufficient to pay principal of, interest on and redemption premium, if any, on the Bonds. Upon such appropriation, the Rentals and reasonably estimated Additional Rentals will be available for such Fiscal Year to be drawn upon to make payments pursuant to the terms of the Lease Agreement after the budget is adopted and in no event later than July 1 of each year.

The City shall give notice to the Corporation with a copy to the Trustee as early as practicable in each Fiscal Year and in any case no later than three (3) Business Days following the date on which the budget for the next succeeding Fiscal Year is finally approved by the Board of Aldermen of the City of either (i) the termination of the Lease Agreement or (ii) that sufficient funds have been budgeted and appropriated to make all payments of Rentals and Additional Rentals during the next succeeding Fiscal Year. Notice that sufficient funds have been appropriated for the next succeeding Fiscal Year shall be accompanied by evidence satisfactory to the Corporation that sufficient funds have been budgeted and appropriated to make all Rentals for the Fiscal Year to which such notice pertains and to make such payments of Additional Rentals as shall be required during such Fiscal Year by the terms of the Lease Agreement. If the Trustee does not receive notice by the last day of any Fiscal Year that an appropriation has been made for the next succeeding Fiscal Year, the Trustee shall request that the City confirm in writing the fact that such appropriation has been made. If notice of termination has been duly given, all of the City's right, title, interest and obligations under the Lease Agreement shall terminate without penalty on the last day of the then current Fiscal Year. Failure of the City to budget and appropriate on or before June 30 of each year funds in the minimum amount equal to the Rentals and a reasonable estimate of Additional Rentals due during such Fiscal Year, shall constitute termination of the Lease Agreement at the end of the Fiscal Year then in effect, and failure to give notice to the Corporation of such termination as heretofore provided shall not affect such automatic termination.

The City intends, subject to the provisions described above with respect to the failure of the City to budget or appropriate funds to pay the Rentals and a reasonable estimate of Additional Rentals, to continue the Lease Agreement term, and to pay the Rentals and Additional Rentals under the Lease Agreement. The City states in the Lease Agreement that it reasonably believes legally available funds in an amount sufficient to pay all Rentals and Additional Rentals during the Lease Agreement term can be obtained.

City's Option To Purchase Corporation's Interest

The City has the option to purchase the Corporation's leasehold interest in the Carnahan Courthouse and to terminate the Base Lease and the Lease Agreement at any time during the Base Lease Term (subject to the requirements of the provisions of the Lease Agreement) upon payment of the principal, interest and redemption premium, if any, on the Bonds or providing funds for the Corporation to make provision for their payment pursuant to the Indenture and the payment of all Additional Rentals. Except as otherwise provided in the Lease Agreement, the City will give at least sixty (60) days written notice to the Corporation and to the Trustee of its intent to exercise the option and so terminate the Lease Agreement. Payment of the Rentals and Additional Rentals constitutes exercise of the option granted in the Lease Agreement without further action by the City. The City also has the option to purchase the Corporation's leasehold interest in the Carnahan Courthouse under the Base Lease and to terminate the Lease Agreement if it receives notice of an Event of Default pursuant to the Indenture and upon payment of the Bonds or providing funds for the Corporation to make provision for their payment pursuant to the Indenture and the payment of all Additional Rentals. The City must give notice of its intent to exercise this option to the Corporation and the Trustee not later than ninety (90) days after receipt of notice of any such Event of Default.

Property Insurance

The City shall maintain an insurance policy on (or with the consent of the Credit Provider, self-insure) the Carnahan Courthouse in an amount at least equal to the principal amount of Bonds Outstanding against loss included in all risk insurance policies then in use in the State, including earthquake coverage, if the Project is in an earthquake zone. Any such insurance may be subject to reasonable deductibles and shall name the Trustee as an additional insured. Any self-insurance program and the principal amount of Outstanding Bonds shall be established and maintained in accordance with the City's customary insurance practices.

Liability Insurance

The Lease Agreement provides that the City under its customary insurance practice (which may include self-insurance subject to availability of appropriation therefor) or otherwise, must take such measures as may be necessary to insure against liability for injuries to or disability or death of any person or damage to or loss of property arising out of or in any way relating to the condition or the operation of the Carnahan Courthouse or any part thereof during the term of the Lease Agreement. Such policy or policies are required to name the Trustee as an additional insured. The net proceeds of all such self-insurance or other insurance is be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds may be paid. The City will indemnify the Corporation and the Trustee for any loss, damage or expense incurred, paid or suffered by them as a result of any suit or claim of a nature covered by such insurance, to the full extent permitted by State law.

Damage, Destruction and Condemnation; Use of Net Proceeds

Unless the City has exercised its option to purchase the Corporation's interest under the Base Lease and terminate the Lease Agreement, if the Carnahan Courthouse are destroyed or damaged by fire or other casualty or title to or the temporary use of the Carnahan Courthouse or the interest of the City or the Corporation in the Carnahan Courthouse is taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the City is required to cause the net proceeds of any insurance or condemnation award to be applied to the prompt repair, restoration, modification or improvement of the Carnahan Courthouse by the City, free of liens other than Permitted Encumbrances. Any balance of the net proceeds remaining after such work has been completed for the Carnahan Courthouse, unless all of the Project has been completed, is to be transferred to the Project Fund and at the completion of the Carnahan Courthouse, such funds are be applied as provided in the Indenture.

If the City determines that repair, restoration, modification or improvement of the Carnahan Courthouse is not economically feasible or in the best interest of the City, then, in lieu of making such repair, restoration, modification or improvement, the City is required to make provision for the redemption of Outstanding Bonds in an amount equal to the net proceeds of any such insurance or condemnation award rounded to the nearest Authorized Denomination, any such net proceeds shall be applied by the City to the payment of the Outstanding Bonds called for redemption, and shall pay the fees and expenses of the Corporation and the Trustee, together with all amounts due under the Indenture and under the Lease Agreement, and all amounts required to be rebated to the federal government pursuant to the Indenture or the Tax Certificate.

Insufficiency of Net Proceeds

If the net proceeds are insufficient to pay in full the cost of any repair, restoration, modification or improvement of the Carnahan Courthouse, subject to the appropriation of sufficient funds, the City is required to complete the work and pay any costs in excess of the amount of the net proceeds. The City agrees that if it makes any payments pursuant to this provision, it will not be entitled to any reimbursement therefor from the Corporation or any diminution of any amount payable under the Lease Agreement.

Assignment, Subleasing and Licensing by the City

The Lease Agreement may not be assigned by the City without the written consent of the Corporation. However, the Carnahan Courthouse or any part thereof, may be subleased by the City, in whole or in part, without the consent of the Corporation, subject, however, to each of the following conditions:

(a) The Lease Agreement and the obligation of the City to pay Rentals and Additional Rentals thereunder and to perform all of the terms, covenants and conditions of the Lease Agreement and of any other security document to which it shall be a party remain obligations of the City and any assignee or transferee or sublessee of the City shall have assumed in writing and have agreed to keep and perform all of the terms of the Lease Agreement on the part of the City to be kept and performed and shall be jointly and severally liable with the City for the performance thereof, and shall be subject to service of process in the State, and in the opinion of Counsel, such assignment or transfer or sublease does not legally impair in any respect the obligations of the City for the payment of all Rentals nor for the full performance of all of the terms, covenants and conditions of the Lease Agreement or of any other security documents to which the City is a party, nor impair or limit in any respect the obligations of any obligor under any other security documents.

(b) The City is required within ten (10) days after the delivery of a sublease, to furnish or cause to be furnished to the Corporation, the Credit Provider and the Trustee a true and complete copy of such sublease.

(c) No sublease by the City shall cause the Carnahan Courthouse or any portion thereof being subleased to be used for a purpose other than a governmental or proprietary function authorized under the provisions of the constitution and laws of the State of Missouri and the Charter of the City.

(d) Before entering into any sublease, the City shall obtain and file with the Trustee and the Corporation an opinion from Bond Counsel to the effect that the sublease will not cause the interest on the Bonds to become subject to federal or Missouri income taxes.

The City may grant licenses to use all or any portion of the Carnahan Courthouse in the normal course of business without the consent of the Corporation.

Event of Non-Appropriation

If an Event of Non-Appropriation shall occur and be continuing, upon receipt of a certificate from a City Representative which states that the City has not appropriated the funds required to be appropriated by the City, or upon receipt of other notice of the occurrence of any Event of Non-Appropriation with respect to the City, the Trustee shall immediately notify the Corporation of such occurrence.

If an Event of Non-Appropriation occurs, the City shall not be obliged to make payments of the Rentals or Additional Rentals beyond the last day of the Fiscal Year in which the Event of Non-Appropriation occurs, except for obligations which are payable prior to termination of the Lease Agreement. The City is liable for amounts payable during such time as the City continues to occupy the Carnahan Courthouse. Upon the occurrence of an Event of Non-Appropriation, the Trustee shall have all rights and remedies granted under the Indenture as a secured creditor under Missouri law and shall be entitled to all monies in all funds and accounts under the Indenture for the benefit of the Bondholders.

Non-Substitution Covenant

The City covenants and agrees in the Lease Agreement that, to the extent permitted by law, if an Event of Default described in the Lease Agreement occurs with respect to the City, the City will not construct, own or operate any courthouse facility not in existence at the time such Event of Default occurs during the sixty (60) day period subsequent to such Event of Default. Notwithstanding any provision in the Lease Agreement to the contrary, this provision survives the termination of the Lease Agreement and remains in effect and will be binding upon the City.

Termination of Lease Agreement Term

The Lease Agreement term shall terminate as to the City upon the earliest of the occurrence of any of the following events with respect to the City: (i) the last day of the then current Fiscal Year of the City during which there occurs an Event of Non-Appropriation with respect to the City; (ii) there occurs an Event of Default by the City under the Lease Agreement if the Corporation or the Trustee elects such remedy pursuant to the Lease Agreement; (iii) the date upon which all Rentals and Additional Rentals, as the case may be, required under the Lease Agreement shall be paid by the City; or (iv) the Indenture has been discharged in accordance with its terms.

The Lease Agreement term shall terminate as to the Corporation on the date on which all Bonds are paid or deemed to be paid as provided in the Indenture.

Events of Default

The following shall be "Events of Default" under the Lease Agreement:

(a) Failure by the City to pay any Rentals or Additional Rentals in the amounts and at the times specified in the Lease Agreement.

(b) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in clause (a) above, for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied has been given to the City by the Corporation or the Trustee, unless the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Trustee will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the City within the applicable period and diligently pursued until the default is corrected.

(c) The filing by the City of a voluntary petition in bankruptcy, or failure by the City to promptly lift any execution, garnishment or attachment of such consequence as would impair the ability of the City to carry on its operation, or adjudication of the City as a bankrupt, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings whether voluntary or involuntary instituted under the provisions of the Federal bankruptcy laws, as amended, or under any similar acts which may hereafter be enacted.

(d) Failure by the City to vacate the Carnahan Courthouse by the expiration of the current Fiscal Year during which an Event of Non-Appropriation occurs.

The provisions described above are subject to the following limitations: if by reason of force majeure the City is unable in whole or in part to carry out its obligations under the Lease Agreement, other than its obligation to pay Rentals or Additional Rentals with respect thereto, the City shall not be deemed in default under the continuance of such inability, provided notice thereof is given to the Corporation and the Trustee. The term "force majeure" shall mean, without limitation, the following acts of God: strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or the State of Missouri or their respective departments, agencies or officials, or any civil or military authority; insurrections; riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; breakage or accident to machinery, transmission pipes or canals; or any other cause or event not reasonably within the control of the City and not resulting from its negligence. The City agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the City from carrying out its agreement; provided that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the City and the City shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the City unfavorable to the City.

Remedies on Default

Whenever any Event of Default referred to in the Lease Agreement shall have happened and be continuing, the Corporation or the Trustee has the right, at its option and without any further demand or notice, to take any one or more of the following remedial steps:

(a) By written notice to the City, declare all Rentals and Additional Rentals for the Fiscal Year in which the Event of Default occurred to be immediately due and payable and such Rentals and Additional Rentals shall thereupon become immediately due and payable; or

(b) With or without terminating the Lease Agreement, take possession of the Carnahan Courthouse, and take all actions necessary to authorize, execute and deliver to the Corporation all documents necessary to vest in the Corporation for the remainder of the Lease Term, all of the City's interest in and to the Carnahan Courthouse, sell the Corporation's (or its assignee's) interest in the Base Lease, or lease the Carnahan Courthouse and collect the rentals therefor, for all or any portion of the remainder of its leasehold term upon such terms and conditions as it may deem satisfactory in its sole discretion, with the City remaining liable, subject to the requirement for appropriation, for the difference between (i) Rentals and Additional Rentals payable by the City under the Lease Agreement during the Lease Term and (ii) the net proceeds or any purchase price, rents or other amounts paid by the new purchaser, lessee or sublessee of the Carnahan Courthouse and, provided further, that in such event, if the Corporation shall receive a payment for sale of its interest or total subrentals for sublease that are, after payment of the Corporation's expenses in connection therewith, in excess of the purchase price applicable at the time of default plus interest thereon at the interest rate per annum borne by the Bonds, then such excess shall be paid to the City either by the Corporation, its assigns or by sublessee; or

(c) Take whatever action at law or in equity may appear necessary or desirable to collect the Rentals and Additional Rentals then due and thereafter to become due during the Term of the Lease Agreement, or enforce performance and observance of any obligation, agreement or covenant of the City under the Lease Agreement; or

(d) Upon the occurrence and continuance of an Event of Non-Appropriation, the Trustee, as provided in the Indenture, is required to give notice to the City to vacate the Carnahan Courthouse, terminate the Lease Agreement, re-enter the Carnahan Courthouse and eject all parties therefrom and, sublease the Carnahan Courthouse or take any action at law or equity to enforce its rights with respect to the Carnahan Courthouse.

SUMMARY OF INDENTURE

The following is a summary of certain provisions of the Indenture, as amended and supplemented by the First Supplemental Indenture of Trust dated as of October 1, 2006, pursuant to which the Series 2006A Bonds will be issued. The summary does not purport to be complete or comprehensive, and this summary is qualified in its entirety by reference to the Indenture, copies of which are available from the Corporation.

Nature of Obligations

The Series 2002A Bonds and the interest thereon, together with any Additional Bonds issued pursuant to the Indenture (collectively, the "Bonds"), are special obligations of the Corporation payable solely out of the Rentals and other revenues, moneys and receipts derived by the Corporation pursuant to the Lease Agreement, and are secured by a pledge and assignment of the Trust Estate to the Trustee and in favor of the Bondholders, as provided in the Indenture. No incorporator, member, agent, employee, director or officer of the Corporation or the City shall at any time or under any circumstances be individually or personally liable under the Indenture or the Lease Agreement for anything done or omitted to be done by the Corporation thereunder. The Bonds and the interest thereon shall not be a debt of the City or the State and the City and the State shall not be liable thereon, and the Bonds shall not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

Assignment of Trust Estate

Pursuant to the Indenture, the Corporation will assign its interest in and to the Base Lease, the Lease Agreement and all Rentals and Additional Rentals and certain other revenues, moneys and receipts derived by the Corporation pursuant to the Lease Agreement (other than the Corporation's indemnification rights, rights to payment of fees and expenses of the Corporation set forth in the Lease Agreement and amounts due to be rebated to the United States as provided in Section 148 of the Code), all financing statements or other instruments or documents evidencing, securing or otherwise relating to the Lease Agreement and any and all real and personal property interests, including, but not limited to, equipment, of the Corporation acquired by the Corporation in connection with the Project pursuant to the Base Lease and the Lease Agreement, subject to the reserved rights listed above, all moneys and securities from time to time held by the Trustee under the terms of the Indenture (other than moneys in the Rebate Fund) and any and all other real or personal property of any kind and nature from time to time, by delivery or by writing of any kind, conveyed, pledged, assigned or transferred as and for additional security under the Indenture by the Corporation to the Trustee for the benefit of the holders of the Bonds (the foregoing being referred to as the "Trust Estate"). Additionally, the Corporation shall assign to the Trustee, all leases of the Trust Estate, or portions thereof now or hereafter entered into and all right, title and interest to the Corporation thereunder.

Funds Created

The First Supplemental Indenture provides for the creation of the following special trust funds and accounts to be designated as follows:

(a) within the Bond Fund a separate and distinct account to be designated the "Series 2006A Bond Account."

(b) within the Costs of Issuance Fund a separate and distinct account to be designated the "Series 2006A Costs of Issuance Account."

The Debt Service Reserve Fund, the Project Fund and the Rebate Fund created by the Original Indenture are ratified and confirmed.

The moneys in the above funds and accounts shall be held by the Trustee and shall be applied in accordance with the provisions of the Lease Agreement and the Indenture.

Deposit of Bond Proceeds and Other Moneys

From the proceeds of the sale of the Bonds, the Trustee shall first deposit to the Series 2002A Bond Account of the Bond Fund the full amount of accrued interest, if any, received in connection with the sale of the Series 2002A Bonds. The proceeds of the Series 2002A Bonds shall be deposited as provided in the Indenture.

Bond Fund

The Trustee shall deposit into the Bond Fund as and when received (a) all amounts to be deposited in the Series 2006A Bond Account pursuant to the Lease Agreement corresponding to the payments of principal of, interest and redemption premium, if any, on the Series 2006A Bonds; (b) all interest and other income derived from the investments of funds on deposit in the Series 2006A Bond Account; (c) the pro-rata share allocable to the Series 2006A Bonds of any amounts on deposit in the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement pursuant to the Indenture; and (d) all other moneys received by the Trustee which the Trustee is directed to deposit in the Series 2006A Bond Account. Moneys in the Bond Fund should be expended solely for the payment of the principal, premium, if any, and interest on the Bonds as the same mature and become due or upon the redemption thereof prior to maturity.

Whenever the amount in the Bond Fund from any source whatsoever is sufficient to redeem all of the Outstanding Bonds, and to pay interest to accrue thereon prior to such redemption, the Corporation, upon request of the City, shall take and cause to be taken the necessary steps to redeem all Bonds on the next succeeding Redemption Date as may be specified by the City.

The Trustee shall notify the Corporation and the City in writing fifteen (15) days prior to each Interest Payment Date of (a) the moneys then available in the Series 2006A Bond Account to pay any principal of, and interest and premium, if any, on the Series 2006A Bonds becoming due on such upcoming Interest Payment Date, and (b) to the extent such moneys are insufficient to make such payment, the amount of such deficiency, which amount shall be required to be paid as Rentals pursuant to the Lease Agreement. The Trustee shall make such payment of any principal of, and interest and premium, if any, on the Series 2006A bonds becoming due on such upcoming Interest Payment Date as follows: (1) from the moneys available in the Series 2006A Bond Account as of the date of the notice required above; and (2) from Rentals required pursuant to the Lease Agreement.

Except as otherwise provided in the Indenture, funds on deposit in the Series 2006A Bond Account shall be used and applied solely to pay the principal of, and interest and redemption premium, if any, on the Series 2006A Bonds.

Rebate Fund

All moneys required to expected to be rebated to the United States shall be deposited in the Rebate Fund.

Debt Service Reserve Fund

The funds on deposit in the Debt Service Reserve Fund shall be used and applied by the Trustee solely to prevent a default in the event moneys on deposit in the Bond Fund shall be insufficient to pay the principal of and interest on the Bonds as the same become due. The Trustee may disburse and expend moneys from the Debt Service Reserve Fund, whether or not the amount therein equals the Debt Service Reserve Fund Requirement. Moneys on deposit in the Debt Service Reserve Fund may be used to pay Bonds called for redemption, or to purchase Bonds in the open market, prior to their Stated Maturity, provided all Bonds at the time Outstanding are called for redemption or purchased, and sufficient funds are available therefor. Moneys on deposit in the Debt Service Reserve Fund shall be used to pay or retire the Bonds last becoming due, unless such Bonds and all interest thereon are otherwise paid.

So long as the sum on deposit in the Debt Service Reserve Fund shall aggregate an amount equal to the Debt Service Reserve Fund Requirement, no further deposits to said Debt Service Reserve Fund shall be required. If, however, the Trustee is ever required to withdraw funds from the Debt Service Reserve Fund to prevent a default under the Indenture, and the withdrawal of such funds reduces the amount on deposit in the Debt Service Reserve Fund to less than the Debt Service Reserve Fund Requirement, the City shall make up such deficiency in accordance with the provisions of the Lease Agreement by making monthly payment of Additional Rentals, commencing on the first day of the calendar month following the date of such withdrawal, and continuation on the first day of each month thereafter in an amount equal to one-twelfth (1/12) of the maximum amount of such deficiency, until the amount on deposit in the Debt Service Reserve Fund again aggregates a sum equal to the Debt Service Reserve Fund Requirement.

Notwithstanding the foregoing, any of the following may be used in lieu of or as partial substitution for cash in the Debt Service Reserve Fund: an insurance policy, letter of credit, line of credit, guaranty or surety bond or any similar credit or liquidity facility, or any combination thereof which facility shall be obtained from an entity that is rated in one of the two highest rating categories by either Moody's, Fitch or S&P. In the case of the utilization of any cash substitute as described in this paragraph, any moneys remaining in the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement shall be transferred to the Bond Fund.

Investment earnings on funds on deposit in the Debt Service Reserve Fund shall be deposited into the Bond Fund.

Costs of Issuance Fund

Moneys on deposit in the Costs of Issuance Fund shall be paid out from time to time by the Trustee upon the written request of the Corporation Representative and the City Representative, in an amount equal to the costs and expenses of issuing and securing the Bonds certified in such written request, including, without limitation, printing expenses, rating agency fees, recording and filing fees, trustee's and depository's fees and expenses, fees and expenses of the Corporation, legal fees and other fees and expenses incurred or to be incurred by or on behalf of the Corporation or the City in connection with the issuance, sale and delivery of the Bonds. Moneys remaining in the Costs of Issuance Fund after all such costs and expenses have been paid, and, in any case, not later than six months from the Closing Date, are to be transferred to the Bond Fund.

Payments Under the Bond Insurance Policy

As long as the Bond Insurance Policy shall be in full force and effect, the Issuer, the Trustee and any Paying Agent agree to comply with the following provisions:

(a) At least one (1) Business Day prior to all Interest Payment Dates the Trustee or Paying Agent, if any, will determine whether there will be sufficient funds in the funds and accounts (1) to pay the principal of or interest on the Bonds. If the Trustee or Paying Agent, if any, determines that there will be insufficient funds in such funds or accounts, the Trustee or Paying Agent, if any, shall so notify the Credit Provider. Such notice shall specify the amount of the anticipated deficiency, the series of Bonds to which such deficiency is applicable, whether such Bonds will be deficient as to principal or interest, or both. If the Trustee or Paying Agent, if any, has not so notified the Credit Provider at least one (1) Business Day prior to an Interest Payment Date, the Credit Provider will make payments of principal or interest due on the applicable series of Bonds, on or before the first (1st) Business Day next following the date on which the Credit Provider shall have received notice of nonpayment from the Trustee or Paying Agent, if any.

(b) The Trustee or Paying Agent, if any, shall, after giving notice to the Credit Provider as provided in (a) above, make available to the Credit Provider and, at Credit Provider’s direction, to The Bank of New York, in New York, New York, as insurance trustee for the Credit Provider or any successor insurance trustee (the “Insurance Trustee”), the registration books of the Issuer maintained by the Trustee or Paying Agent, if any, and all records relating to the funds and accounts maintained under this Indenture.

(c) The Trustee or Paying Agent, if any, shall provide the Credit Provider and the Insurance Trustee with a list of registered Holders of the Bonds entitled to receive principal or interest payments from the Credit Provider under the terms of the Bond Insurance Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the registered Holders of Bonds entitled to receive full or partial interest payments from the Credit Provider and (ii) to pay principal upon the Bonds surrendered to the Insurance Trustee by the registered Holders of Bonds entitled to receive full or partial principal payments from the Credit Provider.

(d) The Trustee or Paying Agent, if any, shall, at the time it provides notice to the Credit Provider pursuant to (a) above, notify the registered Holders of Bonds entitled to receive the payment of principal or interest thereon from the Credit Provider (i) as to the fact of such entitlement, (ii) that the Credit Provider will remit to them all or a part of the interest payments next coming due upon proof of Holder entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the

Insurance Trustee, of an appropriate assignment of the registered Holder's right to payment, (iii) that should they be entitled to receive full payment of principal from the Credit Provider, they must surrender their Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Bonds to be registered in the name of the Credit Provider) for payment to the Insurance Trustee, and not the Trustee or Paying Agent, if any, and (iv) that should they be entitled to receive partial payment of principal from the Credit Provider, they must surrender their Bonds for payment thereon first to the Trustee or Paying Agent, if any, who shall note on such Bonds the portion of the principal paid by the Trustee or Paying Agent, if any, and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(e) In the event that the Trustee or Paying Agent, if any, has notice that any payment of principal of or interest on a Bond which has become due for payment and which is made to a Holder by or on behalf of the Issuer has been deemed a preferential transfer and theretofore recovered from its registered Holder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee or Paying Agent, if any, shall, at the time the Credit Provider is notified pursuant to (a) above, notify all registered Holders that in the event that any registered Holder's payment is so recovered, such registered Holder will be entitled to payment from the Credit Provider to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee or Paying Agent, if any, shall furnish to the Credit Provider its records evidencing the payments of principal of and interest on the Bonds which have been made by the Trustee or Paying Agent, if any, and subsequently recovered from registered owners and the dates on which such payments were made.

Investment of Moneys in Project Fund, Costs of Issuance Fund, Bond Fund and Debt Service Reserve Fund

Moneys held in the Project Fund, the Costs of Issuance Fund, the Bond Fund and the Debt Service Reserve Fund and the Rebate Fund shall be invested and reinvested by the Trustee in Permitted Investments which mature or are subject to redemption by the Holder prior to the date such funds will be needed. Any such Permitted Investments shall be held by or under the control of the Trustee and shall be deemed at all times a part of the fund or account in which such moneys are originally held, and the interest accruing thereon and any profit realized from such Permitted Investments shall be credited to such fund or account or as otherwise provided by any Supplemental Indenture, and any loss resulting from such Permitted Investments shall be charged to such fund or account. The Trustee shall sell and reduce to cash a sufficient amount of such Permitted Investments whenever the cash balance in such fund or account is insufficient for the purpose of such fund or account. The Trustee shall transfer excess moneys in the Debt Service Reserve Fund to the Bond Fund after each quarterly valuation.

Additional Bonds

So long as no event has occurred and is continuing which, with the passage of time or otherwise, would become an Event of Default under the Indenture or the Lease Agreement (unless such Additional Bonds are Refunding Bonds or are being issued to cure such event) Additional Bonds may be issued under and equally and ratably secured by the Indenture on a parity with the Bonds and any other outstanding Additional Bonds, at any time and from time to time, upon compliance with the conditions provided in the Indenture for the purpose of:

(a) paying the cost of completing the Project such costs to be evidenced by a certificate signed by a City Representative and a Corporation Representative, with the prior written consent of the Credit Provider; and

(b) providing funds for refunding all or any part of the Bonds then Outstanding of any series, including the payment of any redemption premium thereon and interest to accrue to the designated Redemption Date and any expenses in connection with such refunding.

Events of Default

If any one or more of the following events occur, it is hereby defined as and declared to be and to constitute an "Event of Default":

(a) Default by the Corporation in the due and punctual payment of any interest on any Bond;

(b) Default by the Corporation in the due and punctual payment of the principal of or redemption premium, if any, on any Bond, whether at the Stated Maturity or other Maturity thereof, or upon proceedings for redemption thereof;

(c) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Corporation contained in the Indenture or in the Bonds or in any other document or instrument that secures or otherwise relates to the debt and obligations secured by the Indenture, and the continuance thereof for a period of thirty (30) days after written notice given to the Corporation and the City by the Trustee, or to the Trustee, the City, and the Corporation by the Holders of not less than 25% in aggregate principal amount of Bonds then Outstanding; provided, however, if the failure stated in the notice cannot be corrected within the said 30-day period, the Trustee may consent in writing to an extension of such time prior to its expiration and the Trustee will not unreasonably withhold its consent to such an extension if corrective action is instituted by the Corporation or the City within the 30-day period and diligently pursued to completion and if such consent in its judgment, does not materially adversely affect the interests of the Bondholders.

(d) An Event of Default under the Lease Agreement.

Acceleration of Maturity in Event of Default

If an Event of Default shall have occurred and be continuing, the Trustee may and, upon the written request of the Holders of not less than 51% in aggregate principal amount of Bonds then Outstanding, shall, by notice in writing delivered to the Corporation and the City, declare the principal of all Bonds then Outstanding and the interest accrued thereof immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable.

If the payment of the Bonds is accelerated, each Bond shall be payable in the principal amount thereof and accrued interest thereon.

Surrender of Possession of Trust Estate; Rights and Duties of Trustee in Possession

If an Event of Default shall have occurred and be continuing, the Corporation, upon demand of the Trustee, shall forthwith surrender the possession of, and it shall be lawful for the Trustee, by such officer or agent as it may appoint, to take possession of all or any part of the Trust Estate, together with the books, papers and accounts of the Corporation pertaining thereto, and including the rights and the position of the Corporation under the Lease Agreement and to collect, receive and sequester the Rentals and other revenues, moneys and receipts derived under the Lease Agreement, and out of the same and any moneys received from any receiver of any part thereof pay, and set up proper reserves for the payment of all proper costs and expenses of so taking, holding and managing the same, including (i) reasonable compensation to the Trustee, its agents and counsel and (ii) any charges or expenses of the Trustee and its agents and counsel hereunder, and the Trustee shall apply the remainder of the moneys so received in accordance with the Indenture. The collection of such Rentals, revenues and other receipts, or the application thereof shall not cure or waive any default or notice of default under the Indenture or invalidate any act done in response to such default or pursuant to notice of default. Whenever all that is due upon the Bonds shall have been paid and all defaults cured, the Trustee shall surrender possession of the Trust Estate to the Corporation, its successors or assigns, the same rights, however, to exist upon any subsequent Event of Default.

Exercise of Remedies by the Trustee

Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy at law or equity by suit, action, mandamus or other proceeding to enforce the payment of the principal of and interest on the Bonds then Outstanding, and enforce and compel the performance of the duties and obligations of the Corporation as herein set forth or to enforce or realize upon any of the rights, powers, liens or interests granted hereby to the Trustee. Upon the occurrence of an Event of Default, the Trustee may exercise any of the rights and remedies of a secured party under the Missouri Uniform Commercial Code or other applicable laws and require the Corporation to assemble any collateral covered by the Indenture and make it available to the Trustee at a place to be designed by the Trustee which is reasonably convenient to both parties.

Exercise of Rights and Powers

If an Event of Default shall have occurred and be continuing, and if requested so to do by the Holders of 25% in aggregate principal amount of Bonds then Outstanding and indemnified as provided in the Indenture, the Trustee shall be obligated to exercise one or more of the rights and powers conferred by the Indenture as the Trustee, being advised by counsel, deems most expedient in the interests of the Bondholders.

All rights of action under the Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Bondholder, and any recovery or judgment shall, subject to the Indenture, be for the equal benefit of all the Registered Owners of the Outstanding Bonds.

Limitation on Exercise of Remedies by Bondholders

No Bondholder shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust under the Indenture or for the appointment of a receiver or any other remedy unless:

(i) a default has occurred of which the Trustee has been notified or of which the Trustee is deemed to have notice;

(ii) such default shall have become an Event of Default;

(iii) the Holders of 25% in aggregate principal amount of Bonds then Outstanding shall have made written request to the Trustee, shall have offered it reasonable opportunity either to proceed to exercise the powers hereinbefore described or to institute such action, suit or proceedings in its own name, and shall have provided to the Trustee indemnity as provided in the Indenture; and

(iv) the Trustee shall thereafter fail or refuse to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name; and such notification, request and provision of indemnity are declared in every case, at the option of the Trustee under the Indenture, to be conditions precedent to the execution of the powers and trusts of the Indenture, and to any action or cause of action for the enforcement of the Indenture, or for the appointment of a receiver or for any other remedy, it being understood and intended that no one or more Bondholders shall have any right in any manner whatsoever to affect, disturb or prejudice the Indenture by its, his or their action or to enforce any right except in the manner provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the Registered Owners of all Bonds then Outstanding. Nothing in the Indenture shall affect or impair the right of any Bondholder to payment of the principal of, and premium, if any, and interest on any Bond at and after its Maturity or the obligation of the Corporation to pay the principal of, and premium, if any, and interest on, each of the Bonds to the respective Registered Owners thereof at the time, place, from the source and in the manner herein and in such Bond expressed.

Opportunity of City to Purchase or Cure in the Event of Default

(a) Upon receipt of notice by the City of an Event of Default pursuant to the Indenture, the Corporation has, under the Lease Agreement, granted the City an option to purchase the Corporation's interest in the Carnahan Courthouse under the Lease Agreement.

(b) Upon receipt of notice by the City of an Event of Default pursuant to the Indenture, the Corporation pursuant to the Indenture, grants the City full authority, on account of the Corporation, to perform any covenant, agreement, or obligation, non-performance of which is alleged in said notice to constitute a default, in the name and stead of the Corporation, with full power to do any and all things and acts to the same extent that the Corporation could do, and perform any such things and acts in order to remedy such default.

Supplemental Indentures Not Requiring Consent of Bondholders

The Corporation with the approval of the Board of Aldermen and the Trustee may from time to time, without the consent of or notice to any of the Bondholders, enter into such Supplemental Indenture or Supplemental Indentures as shall not adversely affect the interests of the Bondholders for any one or more of the following purposes: (a) to cure any ambiguity or formal defect or omission in the Indenture or to correct or supplement any provision which may be inconsistent with any other provision therein: (b) to grant or to confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee or either of them; (c) to subject to the Indenture additional revenues, properties or collateral; (d) to issue Additional Bonds, provided that the consent of the Credit Provider shall only be required in this instance, when the consent of the Credit Provider is otherwise required pursuant to the Indenture; (e) to make any other change which in the sole determination of the Trustee does not materially adversely affect the Bondholders, and (f) to evidence the appointment of a separate trustee or co-trustee or the succession of a new trustee.

Supplemental Indentures Requiring Consent of Bondholders

The Holders of not less than a majority in aggregate principal amount of Bonds at the time Outstanding have the right, from time to time, to consent to and approve the execution by the Corporation and the Trustee of such other Supplemental Indenture or Supplemental Indentures as are deemed necessary and desirable by the Corporation and the City for the purpose of modifying, amending, adding to or rescinding, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture; provided that the consent of all of the Holders of the Bonds then Outstanding is required for (a) an extension of the maturity of the principal of or the interest on any Bond, or (b) a reduction in the principal amount of any Bond or the rate of interest thereon, or (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (d) reduction in the aggregate principal amount of the Bonds, the Holders of which are required to consent to any such Supplemental Indenture.

If at any time the Corporation shall request the Trustee to enter into any such Supplemental Indenture, the Trustee shall cause notice of the proposed execution of such Supplemental Indenture to be mailed to each Bondholder at the address shown on the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection by all Bondholders. If within 60 days or such longer period as shall be prescribed by the Corporation following the mailing of such notice, the Holders of not less than the requisite aggregate principal amount of Bonds Outstanding at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof and therein provided, no Holder of any Bond shall have right to object to any of the terms and provisions contained therein, of the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Corporation from executing the same or from taking any action pursuant to the provisions thereof.

Supplemental Lease Agreements and Supplemental Base Leases Not Requiring Consent of Bondholders

The Corporation and the Trustee shall, without the consent of or notice to the Bondholders consent to the execution of any Supplemental Lease Agreement and any Supplemental Base Lease, as may be required (a) by the Lease Agreement, the Base Lease or the Indenture, (b) for the purpose of curing any ambiguity or formal defect or omission, (c) in connection with the issuance of Additional Bonds, or (d) in connection with any other change therein which, in the sole determination of the Trustee, does not materially adversely affect the interests of the Trustee or the Bondholders.

Supplemental Lease Agreements and Supplemental Base Leases Requiring Consent of Bondholders

Except for the amendments, changes or modifications described in the previous paragraph, neither the Corporation nor the Trustee can consent to the execution of any Supplemental Lease Agreement or any Supplemental Base Lease without the mailing of notice and the obtaining of the written approval or consent of the Holders of not less than a majority in aggregate principal amount of Bonds at the time Outstanding given and obtained as provided in the Indenture; provided that the consent of all the Holders of Bonds shall be required for (a) the creation of any lien ranking superior to or on a parity with the lien of the Indenture, unless otherwise permitted or (b) a reduction in the aggregate principal amount of the Bonds, the Holders of which are required to consent to any Supplemental Lease Agreement or any Supplemental Base Lease. If at any time the Corporation and the City shall request the consent of the Trustee to any such proposed Supplemental Lease Agreement or any Supplemental Base Lease, the Trustee shall cause notice of such proposed Supplemental Lease Agreement or Supplemental Base Lease to be given in the same manner as provided with respect to Supplemental Indentures. Such notice is required to briefly set forth the nature of such proposed Supplemental Base Lease or Supplemental Lease Agreement and is required to state that copies of the same are on file at the principal corporate trust office of the Trustee for inspection by all Bondholders.

APPENDIX E

FORM OF OPINION OF CO-BOND COUNSEL

[Closing Date]

St. Louis Municipal Finance Corporation
St. Louis, Missouri

Morgan Stanley & Co. Incorporated,
as representative of the Underwriters
New York, New York

The City of St. Louis, Missouri
St. Louis, Missouri

Ambac Assurance Corporation
New York, New York

UMB Bank, N.A., as Trustee
St. Louis, Missouri

RE: $23,725,000 St. Louis Municipal Finance Corporation Carnahan Courthouse Leasehold Revenue Refunding Bonds, Series 2006A (City of St. Louis, Missouri, Lessee)

Ladies and Gentlemen:

We have acted as co-bond counsel in connection with the issuance of $23,725,000 aggregate principal amount of Carnahan Courthouse Leasehold Revenue Refunding Bonds, Series 2006A (City of St. Louis, Missouri, Lessee) (the "Bonds") of the St. Louis Municipal Finance Corporation, a nonprofit corporation duly organized and existing under the Missouri Nonprofit Corporation Act (the "Issuer"). As such we have examined (i) the Indenture of Trust, dated as of April 1, 2002, as amended and supplemented by the First Supplemental Indenture of Trust, dated as of October 1, 2006 (collectively, (the "Indenture") by and between the Issuer and UMB Bank, N.A., St. Louis, Missouri, as trustee (the "Trustee"); (ii) the Base Lease (the "Base Lease"), dated as of April 1, 2002, by and between The City of St. Louis, Missouri (the "City") and the Issuer; (iii) the Lease Purchase Agreement, dated as of April 1, 2002, as amended and supplemented by the First Supplemental Lease Purchase Agreement, dated as of October 1, 2006 (collectively, the "Lease Agreement") by and between the Issuer and the City; (iv) certain certifications of officers of the Issuer and officials of the City and others; and (v) the form of the Bonds. Capitalized terms used and not defined herein shall have the respective meanings given to such terms in the Indenture.

In rendering the opinions set forth herein we have assumed, without undertaking to verify the same by independent investigation, (i) as to questions of fact, the accuracy of all of the representations of the Issuer and the City as set forth in the Indenture, the Base Lease and the Lease Agreement and all certifications of officers of the Issuer and officials of the City and others examined by us, (ii) the conformity to original documents of all documents submitted to us as copies and the authenticity of such original documents and all documents submitted to us as originals, and (iii) that the proceeds of the Bonds will be used to refinance the cost of the acquisition, renovation and equipping of the Carnahan Courthouse. With respect to opinions set forth herein regarding tax law, we have assumed that all covenants and requirements of the Base Lease, the Lease Agreement and the Indenture will be duly complied with and fulfilled.

No opinion is expressed as to the title to or description of the Carnahan Courthouse.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds and we express no opinion herein with respect thereto.

Based on our examination, we are of the opinion, as of the date hereof and under existing law, as follows:

1. The Bonds have been duly authorized, issued and delivered by the Issuer in accordance with the constitution and laws of the State of Missouri (the "State") and the provisions of the Indenture.

2. The Bonds constitute valid and binding special obligations of the Issuer payable solely out of the rentals and certain other revenues and receipts derived by the Issuer pursuant to the Lease Agreement, all in the manner provided in the Indenture and the Lease Agreement. The Bonds, and the premium, if any, do not constitute a debt of the City or the State, do not constitute an indebtedness within the meaning of any constitutional, statutory or charter debt limitation or restriction, and are not payable in any manner by taxation.

3. The Indenture, the Base Lease and the Lease Agreement have been duly authorized, executed and delivered by the Issuer, constitute valid and binding agreements of the Issuer and are enforceable in accordance with their respective terms. All right, title and interest of the Issuer in, to and under the Lease Agreement have been duly pledged and assigned by the Issuer to the Trustee as security for the payment of the Bonds and any additional bonds issued pursuant to the Indenture.

4. The Base Lease and the Lease Agreement have been duly authorized, executed and delivered by the City, constitute valid and binding agreements of the City and are enforceable in accordance with their respective terms.

5. The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Bonds. The Issuer and the City have covenanted in the Indenture and the Lease Agreement to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Bonds from gross income for Federal income tax purposes pursuant to Section 103 of the Code.

Under existing law and assuming compliance with the tax covenants described herein, interest on the Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

6. Under existing statutes and regulations promulgated thereunder, interest on the Bonds is not includable in Missouri taxable income for purposes of the income tax imposed by the State, except that no opinion is expressed as to the applicability of the tax imposed by Chapter 148 of the Revised Statutes of Missouri on financial institutions and measured by income on any holder of a Bond.

7. The Bonds maturing February 15, 2010 through February 15, 2016, inclusive (the "Premium Bonds"), are being offered at prices in excess of their principal amounts. We are of the opinion that an initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for Federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Bonds.

8. We are further of the opinion that the difference between the principal amount of the Bonds maturing February 15, 2017 through February 15, 2027, inclusive (the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for Federal income tax purposes to the same extent as interest on the Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment.

Except as stated in paragraphs 5 through 8 above, we express no opinion as to any other Federal or state tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice of other bond counsel.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof, including the enforceability of the documents described above, may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

This opinion is furnished by us solely for your benefit and may not, without our express written consent, be relied upon by any other person. By rendering the foregoing opinion, we do not undertake to advise you of any changes in laws or facts which may occur or come to our attention on or after the date hereof.

Very truly yours,

(THIS PAGE LEFT BLANK INTENTIONALLY)

APPENDIX F

FORM OF FINANCIAL GUARANTY INSURANCE POLICY

(THIS PAGE LEFT BLANK INTENTIONALLY)

Ambac

Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor: Policy Number:

Obligations: Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the “Insurance Trustee”), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the “Obligations”) which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder’s presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder’s rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder’s duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder’s duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders’ rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term “Holder” means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, “Due for Payment”, when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, “Nonpayment” means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President

SEAL

Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Authorized Officer of Insurance Trustee

Form No.: 2B-0012 (1/01)

(THIS PAGE LEFT BLANK INTENTIONALLY)