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

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Louis, Missouri, as of and for the year ended June 30, 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.

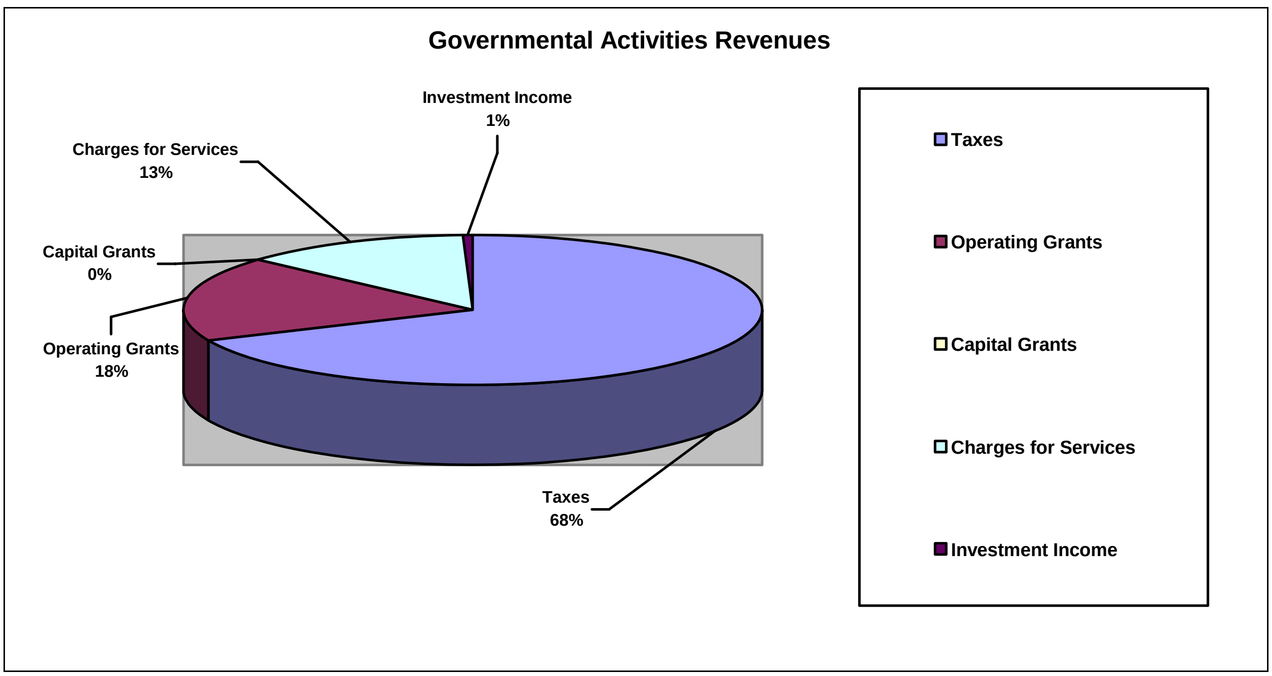
The total cost of all programs and services was $855.1 million, a decrease from $875.9 million last year. The City's expenses cover a range of typical City/county services. The largest program was the Airport. The program with the largest burden on general revenues was public safety.

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.

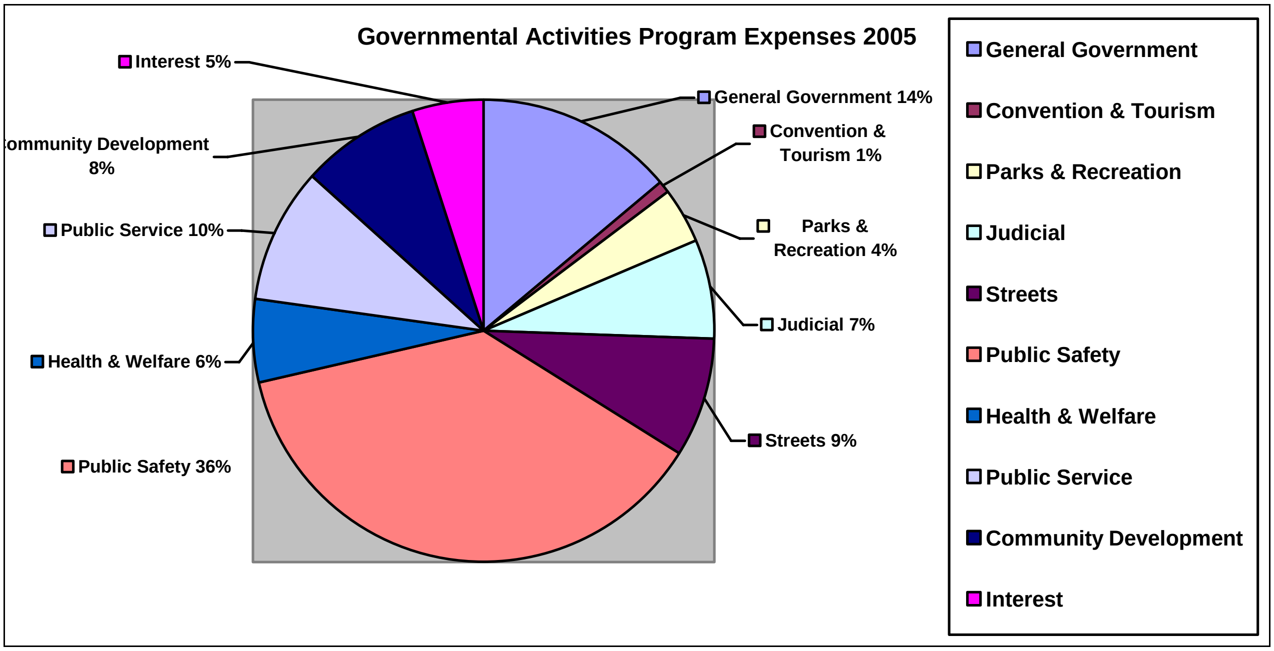
Several revenue sources fell short of the final budget estimates. Of the budgeted revenue, taxes increased by $2.0 million or 0.7%; license and permits decreased by $0.1 million or 0.5%; intergovernmental (motor fuel tax allocations, juvenile detention center) increased by $0.1 million or 0.6% and charges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

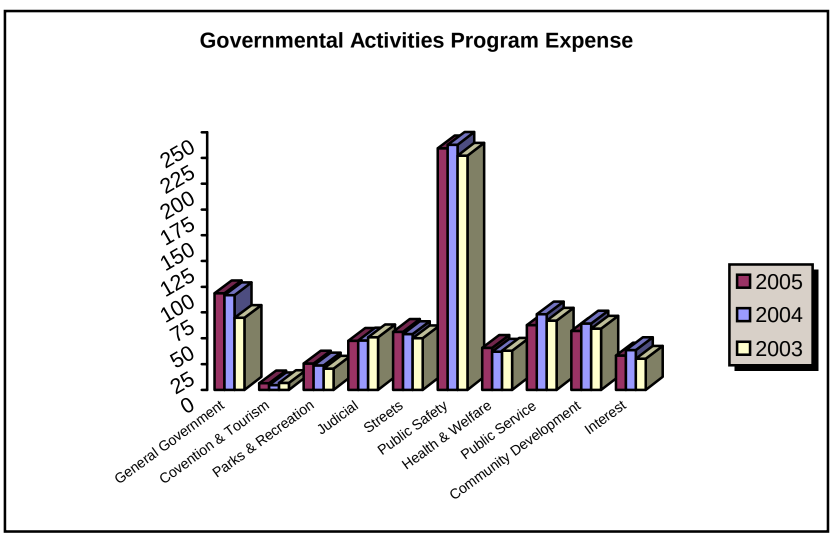
The following chart reflects the revenues by type as a percentage of total revenues for governmental activities for fiscal year 2005.



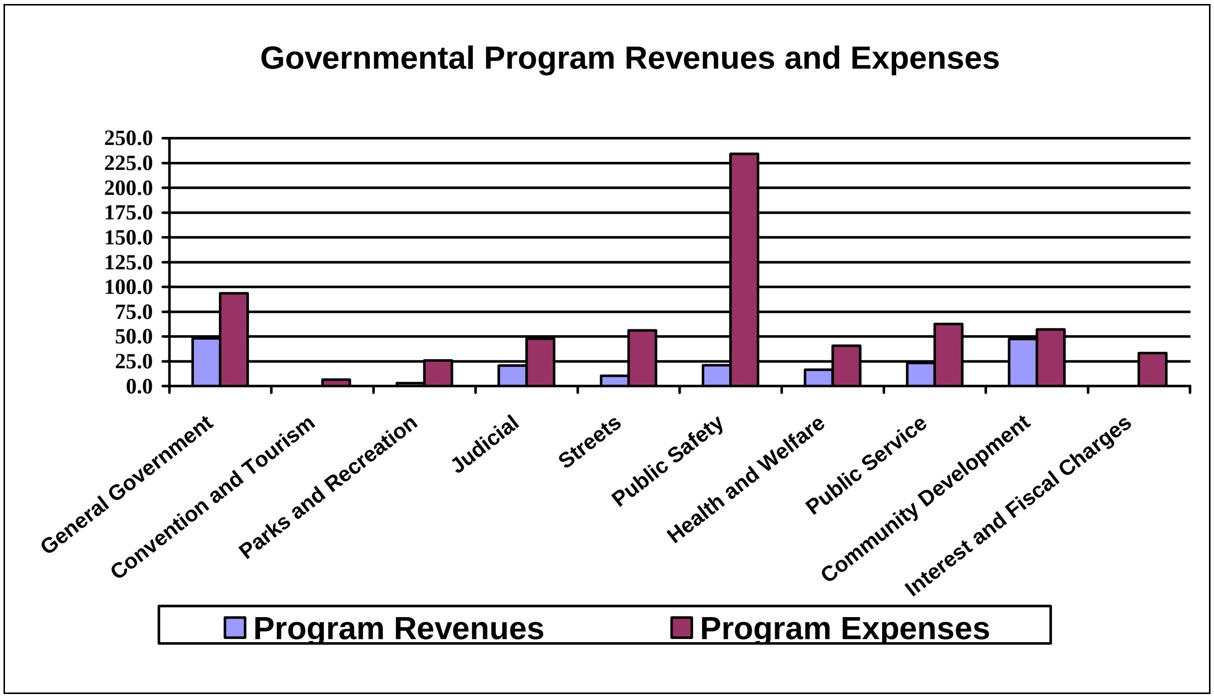
The following chart illustrates the City's governmental activities expenses by program. Total cost of governmental activities was $658.3, an decrease of $14.3 million or 21.3% over the prior year. As shown, public safety is the largest function in expense (35.6%). The majority of the spending was the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

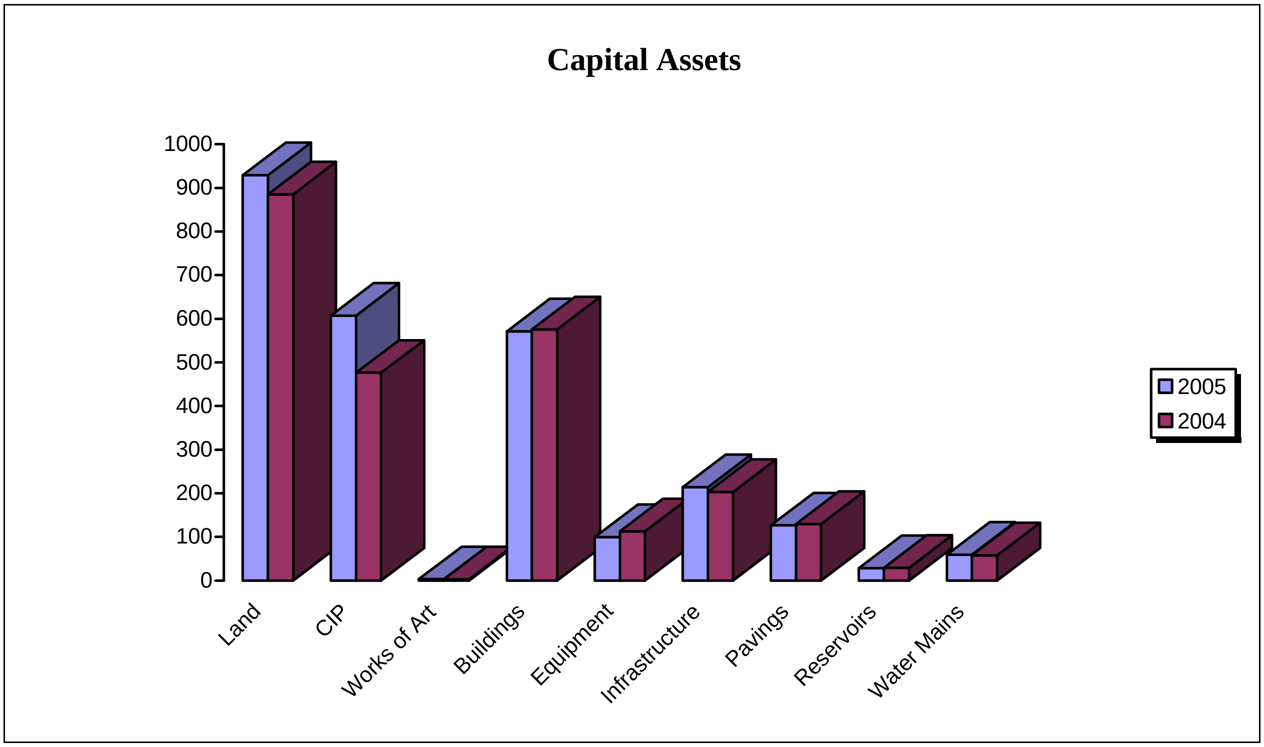
		Governmental Activities		Business-type Activities		Total	
		2005	**2004**	**2005**	**2004**	**2005**	**2004**
Land	$	77.4	77.4	851.5	807.5	928.9	884.9
Construction-in-progress		79.7	85.7	527.7	390.5	607.4	476.2
Works of art		3.0	2.8			3.0	2.8
Buildings and improvements		352.7	357.0	218.6	218.6	571.3	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.

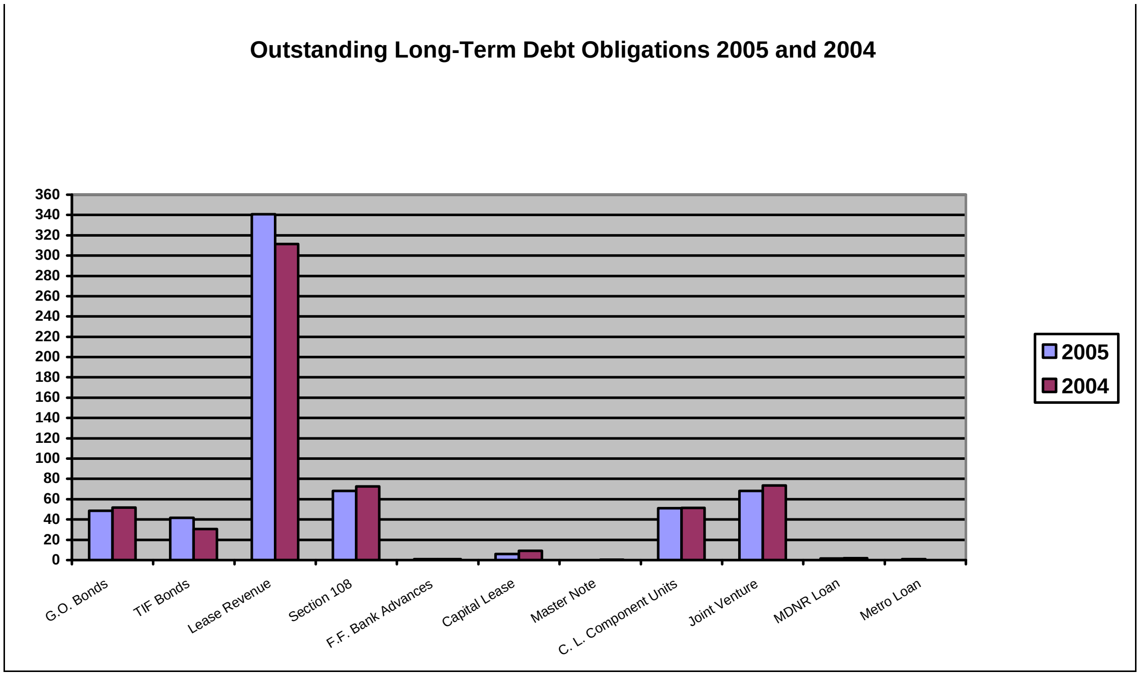
For additional information on capital assets, refer to note 7 in the notes to the basic financial statements.

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 27th pay period of approximately $9 million. The overall percentage increase in the general fund budget after adjusting for the 27th 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)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets						
					Primary Government			Component Units			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	SLDC	SLPD	HSTRC	SWMDC
Primary Government:											
Governmental activities:											
General government	$ 93,740	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. Cash and Investments

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

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

f. Inventories

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

g. Capital Assets

1) Governmental Activities Capital Assets

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

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

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

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

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

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

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

	Years
Buildings	40
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 7th 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:

				Investment maturities (in years)			
		Fair Value	**No Maturity**	**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.

	Fair Value	Investment maturities (in years) 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