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1-1-2005

## Financial Statements and Independent Auditors' Report, 2003-2004

Metropolitan Zoological Park and Museum District

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**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**METROPOLITAN ZOOLOGICAL  
PARK AND MUSEUM DISTRICT**

**December 31, 2004 and 2003**

# **METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT**

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## Independent Auditors' Report

Board of Directors  
Metropolitan Zoological Park and Museum District

We have audited the accompanying primary government financial statements of Metropolitan Zoological Park and Museum District (the District) as of and for the years ended December 31, 2004 and 2003, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The financial statements referred to above include only the primary government of Metropolitan Zoological Park and Museum District, which consists of all funds that comprise the District's legal entity. The financial statements do not include financial data for the District's legally separate component units, which U.S. generally accepted accounting principals require to be reported with the financial data of the District's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Metropolitan Zoological Park and Museum District, as of December 31, 2004 and 2003, and the changes in its financial position and its cash flows, where applicable, for the years then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the primary government of Metropolitan Zoological Park and Museum District, as of December 31, 2004 and 2003, and its changes in financial position and cash flows, where applicable, for the years then ended in conformity with U.S. generally accepted accounting principles.

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Other Locations

Belleville, IL • Carbondale, IL • Springfield, IL • Cape Girardeau, MO • Milwaukee, WI

The management's discussion and analysis on pages 5 through 8 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Keiser, Eck & Braeckel LLP

St. Louis, Missouri  
May 12, 2005

# **METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Year ended December 31, 2004 and 2003**

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The discussion and analysis of the Metropolitan Zoological Park and Museum District's financial performance provides an overview of the District's financial activities for the years ended December 31, 2004 and 2003. The management's discussion and analysis should not be taken as a replacement for the financial statements but should be read in conjunction with them to enhance understanding of the District's financial performance.

### **Financial Highlights**

- The District's tax revenue increased from \$52.18 million in 2003 to \$62.21 million in 2004. This represents an increase of approximately 19.2%. The increase results from continued growth in assessed valuations of properties within the District and a tax levy that approaches the maximum allowed by voters.
- The District's Board has limited the organization's operating costs to 2% of the tax revenue collected in 2004. The District's 2004 operating costs approximated .9% of the tax revenues collected during that year.
- The District's distributions to the Subdistricts continue to provide a material impact on the operations of each related cultural institution. The 2004 Subdistrict distributions provide from 25% to more than 50% of the funds required to operate the five specific cultural institutions.

### **Required Financial Statements**

The financial statements presented by the management of the District include Statements of Net Assets, Statements of Revenues, Expenses, and Changes in Net Assets and Statements of Cash Flows. These statements are prepared using the full accrual basis of accounting. This method of accounting recognizes revenues at the time they are earned and expenses when the related liability is incurred.

The Statements of Net Assets summarizes the financial position of the District as of December 31. These statements are a snapshot of the District's current and other assets as well as capital assets, long-term and other liabilities. These statements also show any restriction on the District's net assets. The Statements of Revenues, Expenses, and Changes in Net Assets summarize calendar year revenues and expenses. The Statements of Cash Flows account for the net change in cash and cash equivalents resulting from operating activities, non-capital financing activities, capital and related financing activities, and investment activities. These statements assist the user in determining the sources of cash coming into the District, the items for which cash was expended, and the beginning and ending cash balance.

# METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS Year ended December 31, 2004 and 2003

**Table 1**  
**Condensed Statements of Net Assets**  
**December 31,**

	<u>2004</u>	<u>2003</u>	<u>Difference</u>
Current and other assets	\$ 37,019,477	\$ 47,477,172	\$ (10,457,695)
Capital assets	81,505	86,909	(5,404)
<b>Total assets</b>	<b><u>\$ 37,100,982</u></b>	<b><u>\$ 47,564,081</u></b>	<b><u>\$ (10,463,099)</u></b>
Current and other liabilities	\$ 48,294	\$ 10,990,840	\$ (10,942,546)
Long-term liabilities	-	12,729	(12,729)
<b>Total liabilities</b>	<b><u>48,294</u></b>	<b><u>11,003,569</u></b>	<b><u>(10,955,275)</u></b>
Net assets			
Invested in capital assets, net of related debt	68,776	58,238	10,538
Restricted	36,324,478	35,836,994	487,484
Unrestricted	659,434	665,280	(5,846)
<b>Total net assets</b>	<b><u>37,052,688</u></b>	<b><u>36,560,512</u></b>	<b><u>492,176</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 37,100,982</u></b>	<b><u>\$ 47,564,081</u></b>	<b><u>\$ (10,463,099)</u></b>

The large decrease in District assets, from 2003 to 2004 is primarily due to the unexpected amount of tax money received by the District in late December 2003. The timing of the receipt was both unusual and unexpected. Such a large tax receipt did not occur in 2004.

The District's 2004 liabilities decreased by approximately \$10.9 million over 2003's liability balance. The decrease results from the recognition of a 2003 liability related to the above-mentioned receipt of tax collections from St. Louis County. The liability reflects amounts owed to the Subdistrict fiduciary funds. Distributions to these funds were completed on January 2, 2004.

# METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS Year ended December 31, 2004 and 2003

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**Table 2**  
**Condensed Statements of Changes in Net Assets**  
**Year ended December 31,**

	<u>2004</u>	<u>2003</u>	<u>Difference</u>
Operating revenues	\$ 62,212,837	\$ 52,180,638	\$ 10,032,199
Operating expenses	<u>541,348</u>	<u>376,919</u>	<u>164,429</u>
<b>Operating income</b>	61,671,489	51,803,719	9,867,770
Nonoperating revenue	<u>39,668</u>	<u>28,655</u>	<u>11,013</u>
<b>Income before transfers</b>	61,711,157	51,832,374	9,878,783
Transfers out	<u>(61,218,981)</u>	<u>(49,761,525)</u>	<u>(11,457,456)</u>
<b>CHANGE IN NET ASSETS</b>	<b>492,176</b>	<b>2,070,849</b>	<b>(1,578,673)</b>
Net assets at beginning of year	<u>36,560,512</u>	<u>34,489,663</u>	<u>2,070,849</u>
Net assets at end of year	<u>\$ 37,052,688</u>	<u>\$ 36,560,512</u>	<u>\$ 492,176</u>

Net income from operations increased from the prior year by approximately \$9.8 million or 19.1%. The increased revenue from operations pertains to tax and license revenues. As previously discussed, growing assessments of property within the District and an increase in the District-wide tax rate contributed to this revenue increase.

The District also experienced an increase in 2004 operating expenses. The prime sources of these additional expenses related to increased professional fees, salary and personnel costs and an increased provision for uncollectible taxes.

Transfers to Subdistricts totaled approximately \$11.4 million more in 2004 than in 2003. The variance is a result of the timing of tax receipts from the City and County Collectors of Revenue. When tax dollars are received in the District's office, ninety-eight percent (98%) of each dollar is transferred to the District fiduciary funds.



# METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS Year ended December 31, 2004 and 2003

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**Table 3**  
**Condensed Statements of Cash Flows**  
**Year ended December 31,**

	<u>2004</u>	<u>2003</u>	<u>Difference</u>
Cash flows from operating activities	\$ 61,461,123	\$ 49,746,335	\$ 11,714,788
Cash flows from noncapital financing activities	(72,168,831)	(38,797,052)	(33,371,779)
Cash flows from capital and related financing activities	(26,045)	(17,379)	(8,666)
Cash flows from investing activities	<u>41,390</u>	<u>31,194</u>	<u>10,196</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(10,692,363)	10,963,098	(21,655,461)
Cash and cash equivalents at beginning of year	<u>11,301,064</u>	<u>337,966</u>	<u>10,963,098</u>
Cash and cash equivalents at end of year	<u>\$ 608,701</u>	<u>\$ 11,301,064</u>	<u>\$ (10,692,363)</u>

At December 31, 2004, the District's cash and cash equivalents decreased by almost \$10.7 million over the prior year. This decrease is primarily due to the unexpected year-end receipt of tax monies from the St. Louis County Collector of Revenue in 2003. The cash transfers to the District's fiduciary funds were completed on January 2, 2004.

### **Contacting the Metropolitan Zoological Park and Museum District's Management**

Questions regarding any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Metropolitan Zoological Park and Museum District, 7733 Forsyth Blvd, Suite 550, St. Louis, Missouri 63105.

# METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

## STATEMENTS OF NET ASSETS - PROPRIETARY FUND

December 31,

	Enterprise Fund	
	2004	2003
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 608,701	\$ 11,301,064
Accounts receivable		
Assessed property and license fees, net of allowance for uncollectibles of \$2,533,754 in 2004 and \$2,846,712 in 2003	36,410,437	36,175,910
Prepaid expenses	339	-
Miscellaneous receivables	-	198
<b>Total current assets</b>	<b>37,019,477</b>	<b>47,477,172</b>
<b>Noncurrent assets</b>		
Capital assets, net of accumulated depreciation		
Leasehold improvements	26,080	30,616
Office furniture and equipment	53,637	54,194
Telephone equipment	1,788	2,099
<b>Total noncurrent assets</b>	<b>81,505</b>	<b>86,909</b>
<b>Total assets</b>	<b>\$ 37,100,982</b>	<b>\$ 47,564,081</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 20,942	\$ 10,425
Capital lease obligation, current portion	12,729	15,942
Tax transfers payable to District fiduciary funds	14,623	10,964,473
<b>Total current liabilities</b>	<b>48,294</b>	<b>10,990,840</b>
<b>Noncurrent liabilities</b>		
Capital lease obligation, less current portion	-	12,729
<b>Total liabilities</b>	<b>48,294</b>	<b>11,003,569</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	68,776	58,238
Restricted for the benefit of subdistricts	36,324,478	35,836,994
Unrestricted	659,434	665,280
<b>Total net assets</b>	<b>37,052,688</b>	<b>36,560,512</b>
<b>Total liabilities and net assets</b>	<b>\$ 37,100,982</b>	<b>\$ 47,564,081</b>

The accompanying notes are an integral part of these statements.

# METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUND

Year ended December 31,

	Enterprise Fund	
	2004	2003
<b>Operating revenues</b>		
Real and personal property tax	\$ 57,018,172	\$ 47,208,066
Merchants' and manufacturers' license	1,857,224	1,840,446
Surtax on commercial real estate	3,210,239	3,018,351
Financial institution tax	127,202	113,775
<b>Total operating revenues</b>	<b>62,212,837</b>	<b>52,180,638</b>
<b>Operating expenses</b>		
Salaries and personnel costs	183,601	170,792
Provision for uncollectible taxes	224,754	72,829
Office occupancy	52,667	50,697
Legal fees	25,182	32,147
Other professional fees	15,096	8,690
Insurance	10,572	11,360
Maintenance and services contracts	3,662	5,302
Computer	2,998	4,276
Office supplies and postage	2,329	2,437
Telephone	1,954	1,768
Subscriptions	954	829
Miscellaneous	3,596	2,321
Depreciation	9,447	8,935
Amortization	4,536	4,536
<b>Total operating expenses</b>	<b>541,348</b>	<b>376,919</b>
<b>Operating income</b>	<b>61,671,489</b>	<b>51,803,719</b>
<b>Nonoperating revenue (expense)</b>		
Investment income	41,390	31,194
Loss on donated asset	(285)	-
Interest expense	(1,437)	(2,539)
<b>Total nonoperating revenue</b>	<b>39,668</b>	<b>28,655</b>
<b>Excess of revenues over expenses before transfers</b>	<b>61,711,157</b>	<b>51,832,374</b>
<b>Transfers out</b>		
District fiduciary funds	(61,218,981)	(49,761,525)
<b>CHANGE IN NET ASSETS</b>	<b>492,176</b>	<b>2,070,849</b>
Net assets at beginning of year	36,560,512	34,489,663
Net assets at end of year	<u>\$ 37,052,688</u>	<u>\$ 36,560,512</u>

The accompanying notes are an integral part of these statements.

# METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

## STATEMENTS OF CASH FLOWS - PROPRIETARY FUND

Year ended December 31,

	Enterprise Fund	
	2004	2003
<b>Cash flows from operating activities</b>		
Receipts from St. Louis City and County taxpayers	\$ 61,753,556	\$ 50,115,882
Payments to and for the benefit of employees	(183,729)	(169,104)
Payments to suppliers and vendors	(108,704)	(200,443)
<b>Net cash provided by operating activities</b>	<b>61,461,123</b>	<b>49,746,335</b>
<b>Cash flows from noncapital financing activities</b>		
Cash transfers to District's fiduciary funds	(72,168,831)	(38,797,052)
<b>Cash flows from capital and related financing activities</b>		
Purchase of capital assets	(8,666)	-
Principal paid on capital lease obligation	(15,942)	(14,840)
Interest paid	(1,437)	(2,539)
<b>Net cash used in capital and related financing activities</b>	<b>(26,045)</b>	<b>(17,379)</b>
<b>Cash flows from investing activities</b>		
Investment income	41,390	31,194
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(10,692,363)</b>	<b>10,963,098</b>
Cash and cash equivalents at beginning of year	11,301,064	337,966
Cash and cash equivalents at end of year	\$ 608,701	\$ 11,301,064
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$ 61,671,489	\$ 51,803,719
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	9,447	8,935
Amortization	4,536	4,536
Changes in assets and liabilities		
Receivables, net	(234,527)	(2,064,955)
Prepaid expense	(339)	-
Accounts payable	10,517	(5,900)
<b>Net cash provided by operating activities</b>	<b>\$ 61,461,123</b>	<b>\$ 49,746,335</b>

The accompanying notes are an integral part of these statements.

# METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

## STATEMENTS OF FIDUCIARY NET ASSETS

December 31,

	Private-Purpose Trusts	
	2004	2003
<b>ASSETS</b>		
Cash and cash equivalents	\$ 13,432,764	\$ 1,158,903
Receivable from District enterprise fund	14,623	10,964,473
Total assets	<u>\$ 13,447,387</u>	<u>\$ 12,123,376</u>
<b>NET ASSETS</b>		
Held for benefit of the subdistricts	<u>\$ 13,447,387</u>	<u>\$ 12,123,376</u>

The accompanying notes are an integral part of these statements.

# METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

## STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS

Year ended December 31,

	Private-Purpose Trusts	
	2004	2003
<b>ADDITIONS</b>		
Transfers from the District		
Revenue account	\$ 60,549,380	\$ 49,067,252
Operating account	669,601	694,273
Total transfers	61,218,981	49,761,525
Investment earnings		
Interest	129,131	92,242
<b>Total additions</b>	<b>61,348,112</b>	<b>49,853,767</b>
<b>DEDUCTIONS</b>		
Voucher distributions to subdistricts	60,024,101	42,847,392
<b>CHANGE IN NET ASSETS</b>	<b>1,324,011</b>	<b>7,006,375</b>
Net assets at beginning of year	12,123,376	5,117,001
Net assets at end of year	<u>\$ 13,447,387</u>	<u>\$ 12,123,376</u>

The accompanying notes are an integral part of these statements.

# METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2004 and 2003

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### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Metropolitan Zoological Park and Museum District (the District) was established by Missouri Statute on January 1, 1972. The District receives all tax revenues on behalf of the Zoological Park Subdistrict, the Art Museum Subdistrict, the St. Louis Science Center (formerly the Museum of Science & Natural History) Subdistrict, the Botanical Garden Subdistrict, and the Missouri History Museum Subdistrict.

The statute provides that all tax monies, including real and personal property tax, financial institution tax, merchants' and manufacturers' licenses, commercial real estate surtax and railroad and utility taxes, received for a Subdistrict shall be segregated from all other funds. The Subdistrict's officers may draw upon these funds when properly authorized vouchers are submitted.

The statute further provides that the District's administrative expenses may not exceed five percent of its total revenue collected; however, the District Board of Directors (the Board) limited 2004 operating expenses to two percent.

The Board consists of eight members, each appointed for a four-year term. The Mayor of the City of St. Louis appoints four Board members and the St. Louis County Executive also appoints four Board members.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the District has the option to apply FASB pronouncements issued after that date to its enterprise funds, the District has chosen not to do so. The more significant accounting policies established in GAAP and used by the District are discussed below.

#### **1. Reporting Entity**

The financial statements include only the primary government of Metropolitan Zoological Park and Museum District, which consists of all funds that comprise the District's legal entity. The financial statements do not include financial data for the District's legally separate component units.

As defined by GASB No. 14, component units are legally separate entities that should be included in the District's reporting entity because of the significance of their operating or financial relationships with the District. Although legally separate, each Subdistrict is a component unit due to its fiscal dependence on the District.

The five Subdistricts account for their financial activities under a variety of accounting methods. This lack of conformity in the selection and application of accounting principles makes the presentation of the Subdistricts' discretely presented financial data, within the financial statements, less meaningful. As a result, the component unit financial activities have not been included in the basic financial statements.

# METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

## NOTES TO FINANCIAL STATEMENTS December 31, 2004 and 2003

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### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### 1. Reporting Entity – Continued

Complete financial statements for each of the District's component units (Subdistricts) can be obtained by contacting each entity's administrator at the following addresses:

Zoological Park Subdistrict  
1 Government Drive  
St. Louis, Missouri 63110

St. Louis Science Center Subdistrict  
5050 Oakland Ave  
St. Louis, Missouri 63110

Art Museum Subdistrict  
1 Fine Arts Drive  
St. Louis, Missouri 63110

History Museum Subdistrict and  
the Missouri Historical Society  
c/o P.O. Box 11940  
St. Louis, Missouri 63122

Botanical Garden Subdistrict and  
the Missouri Botanical Garden  
c/o P.O. Box 299  
St. Louis, Missouri, 63166

#### 2. Basis of Presentation

The accounts of the District are organized and operated on a basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and managerial requirements.

The funds of the District are described below:

#### Proprietary Funds

##### Enterprise Fund

The Enterprise Fund is used to account for all of the District's activities including the collection of tax monies received from the City of St. Louis (City) and from St. Louis County (County) and for the expenses of operating the District.

#### Fiduciary Funds

##### Private-Purpose Trusts

The Private-Purpose Trusts are used to account for assets held by the District in a trustee capacity on behalf of the Subdistricts.



# METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2004 and 2003

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### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### 3. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

##### Measurement focus

The proprietary fund financial statements are prepared using the economic resources measurement focus, as are the fiduciary fund financial statements. The accounting objectives of this measurement focus are the determination of changes in net assets, financial position, and cash flows. All assets and liabilities, whether current or noncurrent, are reported.

##### Basis of accounting

The proprietary fund financial statements are prepared using the accrual basis of accounting, as are the fiduciary fund financial statements. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred or economic assets used.

#### 4. Cash and Cash Equivalents

The District considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

#### 5. Property Taxes

Property taxes attach as enforceable lien on property as of January 1. Taxes are levied annually on November 1 and payable by December 31. All unpaid taxes become delinquent January 1 of the following year. Taxes are collected by the City and County and remitted to the District on a monthly basis.

Because some taxes may not ultimately be collected, an allowance for uncollectible taxes is recorded. Increases in the allowance are recorded by a provision for uncollectible taxes charged to expense. Estimating the amount of uncollectible taxes is, necessarily, subjective. Accordingly, the allowance is maintained by the District at a level considered adequate to cover uncollectible taxes currently anticipated, based on past experience and other general, economic and political factors.

#### 6. Capital assets and depreciation

The District's capital assets include the leasehold improvements, furniture and equipment. Capital assets are recorded at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. The estimated useful lives range from two to ten years for equipment and furniture. Leasehold improvements are amortized on a straight-line basis over the ten year estimated useful life of the improvement.

# **METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2004 and 2003**

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### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

#### **7. Equity Classifications**

In the proprietary fund financial statements, equity is classified as net assets and displayed in three components. Net assets invested in capital assets, net of related debt, consist of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those net assets. Net assets are reported as restricted when there are constraints imposed on their use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments. All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt are reported as unrestricted. The District first utilizes restricted resources for all required transfers to the Subdistricts.

#### **8. Use of Estimates**

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **NOTE B – CASH AND INVESTMENTS**

#### **Deposits**

Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2004 the carrying amount of the deposits under District control was \$136,181 and the bank balance was \$147,126. Of the bank balance, \$101,140 was covered by federal depository insurance and \$45,986 was covered by collateral held by the pledging financial institution's agent in the District's name.

The District's deposits are categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes deposits that are insured or collateralized with securities held by the District or its agent in the District's name. Category 2 includes uninsured deposits collateralized with securities held by the pledging financial institution's trust department or agent in the District's name. Category 3 includes uninsured and uncollateralized deposits or deposits collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name.

# METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2004 and 2003

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### NOTE B – CASH AND INVESTMENTS - Continued

Based on these three levels of risk, the Districts cash deposits at December 31, 2004 are classified as follows:

Category 1	\$ 101,140
Category 2	45,986
Category 3	<u>-</u>
	<u>\$ 147,126</u>

#### Investments

The District may purchase any investments allowed by the Missouri State Treasurer. These include (1) obligations of the United States Government or any agency or instrumentality thereof maturing and becoming payable not more than three years from the date of purchase, or (2) repurchase agreements maturing and becoming payable within 90 days secured by U.S. Treasury obligations or obligations of U.S. Government agencies or instrumentalities of any maturity, as provided by law. The District records all interest revenue related to investment activities in the fund which owns the security.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes securities that are insured or registered or securities held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered securities held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered securities held by the counterparty, or by its trust department or agent but not in the District's name.

At December 31, 2004, the District's investments consist of overnight repurchase agreements. Repurchase agreements are entered into on a daily basis to earn interest income on excess funds. The carrying value of the District's investments approximates its fair market value. Based on these three levels of risk, investments under the control of the District at December 31, 2004, are classified as follows:

Category 1	\$ 48,000
Category 2	13,857,084
Category 3	<u>-</u>
	<u>\$ 13,905,084</u>

# METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2004 and 2003

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### NOTE C – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2004, was as follows:

	Balance at January 1, 2004	Additions	Disposals	Balance at December 31, 2004
Leasehold improvements	\$ 45,358	\$ -	\$ -	\$ 45,358
Office furniture and equipment	80,767	8,864	(450)	89,181
Telephone equipment	3,110	-	-	3,110
Totals at historical cost	129,235	8,864	(450)	137,649
Less accumulated depreciation				
Leasehold improvements	(14,742)	(4,536)	-	(19,278)
Office furniture and equipment	(26,573)	(9,136)	165	(35,544)
Telephone equipment	(1,011)	(311)	-	(1,322)
Total accumulated depreciation	(42,326)	(13,983)	165	(56,144)
<b>Capital assets, net</b>	<b>\$ 86,909</b>	<b>\$ (5,119)</b>	<b>\$ (285)</b>	<b>\$ 81,505</b>

### NOTE D – LEASE COMMITMENTS

The District leases its office facility and certain office furnishings. The facility rental is characterized as an operating lease; however, the furnishings lease qualifies as a capital lease. The furnishings lease expires in September 2005 and the office lease terminates July 30, 2010. Total rent expense for the years ended December 31, 2004 and 2003 was \$52,667 and \$50,697, respectively.

# METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2004 and 2003

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### NOTE D – LEASE COMMITMENTS - Continued

The District's future minimum lease payments are as follows:

Year ended December 31	Capital lease	Operating lease
2005	\$ 13,034	\$ 47,575
2006	-	47,575
2007	-	49,954
2008	-	53,284
2009	-	53,284
2010	-	31,082
	<hr/>	<hr/>
Total minimum lease payments required	13,034	<u>\$ 282,754</u>
Less amount representing interest	<u>305</u>	
Present value of capital lease obligation	<u>\$ 12,729</u>	

### NOTE E – RETIREMENT PLANS

The District sponsors two retirement and pension plans. All District employees may participate in a 457(b) Deferred Compensation Plan. Only the employee contributes to the plan and the contributions are made through payroll deductions. After one year of employment, all full-time employees participate in a single-employer defined benefit pension plan administered by the St. Louis Science Center Subdistrict (the Subdistrict) of the Metropolitan Zoological Park and Museum District. The plan provides retirement, disability and death benefits to plan members and beneficiaries. The contribution requirements of plan members are established by the Subdistrict and may be amended by the Subdistrict. The District's required contributions for the years ended December 31, 2004 and 2003 were not significant.

# **METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2004 and 2003**

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### **NOTE F – PROTESTED TAXES**

#### **Escrowed Balances**

Included in the taxes receivable at December 31, 2004 are taxes of approximately \$156,000 paid under protest by City taxpayers and \$376,000 paid under protest by County residents.

#### **Contingent Liability**

Each year the County remits certain unresolved protested tax payments to the District. The County has not yet quantified the amount of these protested payments; however the District, based upon consultations with the County Director of Revenue, believes payments that will be returned to taxpayers who are successful in their protests will not be material in relation to the financial position and operations of the District.

The City distributes disputed tax receipts, for 1992 and subsequent years, to taxing districts prior to resolution of the disagreements, as mandated by a 1994 court decision. When the City refunds tax payments to those who are successful in their protests, it withholds the refunded amount from future distributions to taxing districts. The District believes that any future withholdings by the City will not be material in relation to the District's financial position and results of operations.

### **NOTE G – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters for which the District carries commercial insurance. There have been no reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.