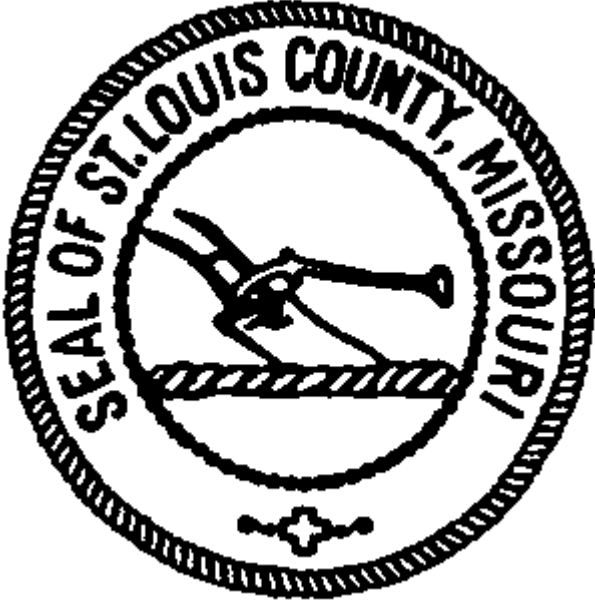


INTRODUCTORY SECTION



May 21, 2007

The Honorable Michael E. O'Mara, Chairman,
Members of the St. Louis County Council
and
The Honorable Charlie A. Dooley, County Executive
St. Louis County, Missouri

In accordance with applicable state statutes and County Charter provisions, the Comprehensive Annual Financial Report (CAFR) of St. Louis County, Missouri, for the fiscal year ended December 31, 2006 is submitted herewith. This report was prepared by the Division of Fiscal Management, Department of Administration.

Responsibility for both the accuracy of all presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe that the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly present the County's financial position and results of operations. All disclosures necessary to enable the reader to gain an understanding of the County's financial affairs have been included.

This report has been prepared following the guidelines recommended by the Government Finance Officers Association of the United States and Canada. The Government Finance Officers Association awards Certificates of Achievement for Excellence in Financial Reporting to those governments whose annual financial reports are judged to conform substantially with high standards of public financial reporting including generally accepted accounting principles. St. Louis County has received a Certificate of Achievement for its CAFRs for the twenty-four fiscal years 1982 through 2005. This year's CAFR is the fifth year that the County has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The format and the purpose of these changes are addressed in the Management's Discussion and Analysis (MD&A) that can be found immediately following the independent auditors' report. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

In accordance with the above-mentioned guidelines, the CAFR consists of three parts:

1. The *Introductory Section* includes this transmittal letter, the Certificate of Achievement for Excellence in Financial Reporting, a list of elected officials and other County officials and the County's organizational chart.
2. The *Financial Section* includes the independent auditors' report, Management's Discussion and Analysis, basic financial statements for the County, required supplementary information, as well as additional supplementary information.

FISCAL MANAGEMENT

3. *Statistical Section*, including a number of tables of unaudited data depicting the financial history of the County for the past ten years, information on overlapping governments, demographic information and other miscellaneous information.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

In developing and evaluating the County's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the County's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

For budgetary purposes, the legal level of control at which actual expenditures may not exceed budgeted expenditures is at the department level (General Government, Department of Highways and Traffic, Department of Health, and Department of Parks and Recreation) within the general fund and at the fund level for all other budgeted fund types. In addition, the County adopts budgets for each office and category (line item) level of expenditure for management control purposes only. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is utilized for purposes of budgetary control and compliance. At the end of each budget period, unencumbered, unexpended appropriations lapse. Fund balances are reserved for outstanding encumbrances, which serve as authorization for expenditures in the subsequent year.

THE REPORTING ENTITY AND ITS SERVICES

The County was formed by a proclamation of Governor William Clark on October 1, 1812. In 1876, by a vote of the entire County, the City of St. Louis voted to separate itself from the County. The County is a Constitutional Charter County, and its government is provided for in its Charter, which first became effective in 1950 and was subsequently revised in 1969 and 1979. The County Executive is the chief executive officer of the County and is elected, in partisan elections, to four-year terms. The County Council is the legislative body of the County. Its seven members are elected to four-year staggered terms, by district, in partisan elections. The presiding officer of the County Council is the Chairman, who is selected from among the County Council members every calendar year. Sixty-six percent of the land area of the County is taken by 91 self-governing municipalities, containing over three-fifths of the County population. The remaining unincorporated area comes under the direct jurisdiction of the County government. The County provides the full range of services contemplated by statute or charter. These include public safety, highways and traffic services, community health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

A basis for preparing the County's Comprehensive Annual Financial Report was the identification of the reporting entity. Various potential component units were evaluated to

determine whether they should be reported in the County's financial report. A component unit was considered to be part of the County's reporting entity when it was concluded that the County was financially accountable for the entity or the nature and significance of the relationship between the County and the entity was such that exclusion would cause the County's basic financial statements to be misleading or incomplete.

The Comprehensive Annual Financial Report includes all the funds of the County and its component units. The financial activities of the Economic Council of St. Louis County, the Productive Living Board for St. Louis County Citizens with Developmental Disabilities, and the Transport Museum Association are reported as discretely presented component units. A component unit of the County, which is blended into the accompanying basic financial statements, is the St. Louis County Public Facilities Corporation. Not included in the funds of the County because they do not meet the criterion of a component unit for discrete or blended presentation, as set forth by the Governmental Accounting Standards Board in its Statement Number 14 (GASB 14), as amended by Statement Number 39 (GASB 39), are joint ventures with the St. Louis Regional Convention and Sports Complex Authority, the St. Louis Cardinal Ballpark Site and Ballpark Project and the Bi-State Development Agency of the Missouri-Illinois Metropolitan District. Various other organizations that meet the GASB 14 definition of related or jointly governed organizations and the relationships of these organizations with the County can be found in NOTE 1 to the basic financial statements.

ECONOMIC OUTLOOK

St. Louis County is the largest county in the State of Missouri and the major contributor to the economy of the state and the twelve-county metropolitan area. With 20% of the state population the County's 1 million residents are at the center of the metropolitan area's population. Nine of Missouri's eleven Fortune 500 Companies have their headquarters in the St. Louis area, with five located in St. Louis County. The areas of medical, biotechnical, business and technology services are expected to provide long term employment growth in the County as manufacturing jobs continue to decline. Express Scripts, the second largest company in the state, is completing its new headquarters near the University of Missouri-St. Louis, in north County. Pfizer Inc. is nearing completion of a new \$200 million research building on its west County campus, to consolidate a unified and integrated research and development site that would bring all their scientific work to a single location. These announcements are evidence of the County's diverse industrial economy and demonstrate how the County is able to adjust to trends in individual industries. The County's 2006 unemployment rate of 4.6% continues to be lower than the 4.8% rate for the state and even with the national rate of 4.6%.

MAJOR INITIATIVES

On August 2, 2004 the Airport Area Redevelopment Commission issued a request for proposal to develop the 600 contiguous acres in North St. Louis County. The 11-member Commission, made up of representatives from the three affected municipalities, St. Louis County, St. Louis City, the State of Missouri, the University of Missouri and area business and community groups, is leading development of the land which has been unused since being purchased by the City of St. Louis to comply with Federal Aviation Administration noise restrictions. In October 2005, developer agreements were signed for the redevelopment that will bring approximately 5.6 million square feet of floor area consisting of office and light industrial development and create up to 12,000 jobs, \$380 million in total appraised value, and a total economic impact of approximately \$7 billion to the communities, St. Louis County and the region. On October 5, 2006, the County issued \$30,458,000 of Tax Increment Revenue Bonds and Notes to assist in

the infrastructure development of the site. This project, when completed, will have a major impact on the future economic condition of St. Louis County.

In 2006, the County experienced two major wind storm events which left major sections of the County without electrical power for long periods of time. The County Executive, Charlie Dooley, had established a new Customer Service Division in the 2006 budget. By having this new service in place when these storms occurred, the new Customer Service Division, along with other Department of Administration personnel, were prepared to man the telephones on a 24 hour basis for six days during the most severe part of the disaster. Approximately 25,000 County citizens called in need of information on cooling centers, food and shelter or other storm related issues.

In late 2006, a Request for Proposals was issued for Project Management Services related to the development of specifications for and implementation of Enterprise Resource Planning software for the County. The projected completion date for this project is April 2009.

PENSION BENEFITS

A seven member Board of Trustees governs the administration and control of the Pension Trust Fund, pursuant to the St. Louis County Employees Retirement Plan ordinance, and covers all regular, full-time employees. Additions to the fund from the County's annual contribution were \$28.5 million for the year ended December 31, 2006. Investment income from interest, dividends, and net appreciation in the fair value of investments totaled \$53.8 million. After paying \$2.2 million for investment expenses, total additions were \$80.1 million. After deductions for retirement and death benefits of \$28.7 million paid from the fund, the net increase in fund net assets for 2006 was \$51.4 million. This increase was the result of superior investment performance due to favorable equity market conditions in 2006. Total plan net assets held in trust for pension benefits, as of December 31, 2006, was \$458.6 million.

CASH MANAGEMENT

The County invests available cash resources of all funds in repurchase agreements, certificates of deposit, United States Treasuries, and Federal agency securities. All cash, with the exception of certain bond proceeds, is pooled for investment purposes. The average length of pooled investments was 474 days. Total interest earned in 2006 on pooled investments was \$10.6 million, with a 3.67% average rate of return. Total return, which includes the pooled investment portfolio stated at fair value at December 31, 2006, was 4.44%.

The County limits the amount invested in any one financial institution to 35 percent of total investments. Collateral is held by a third party and valued at market. The County, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, has recorded its investment portfolio at fair value as of December 31, 2006.

The County has agreements with its contract bank for overnight repurchase agreements on excess funds within its account. These agreements generated \$1,571,946 in interest income during 2006, with an average return of 5.00%.

Since revenue from the current year's tax levy is not received by the Collector until the last three months of the year, it may become necessary to borrow using tax anticipation warrants. When it becomes necessary for the County to finance a part of the current year operating funds'

expenditures by borrowing on tax anticipation warrants, Charter provisions permit the borrowing of 90 percent of the equivalent of the current year's estimated revenue yet uncollected. Additionally, an ordinance was passed in 1988 permitting the County to borrow from various funds where money is available. On July 24, 2006, the County issued \$31 million of short-term tax anticipation warrants at an interest rate of 3.88% per annum. The tax anticipation warrants were due and paid on January 31, 2007.

INDEPENDENT AUDIT AND SINGLE AUDIT

The County Charter requires an annual audit of the accounts of the County by an independent certified public accountant or firm selected by the County Council. This requirement has been satisfied and the report of our independent auditors has been included in this report. In addition to meeting the requirements set forth in the County Charter, the audit was also designed to meet the provisions of the Federal Single Audit Act Amendments of 1996 and the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Information related to this single audit is included in a separate report.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to St. Louis County, Missouri for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2005. In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to program requirements and we are submitting it to the GFOA to determine its eligibility.

ACKNOWLEDGMENTS

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Division of Fiscal Management, Department of Administration. We would like to express our appreciation to the Office of the County Auditor, all members of the County departments who assisted and contributed to its preparation, and to RubinBrown, Certified Public Accountants, for their cooperative assistance. We would also like to thank the Chairman and the members of the County Council and the County Executive for their interest and support in planning and conducting the financial operations of the County in a responsible manner.

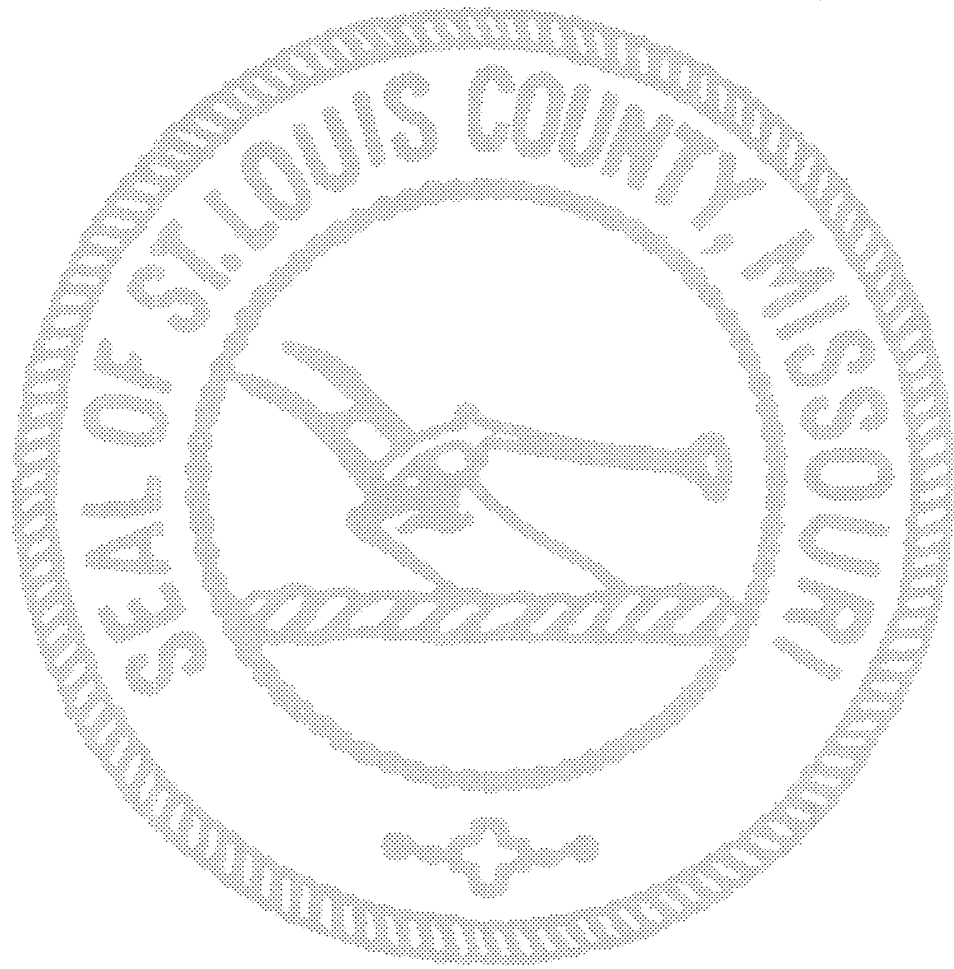
Respectfully submitted,



Glenn M. Pearl
Accounting Officer



Donald H. Rode, CPA
Deputy Accounting Officer



Certificate of Achievement for Excellence in Financial Reporting

Presented to

St. Louis County
Missouri

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2005

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



A handwritten signature in black ink, appearing to read "Ronald J. Haun".

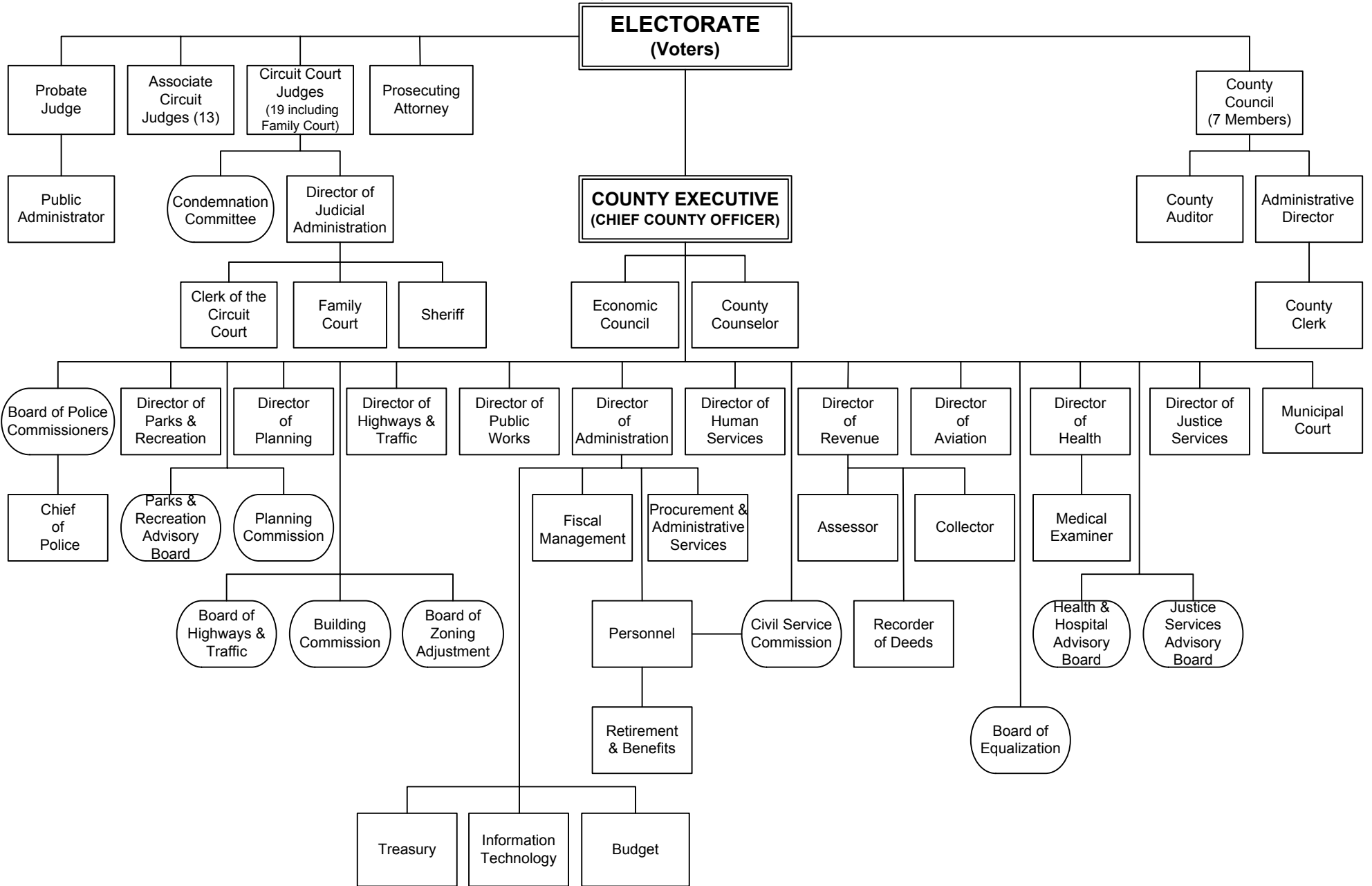
President

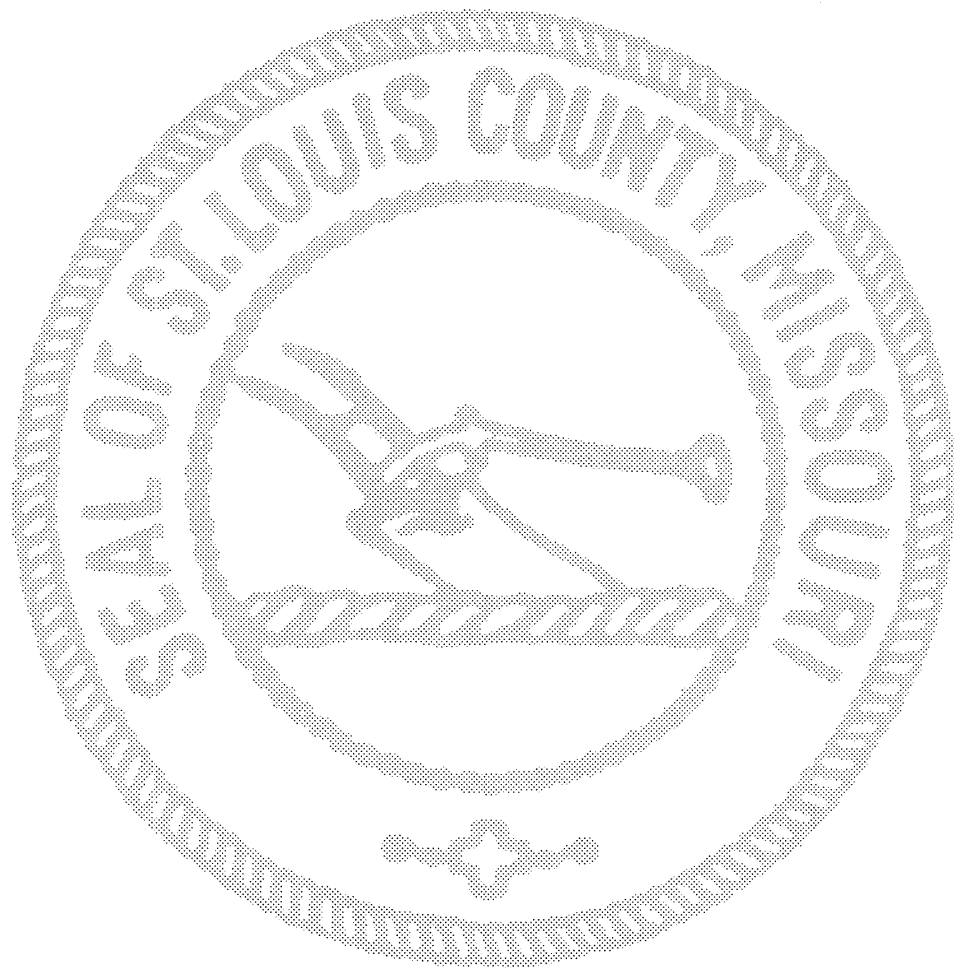
A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

ST. LOUIS COUNTY GOVERNMENT

Organizational Chart





ST. LOUIS COUNTY, MISSOURI
ELECTED OFFICIALS

County Executive

Charlie A. Dooley

County Council:

First District

Hazel Erby

Second District

Kathleen Burkett, Vice-Chairman

Third District

Colleen Wasinger

Fourth District

Michael E. O'Mara, Chairman

Fifth District

Barbara Fraser

Sixth District

John Campisi

Seventh District

Gregory F. Quinn

Circuit Court Judges:

Division One

Robert S. Cohen

Division Two

Maura B. McShane

Division Three

Mark D. Seigel

Division Four

Bernhardt C. Drumm, Jr., Probate Division

Division Five

John F. Kintz

Division Six

Gary M. Gaertner

Division Seven

Carolyn C. Whittington

Division Eight

Thomas DePriest

Division Nine

David Lee Vincent, III

Division Ten

Michael T. Jamison

Division Eleven

Emmett M. O'Brien

Division Twelve

Steven H. Goldman

Division Thirteen

Barbara W. Wallace

Division Fourteen

James R. Hartenbach

Division Fifteen

John A. Ross

Division Sixteen

Michael Burton

Division Seventeen

Larry L. Kendrick

Division Eighteen

Richard C. Bresnahan

Division Nineteen

Melvyn W. Wiesman

Division Twenty

Colleen Dolan

Associate Circuit Judges:

Division Thirty-One

Barbara A. Crancer

Division Thirty-Two

Mary Bruntrager Schroeder

Division Thirty-Three

Brenda Stith Loftin

Division Thirty-Four

Dale W. Hood

Division Thirty-Five

Thea Sherry

Division Thirty-Six

Gloria Clark Reno

Division Thirty-Seven

John R. Essner

Division Thirty-Eight

Ellen Levy Siwak

Division Thirty-Nine

Patrick Clifford

Division Forty

Dennis N. Smith

Division Forty-One

Judy Peddy Draper

Division Forty-Two

Sandra Farragut-Hemphill

Division Forty-Three

Douglas R. Beach

Division Forty-Five

Visiting Judge *

* Visiting Judges are assigned by the Missouri Supreme Court to alleviate St. Louis County case load congestion.

ST. LOUIS COUNTY, MISSOURI
ELECTED OFFICIALS
CONTINUED

Division Forty-Six	Mary Greaves, Traffic Commissioner
Division Forty-Seven	Peggy McCartney, Traffic Commissioner
Division Sixty-One	Kris Kerr, Family Court Commissioner
Division Sixty-Two	Terry W. Wiese, Family Court Commissioner
Division Sixty-Three	Vacant, Family Court Commissioner
Division Sixty-Four	Victoria Mullen McKee, Family Court Commissioner
Division Sixty-Five	Phillip Jones, Family Court Commissioner

Prosecuting Attorney	Robert P. McCulloch
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APPOINTED OFFICIALS

Department Directors:

Administration	Pamela J. Reitz
County Counselor	Patricia Redington
Health	Dr. Dolores J. Gunn, M.D.
Highways	Garry W. Earls, P.E.
Human Services	Marilyn Robinson
Justice Services	Roy Mueller
Parks and Recreation	Lindsey Swanick
Planning	Glenn A. Powers
Police	Col. Jerry Lee
Public Works	Garry W. Earls, P.E.
Revenue	Eugene K. Leung
Spirit of St. Louis Airport	John D. Bales, Acting Director

Municipal Court Judges:

Robert S. Adler
Celeste Endicott
Renee Hardin-Tammons
Jess Ullom

Accounting Officer	Glenn M. Pearl
Assessor	Phil Muehlheusler
Auditor	Michael Schwerzler
Budget Director	Vacant
County Council, Administrative Director	Genevieve Frank
Circuit Court Clerk	Joan M. Gilmer
Collector	John Friganza
Judicial Administration Director	Paul Fox
Personnel Director	Kirk McCarley
Public Administrator	Thomas S. Arras
Purchasing Director	Rebecca Howe
Recorder of Deeds	Janice Hammonds
Sheriff	James D. Buckles II

Component Unit Directors:

Economic Council	Dennis G. Coleman
Productive Living Board	Joyce Prage
Transport Museum Association	Terri McEachern