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Basic Financial Statements, 2004

Missouri History Museum Subdistrict of the Metropolitan Zoological Park and Museum District
of the City of St. Louis and St. Louis County

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**THE MISSOURI HISTORY MUSEUM SUBDISTRICT
OF THE METROPOLITAN ZOOLOGICAL PARK
AND MUSEUM DISTRICT OF THE CITY OF
ST. LOUIS AND ST. LOUIS COUNTY**

Basic Financial Statements

December 31, 2004

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 900
10 South Broadway
St. Louis, MO 63102-1761

Independent Auditors' Report

The Board of Commissioners
The Missouri History Museum Subdistrict
of the Metropolitan Zoological Park
and Museum District of the City of
St. Louis and St. Louis County:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, and the major fund of The Missouri History Museum Subdistrict of the Metropolitan Zoological Park and Museum District of the City of St. Louis and St. Louis County (the Subdistrict) as of and for the year ended December 31, 2004, which collectively comprise the Subdistrict's basic financial statements. These financial statements are the responsibility of the Subdistrict's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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 Subdistrict'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. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, and the major fund of The Missouri History Museum Subdistrict of the Metropolitan Zoological Park and Museum District of the City of St. Louis and St. Louis County as of December 31, 2004, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, on pages 2 through 7, and the budgetary comparison information, on pages 22 through 23, 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.

As described in note 1j, during fiscal year 2004 the Subdistrict implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures* as of January 1, 2004.

St. Louis, Missouri
March 21, 2005

KPMG LLP

**THE MISSOURI HISTORY MUSEUM SUBDISTRICT
OF THE METROPOLITAN ZOOLOGICAL PARK
AND MUSEUM DISTRICT OF THE CITY OF
ST. LOUIS AND ST. LOUIS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004**

The management's discussion and analysis of The Missouri History Museum Subdistrict of the Metropolitan Zoological Park and Museum District of the City of St. Louis and St. Louis County (the Subdistrict) provides an easily readable analysis of the Subdistrict's financial activities based on currently known facts, decisions, and conditions. This is the first year in which the Subdistrict has prepared financial statements in accordance with the new reporting model as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34. As a result, comparisons with the previous year are limited. The management's discussion and analysis should not be taken as a replacement for the financial statements and footnotes, but should be read in conjunction with them to enhance understanding of the Subdistrict's financial performance.

Financial Highlights

- The Subdistrict's share of tax revenue, less assessments, increased from \$8.5 million in 2003 to \$9.7 million in 2004. This represents an increase of approximately 14.1%. The increase results from the continued growth in the assessed valuations of properties within the Metropolitan Zoological Park and Museum District and an increase in Subdistrict tax rates, from 3.8 cents per \$100 of assessed valuation in 2003 to 3.94 cents per \$100 of assessed valuation in 2004.
- The year-end balance of funds held for the Subdistrict by the Metropolitan Zoological Park and Museum District increased from \$1.8 million in 2003 to \$3.3 million in 2004. The increase is due to a greater number of taxpayers from the City of St. Louis and St. Louis County paying their property tax bill prior to the last day of the year, when these taxes are due, resulting in a larger balance of funds held within the Subdistrict's account.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Subdistrict's basic financial statements. The Subdistrict's financial report includes four components: 1) *Government-wide financial statements*; 2) *fund financial statements*; 3) *notes to the financial statements*; and 4) *required supplementary information*.

Government-wide 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 activities of the Subdistrict. These statements are prepared using the accrual basis of accounting. All of the Subdistrict's activities are classified as governmental activities, which normally are supported by tax revenues, as opposed to business-type activities, which rely to a significant extent on charges for services.

The **statement of net assets** presents information on all of the Subdistrict'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 Subdistrict 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.

The **statement of activities** presents information showing how the Subdistrict'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 Subdistrict and the degree to which they are supported by charges for services, operating or capital grants and contributions, tax revenues, and investment income.

The government-wide financial statements include not only the Subdistrict itself (the *primary government*), but also a legally separate not-for-profit organization, the Missouri Historical Society, for which the Subdistrict is financially accountable (a *component unit*). Financial information for the component unit is reported separately from the financial information of the primary government. The government-wide financial statements do not include any blended component units.

Fund financial statements

The second set of statements is the 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 Subdistrict uses fund accounting to demonstrate compliance with finance-related legal requirements.

The Subdistrict uses only one governmental fund type, a general fund, to account for all activities of the Subdistrict. Fund financial statements for governmental funds are prepared using a modified accrual basis of accounting, which differs from the full accrual basis of accounting used to prepare the government-wide financial statements. Therefore, the total fund balance for the governmental fund is reconciled to total net assets for governmental activities, as shown on the statement of net assets. The net change in fund balance for the governmental fund is reconciled to the total change in net assets as shown on the statement of activities in the government-wide 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 governmentwide 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 Subdistrict's budgetary comparisons for the general fund.

Financial Analysis of the Subdistrict as a Whole

This is the first year for the Subdistrict to prepare financial statements using GASB Statement No. 34 guidelines. As a result, comparative data is not available; however, comparative data will be provided in future years when available.

Net assets

On a government-wide basis, the Subdistrict's net assets were approximately \$3.8 million at fiscal year-end and are shown in the table below.

**The Missouri History Museum Subdistrict
of the Metropolitan Zoological Park
and Museum District of the City of
St. Louis and St. Louis County
Schedule of Net Assets
December 31, 2004**

	<u>Governmental Activities</u>
Assets:	
Current and other assets	\$ 3,282,261
Capital assets, net	<u>565,008</u>
Total assets	<u>3,847,269</u>
Liabilities:	
Long-term liabilities outstanding	-
Other liabilities	<u>-</u>
Total liabilities	<u>-</u>
Net assets:	
Invested in capital assets	565,008
Unrestricted	<u>3,282,261</u>
Total net assets	<u>\$ 3,847,269</u>

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the Subdistrict, assets exceeded liabilities by \$3.8 million at the close of the current fiscal year.

Approximately 14.6% of the Subdistrict's net assets reflects its investment of \$565,008 in capital assets. The Subdistrict uses these capital assets to provide services; consequently, these assets are not available for future spending.

Governmental activities

The following schedule shows the revenues and expenses for the Subdistrict's activities for the year ended December 31, 2004.

**The Missouri History Museum Subdistrict
of the Metropolitan Zoological Park
and Museum District of the City of
St. Louis and St. Louis County
Schedule of Changes in Net Assets
For the year ended December 31, 2004**

	<u>Governmental Activities</u>
Revenues:	
Program revenues:	
Charges for services	\$ 20
General revenues:	
St. Louis City property taxes	1,505,564
St. Louis County property taxes	8,212,337
Interest earnings	28,606
Less assessments, net	(81,293)
Unrestricted investment earnings	149
Total revenues	<u>9,665,383</u>
Expenses:	
General government	49,546
Payments to Missouri Historical Society:	
History museum services	8,175,160
Capital projects	27,750
Total expenses	<u>8,252,456</u>
Increase in net assets	1,412,927
Net assets, beginning of year	<u>2,434,342</u>
Net assets, end of year	<u>\$ 3,847,269</u>

The Subdistrict's total revenue on a government-wide basis was \$9.6 million. Property taxes, net of assessments retained by the Metropolitan Zoological Park and Museum District, accounted for all but \$169 of the Subdistrict's revenue.

The total cost of all programs and services was \$8.2 million. Amounts passed through to the Missouri Historical Society as reimbursement for museum services and capital projects comprised 99.4% of the Subdistrict's total expenses, while the Subdistrict's general government expenses comprised only 0.6% of the total.

Governmental activities increased the Subdistrict's net assets by \$1.4 million. Since this is the first year for government-wide reporting, comparative analysis to the previous year cannot be reported. However, the key factor influencing this increase is the timing of receipts. In December 2004, more than \$3.5 million in tax receipts were collected for the Subdistrict out of a total \$9.7 million for the year—this represents 37% of all taxes collected for the Subdistrict. As mentioned above, this is due to taxpayers from the City of St. Louis and St. Louis County paying their property tax bill in December prior to the last day of the year, when these taxes are due. Additionally, this increase reflects growing property values within the City of St. Louis and St. Louis County, as well as an increase in the Subdistrict's tax rate from 3.8 cents of \$100 assessed valuation in 2003 to 3.94 cents per \$100 of assessed valuation in 2004.

Financial Analysis of the Subdistrict's Governmental Fund

As previously mentioned, the purpose and focus of the Subdistrict's governmental fund is different than that of the government-wide financial statements. The focus of the Subdistrict's governmental fund is to provide information on the inflows, outflows, and balances of resources that are available for spending as well as to demonstrate compliance with statutory and other legal requirements. As a result, the fund financial statements reflect a *current financial resources* focus rather than a *total economic resources* focus, which is used in the government-wide financial statements.

Given the focus of the fund financial statements, 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 \$3.3 million. As a measure of the general fund's liquidity, it may be useful to compare this amount to total fund expenditures, which calculates to 40%.

The total fund balance in the Subdistrict's general fund increased by \$1.4 million, or by 43.6%. The change in the current fiscal year's fund balance is primarily due to the same factors identified for the increase in net assets on the statement of activities: more timely payment of property taxes by citizens of the City of St. Louis and St. Louis County, growing property values within the City of St. Louis and St. Louis County, and an increase in the Subdistrict's tax rate from 3.8 cents of \$100 assessed valuation in 2003 to 3.94 cents per \$100 of assessed valuation in 2004.

General Fund Budgetary Highlights

The final budget for the Subdistrict's general fund represents the original budget plus any supplemental appropriations approved during the year. No supplemental appropriations were made by the Subdistrict during 2004; therefore, the original budget and the final budget are identical. Revenues exceeded budgetary estimates by 16.4% and expenditures totaled 99.6% of budget.

Capital Assets

The Subdistrict has invested \$565,008 in capital assets (net of accumulated depreciation) as of the close of the fiscal year. These capital assets consist entirely of one parcel of property and the building located upon it. Aside from the recording of depreciation expense for the building, capital assets have not changed from the prior year. Detailed information is provided in the schedule below.

**The Missouri History Museum Subdistrict
of the Metropolitan Zoological Park
and Museum District of the City of
St. Louis and St. Louis County
Schedule of Capital Assets,
Net of Accumulated Depreciation
December 31, 2004**

	<u>Governmental Activities</u>
Land	\$ 105,000
Building	460,008
Total capital assets	<u>\$ 565,008</u>

Requests for Information

This financial report is designed to provide a general overview of the finances of The Missouri History Museum Subdistrict of the Metropolitan Zoological Park and Museum District of the City of St. Louis and St. Louis County. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to:

The Missouri History Museum Subdistrict
of the Metropolitan Zoological Park and
Museum District of the City of St. Louis
and St. Louis County
c/o Stolar Partnership
911 Washington Avenue
St. Louis, MO 63101

**The Missouri History Museum Subdistrict
of the Metropolitan Zoological Park
and Museum District of the City of
St. Louis and St. Louis County
Statement of Net Assets
December 31, 2004**

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>	<u>Component Unit</u> <u>Missouri Historical</u> <u>Society</u>
ASSETS		
Cash	\$ 5,656	110,575
Funds held for the Subdistrict by the Metropolitan Zoological Park and Museum District	3,276,605	-
Investments at fair market value	-	22,619,907
Receivables:		
Grants and accounts receivables	-	233,023
Note receivable	-	569,312
Pledges receivable	-	1,107,596
Accrued investment income	-	71,437
Prepaid expenses	-	325,053
Inventories	-	612,449
Capital assets, net:		
Nondepreciable—land	105,000	-
Depreciable:		
Building	460,008	-
Leasehold improvements	-	28,555,966
Furnitures, fixtures, and equipment	-	316,045
Total assets	3,847,269	54,521,363
LIABILITIES		
Accounts payable and other liabilities	-	1,231,357
Obligations under split-interest agreements	-	557,945
Total liabilities	-	1,789,302
NET ASSETS		
Invested in capital assets	565,008	28,872,011
Restricted:		
Expendable	-	1,371,168
Nonexpendable	-	7,549,857
Unrestricted	3,282,261	14,939,025
Total net assets	\$ 3,847,269	52,732,061

See accompanying notes to basic financial statements.

**The Missouri History Museum Subdistrict
of the Metropolitan Zoological Park
and Museum District of the City of
St. Louis and St. Louis County
Statement of Activities
For the year ended December 31, 2004**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary</u>	<u>Component</u>
					<u>Governmental Activities</u>	<u>Unit Missouri Historical Society</u>
Primary Government:						
Governmental activities:						
General government	\$ 49,546	20	-	-	(49,526)	-
Museum services:						
Payments to Missouri Historical Society:						
History museum services	8,175,160	-	-	-	(8,175,160)	-
Capital projects	27,750	-	-	-	(27,750)	-
Total primary government	\$ <u>8,252,456</u>	<u>20</u>	<u>-</u>	<u>-</u>	<u>(8,252,436)</u>	<u>-</u>
Component Unit:						
Missouri Historical Society	\$ <u>13,817,697</u>	<u>2,499,976</u>	<u>2,553,079</u>	<u>-</u>	<u>-</u>	<u>(8,764,642)</u>
General revenues:						
Revenue from the Metropolitan Zoological Park and Museum District:						
St. Louis City property taxes				1,505,564	-	
St. Louis County property taxes				8,212,337	-	
Interest earned				28,606	-	
Less assessments, net				(81,293)	-	
Unrestricted investment earnings				149	1,075,543	
Support provided by Missouri History Museum Subdistrict				-	8,202,910	
Total general revenues				<u>9,665,363</u>	<u>9,278,453</u>	
Change in net assets				1,412,927	513,811	
Net assets—beginning of year				2,434,342	52,218,250	
Net assets—end of year				\$ <u>3,847,269</u>	<u>52,732,061</u>	

See accompanying notes to basic financial statements.

**The Missouri History Museum Subdistrict
of the Metropolitan Zoological Park
and Museum District of the City of
St. Louis and St. Louis County
Balance Sheet
Governmental Fund
December 31, 2004**

		<u>General Fund</u>
ASSETS		
Cash	\$	5,656
Funds held for the Subdistrict by the Metropolitan Zoological Park and Museum District		<u>3,276,605</u>
Total assets	\$	<u><u>3,282,261</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities	\$	-
Fund balance—unreserved		<u>3,282,261</u>
Total liabilities and fund balance	\$	<u><u>3,282,261</u></u>

**Reconciliation of the Balance Sheet of Governmental Fund
to the Statement of Net Assets:**

Total fund balance—governmental fund—balance sheet	\$	3,282,261
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements. Capital assets are reported in the government-wide statement of net assets		565,008
Total net assets—governmental activities—statement of net assets	\$	<u><u>3,847,269</u></u>

See accompanying notes to basic financial statements.

**The Missouri History Museum Subdistrict
of the Metropolitan Zoological Park
and Museum District of the City of
St. Louis and St. Louis County
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the year ended December 31, 2004**

		<u>General Fund</u>
REVENUES		
Revenue from the Zoological Park and Museum District:	\$	
St. Louis City property taxes		1,505,564
St. Louis County property taxes		8,212,337
Interest earned		28,606
Less assessments, net		<u>(81,293)</u>
Total receipts		9,665,214
Interest income		149
Rental income		<u>20</u>
Total revenues		<u>9,665,383</u>
EXPENDITURES		
Current:		
Payments to the Missouri Historical Society:		
History museum services		8,175,160
Capital projects		27,750
General government		<u>31,084</u>
Total expenditures		8,233,994
Net change in fund balance		<u>1,431,389</u>
Fund balances:		
Beginning of year		<u>1,850,872</u>
End of year	\$	<u><u>3,282,261</u></u>

**Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance of Governmental Fund to the Statement of Activities**

Net change in fund balance—governmental fund—statement of revenues, expenditures, and changes in fund balance	\$	1,431,389
Purchases of capital assets are recorded as capital outlay expenditures in the fund financial statements. Capital assets are capitalized and depreciated over their useful lives in the government-wide statement of activities. This is the amount of depreciation expense recorded on the statement of activities in the current year.		(18,462)
Change in net assets—governmental activities—statement of activities	\$	<u><u>1,412,927</u></u>

See accompanying notes to basic financial statements.

**THE MISSOURI HISTORY MUSEUM SUBDISTRICT
OF THE METROPOLITAN ZOOLOGICAL PARK
AND MUSEUM DISTRICT OF THE CITY OF
ST. LOUIS AND ST. LOUIS COUNTY**

Notes to Basic Financial Statements

December 31, 2004

(1) Summary of Significant Accounting Policies

On November 3, 1987, the voters of the City of St. Louis and St. Louis County approved the formation of The Missouri History Museum Subdistrict (the Subdistrict) of the Metropolitan Zoological Park and Museum District of the City of St. Louis and St. Louis County (the District). The Subdistrict was established to receive tax revenues from the District and to pay for history museum services (currently provided by the Missouri Historical Society).

The following is a summary of the more significant accounting policies of the Subdistrict:

(a) Reporting Entity

The Subdistrict'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 Subdistrict's financial reporting entity consists of the Subdistrict (the primary government) and its discretely presented component unit, the Missouri Historical Society (the Society).

The Society is included as a component unit of the Subdistrict because the Subdistrict is financially accountable for the Society, as the Society is fiscally dependent upon the Subdistrict because the Subdistrict approves the Society's budget. However, the Subdistrict's relationship with the Society is based on a formal contractual arrangement, which the Subdistrict has no obligation to continue beyond the annually renewable term (see note 5). The financial activity of the Society is presented in a separate column in the accompanying basic financial statements to emphasize that it is legally separate from the Subdistrict. The Subdistrict has no authority over the selection of the Society's Board of Trustees or management.

The accompanying basic financial statements present condensed financial statements of the Society. Complete financial statements of the Society may be obtained from their administrative offices as follows:

Missouri Historical Society
P. O. Box 11940
St. Louis, Missouri 63112

(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 activities of the Subdistrict and the Society. All of the Subdistrict's activities are classified as governmental activities, which normally is supported by tax revenues, as opposed to business-type activities, which rely to a significant extent on charges for services. Likewise, the Subdistrict is reported separately from the Society, its discretely presented component unit.

**THE MISSOURI HISTORY MUSEUM SUBDISTRICT
OF THE METROPOLITAN ZOOLOGICAL PARK
AND MUSEUM DISTRICT OF THE CITY OF
ST. LOUIS AND ST. LOUIS COUNTY**

Notes to Basic Financial Statements

December 31, 2004

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 the Subdistrict's governmental fund. The Subdistrict uses only one governmental fund type, a general fund, to account for all activities of the Subdistrict. The total fund balance for the governmental fund is reconciled to total net assets for governmental activities as shown on the statement of net assets. The net change in fund balance for the governmental fund is reconciled to the total change in net assets as shown on the statement of activities in the government-wide statements.

(c) *Measurement Focus and Basis of Accounting*

Measurement focus refers to what is being expressed in reporting the Subdistrict's financial performance and position. 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 discretely presented component unit financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

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 Subdistrict, available is defined as expected to be received within 60 days of fiscal year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The St. Louis City and St. Louis County property taxes received by the Subdistrict from the District are considered voluntary nonexchange transactions under GASB Statement No. 33, since these taxes are levied under the District's taxing and power and subsequently provided to the Subdistrict. As such, the Subdistrict does not recognize St. Louis City and St. Louis County property taxes as revenue until these taxes have been collected by the District and deposited within the Subdistrict's account with the District.

**THE MISSOURI HISTORY MUSEUM SUBDISTRICT
OF THE METROPOLITAN ZOOLOGICAL PARK
AND MUSEUM DISTRICT OF THE CITY OF
ST. LOUIS AND ST. LOUIS COUNTY**

Notes to Basic Financial Statements

December 31, 2004

(d) Investments

Investments in marketable securities are carried at fair value. Fair value is established as readily determinable current market values for equity and debt securities.

(e) Capital Assets

Purchased property and equipment of the Subdistrict are accounted for as expenditures in the general fund. On the governmentwide financial statements, property and equipment are capitalized at their historical cost. Donated property and equipment are recorded at estimated fair market value at the date of donation unless fair market value is not readily determinable, in which case the asset is recorded at nominal value to establish accountability. Within the governmentwide financial statements, depreciation on buildings is computed on the straight-line basis over the estimated useful lives of the assets, which is 40 years. Land is not depreciated.

The Society's property and equipment consist of leasehold improvements and furniture, fixtures, and equipment, which is stated at cost or, if donated, at fair market value at the date of donation. Amortization on leasehold improvements and depreciation on furniture, fixtures, and equipment is computed on the straight-line basis over the estimated useful lives of the assets, ranging from 5 to 40 years. Total amortization and depreciation for 2004 amounted to \$1,337,449.

(f) Museum Collections

Purchased historic material is expensed at the time of purchase and not capitalized. Contributed historic material is not valued and thus not reflected in the accompanying financial statements.

(g) Contributions

The Society reports contributions, including unconditional promises to give due in future periods, as revenue in the period received.

(h) Federal Income Taxes

The Subdistrict and Society are exempt from Federal income taxes under Sections 115(a) and 501(c)(3) of the Internal Revenue Code, respectively.

**THE MISSOURI HISTORY MUSEUM SUBDISTRICT
OF THE METROPOLITAN ZOOLOGICAL PARK
AND MUSEUM DISTRICT OF THE CITY OF
ST. LOUIS AND ST. LOUIS COUNTY**

Notes to Basic Financial Statements

December 31, 2004

(i) *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Subdistrict and Society to make estimates and assumptions that affect the reported amounts of assets and liabilities as of 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.

(j) *Implementation of New Accounting Pronouncements*

Effective January 1, 2004, the Subdistrict adopted GASB Statement No. 34, *Basic Financial Statements—and Management Discussion and Analysis—for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements—and Management Discussion and Analysis—for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. These statements represent a significant change in the financial reporting model used by state and local governments.

GASB Statement No. 34 as amended by GASB Statement No. 37 requires government-wide financial statements to be prepared using the accrual basis of accounting. Government-wide financial statements do not provide information by fund or account group, but distinguish between the Subdistrict's governmental activities, business-type activities (if applicable), and activities of its discretely presented component unit on the statement of net assets and statement of activities. Additionally, the Subdistrict's statement of net assets includes capital assets of the Subdistrict, which were previously recorded in the general fixed assets account group.

In addition to the government-wide financial statements the Subdistrict has prepared fund financial statements, which continue to use the modified accrual basis of accounting for the Subdistrict's general fund, which is similar to that previously presented for this fund in the Subdistrict's financial statements, although the format of financial statements has been modified by GASB No. 34.

GASB Statement No. 34 also includes, as required supplementary information, management's discussion and analysis, which provides an analytical overview of the Subdistrict's financial activities. In addition, a budgetary comparison schedule is presented that compares the original and final revised budgets for the Subdistrict's general fund with actual results.

**THE MISSOURI HISTORY MUSEUM SUBDISTRICT
OF THE METROPOLITAN ZOOLOGICAL PARK
AND MUSEUM DISTRICT OF THE CITY OF
ST. LOUIS AND ST. LOUIS COUNTY**

Notes to Basic Financial Statements

December 31, 2004

GASB Statement No. 38 requires certain disclosures to be made in the notes to the basic financial statements concurrent with the implementation of GASB Statement No. 34. This statement did not affect amounts reported in the basic financial statements of the Subdistrict.

A reconciliation of fund equity of the general fund at December 31, 2003 to net assets of governmental activities as of January 1, 2004 is as follows:

Fund equity—general fund, December 31, 2003	\$ 1,850,872
Required GASB Statement No. 34 adjustments:	
Capital assets, net of accumulated depreciation	<u>583,470</u>
Total net assets, January 1, 2004	<u>\$ 2,434,342</u>

**THE MISSOURI HISTORY MUSEUM SUBDISTRICT
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Notes to Basic Financial Statements

December 31, 2004

(2) Cash and Investments

At December 31, 2004, the carrying amount of the Subdistrict's cash deposits was \$5,656 and the bank balance was \$11,518. These amounts were entirely covered by federal depository insurance.

The Society is a private not-for-profit organization and, as such, its deposits and investments are not subject to collateralization and categorization disclosures as required by accounting principles generally accepted in the United States of America related to governmental entities. At December 31, 2004, the Society's investments are comprised of the following:

	<u>Cost</u>	<u>Market value</u>
Money market funds and cash equivalents	\$ 5,346,869	5,346,869
Certificates of deposit	1,484,093	1,484,093
Corporate stocks	7,973,134	8,719,290
Corporate papers	998,650	998,650
Corporate bonds and debentures	1,329,686	1,351,675
U.S. Government obligations	3,807,991	3,808,905
Mutual funds	863,156	869,256
Real estate	41,169	41,169
	<u>\$ 21,844,748</u>	<u>22,619,907</u>

**THE MISSOURI HISTORY MUSEUM SUBDISTRICT
OF THE METROPOLITAN ZOOLOGICAL PARK
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Notes to Basic Financial Statements

December 31, 2004

(3) Capital Assets

The following is a summary of changes in capital assets for the Subdistrict for the year ended December 31, 2004:

	Balance January 1, 2004	Additions	Retirements	Balance December 31, 2004
Capital assets not being depreciated:				
Land	\$ 105,000	—	—	105,000
Total capital assets not being depreciated	105,000	—	—	105,000
Capital assets being depreciated:				
Building	738,474	—	—	738,474
Total capital assets being depreciated	738,474	—	—	738,474
Less accumulated depreciation for:				
Building	260,004	18,462	—	278,466
Total accumulated depreciation	260,004	18,462	—	278,466
Total capital assets being depreciated, net	478,470	(18,462)	—	460,008
Capital assets, net	\$ 583,470	(18,462)	—	565,008

Depreciation expense is charged entirely to the general government expense function on the statement of activities.

**THE MISSOURI HISTORY MUSEUM SUBDISTRICT
OF THE METROPOLITAN ZOOLOGICAL PARK
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Notes to Basic Financial Statements

December 31, 2004

The following is a summary of changes in capital assets for the Society for the year ended December 31, 2004:

	Balance January 1, 2004	Additions	Retirements	Balance December 31, 2004
Capital assets being depreciated:				
Leasehold improvements	36,574,008	164,386	-	36,738,394
Furniture and equipment	2,683,829	62,850	-	2,746,679
Total capital assets being depreciated	<u>39,257,837</u>	<u>227,236</u>	<u>-</u>	<u>39,485,073</u>
Less accumulated depreciation for:				
Leasehold improvements	7,027,612	1,154,816	-	8,182,428
Furniture and equipment	2,248,001	182,633	-	2,430,634
Total accumulated depreciation	<u>9,275,613</u>	<u>1,337,449</u>	<u>-</u>	<u>10,613,062</u>
Total capital assets being depreciated, net	<u>29,982,224</u>	<u>(1,110,213)</u>	<u>-</u>	<u>28,872,011</u>
Capital assets, net	<u>\$ 29,982,224</u>	<u>(1,110,213)</u>	<u>-</u>	<u>28,872,011</u>

**THE MISSOURI HISTORY MUSEUM SUBDISTRICT
OF THE METROPOLITAN ZOOLOGICAL PARK
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Notes to Basic Financial Statements

December 31, 2004

(4) Property Taxes

The District levies property taxes on the assessed value listed as of each January 1 for all real and personal property located in the City of St. Louis and St. Louis County. The levy is based on an annual submission from the Subdistrict, which cannot exceed 4.0 cents per \$100 of assessed valuation. The tax levy was 3.94 cents per \$100 of assessed valuation for 2004. Taxes are levied each October and are due on December 31 for the previous January 1 assessment. Taxes collected by the District on behalf of the Subdistrict are recognized as revenue when credited to the Subdistrict's account with the District.

(5) Contract With the Missouri Historical Society

The Subdistrict and the Society entered into an annually renewable contract for history museum services in 1988, which renews automatically for one year each April 21 unless either party gives written notice regarding their desire to terminate the agreement 90 days prior to renewal. The contract provides for history museum facilities and services to be provided to the public in exchange for compensation not to exceed the amount of tax revenues received by the Subdistrict from the District, less any Subdistrict expenses. The annual compensation is determined each year based upon an annual budget submitted by the Society to the Subdistrict.

(6) Employee Benefit Plan

Effective January 1, 1986, the Society adopted a defined contribution plan for all employees with at least two years of service. The plan provided for the Society to contribute 5% of the participants' salaries with no employee contributions permitted. In 1996, the Society adopted a 403(b) salary reduction plan, which provides for the Society to match employee contributions at the maximum of \$500 or 1% of annual participants' salaries. Plan expenses were \$255,869 for the year ended December 31, 2004.

(7) Employee Deferred Compensation Plan

Effective December 1, 2002, the Society adopted a 457(b) deferred compensation plan for certain employees. Participation in the plan for this employee group is voluntary and allows them to defer a portion of their salary to future years. The value of these plan assets was \$92,765 at December 31, 2004.

**THE MISSOURI HISTORY MUSEUM SUBDISTRICT
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Notes to Basic Financial Statements

December 31, 2004

(8) Commitments

At December 31, 2004, the Society was committed for certain equipment under noncancelable operating leases, which expire at various dates through the year 2009. The following is a schedule by years of future minimum rental payments required under these leases:

Years ending December 31	
2005	\$ 82,562
2006	49,964
2007	45,110
2008	15,365
2009	<u>20</u>
	<u>\$ 193,021</u>

(9) Note Receivable

The Society has entered into a promissory note with the Lewis and Clark National Bicentennial Council (the Council) to provide financing for the Council's activities. This note allows the Society to provide a maximum amount of funding to the Council of \$845,000; however, in no event shall the amount of funding provided to the Council under the note exceed \$307,500 in any calendar year. All principal and interest on the note is due December 15, 2005. The note bears interest at a rate per annum equal to the 10-year U.S. Treasury Note yield, which is adjusted the first day of January. The note bore interest at a rate of 4.37% at December 31, 2004. The note receivable was \$569,312 at December 31, 2004. The president of the Missouri Historical Society also serves as president of the Council.

**The Missouri History Museum Subdistrict
of the Metropolitan Zoological Park
and Museum District of the City of
St. Louis and St. Louis County**
**Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—General Fund**
Required Supplementary Information—UNAUDITED
For the year ended December 31, 2004

REVENUES	<u>Original Budget</u>	<u>Final Revised Budget</u>	<u>Actual (Budget Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Receipts from the Metropolitan Zoological Park and Museum District:	\$			
St. Louis City property taxes			1,505,564	
St. Louis County property taxes			8,202,337	
Interest earned			28,606	
Less assessments, net			(71,293)	
Total receipts	<u>8,300,000</u>	<u>8,300,000</u>	<u>9,665,214</u>	1,365,214
Interest income	200	200	149	(51)
Rental income	20	20	20	-
Total revenues	<u>8,300,220</u>	<u>8,300,220</u>	<u>9,665,383</u>	<u>1,365,163</u>
EXPENDITURES				
Current:				
Payments to the Missouri Historical Society:				
History museum services	8,140,000	8,140,000	8,180,807	40,807
Capital projects	100,000	100,000	22,103	(77,897)
General government	29,700	29,700	31,084	1,384
Total expenditures	<u>8,269,700</u>	<u>8,269,700</u>	<u>8,233,994</u>	<u>(35,706)</u>
Excess of revenues over expenditures	<u>\$ 30,520</u>	<u>30,520</u>	<u>1,431,389</u>	<u>1,400,869</u>

See accompanying independent auditors' report.

**The Missouri History Museum Subdistrict
of the Metropolitan Zoological Park
and Museum District of the City of
St. Louis and St. Louis County**
**Notes to Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—General Fund**
Required Supplementary Information—UNAUDITED
For the year ended December 31, 2004

(1) Explanation of Budgetary Process

The Subdistrict adopts an annual budget based on the operating budget submitted to the Subdistrict by the Society and estimated Subdistrict administrative expenses. The annual budget is prepared on the cash basis of accounting, approved by the Subdistrict's Board of Commissioners, and submitted to the District for use in establishing the annual tax levy. Expenditures in total may not legally exceed appropriations.

See accompanying independent auditors' report.