



**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
METROPOLITAN ZOOLOGICAL
PARK AND MUSEUM DISTRICT**

December 31, 2008 and 2007

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, 2008 and 2007, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issues by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 accounting principles generally accepted in the United States of America 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, 2008 and 2007, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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, 2008 and 2007, and its changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Locations

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2009, on our consideration of the Metropolitan Zoological Park and Museum District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis on pages 5 through 9 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 supplementary information. However, we did not audit the information and express no opinion on it.

Kuhlen Eck & Brantel LLP

St. Louis, Missouri
March 30, 2009

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED Year ended December 31, 2008 and 2007

The management's 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, 2008 and 2007. 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 \$67.75 million in 2006 to \$71.68 million in 2007 to \$72.29 million in 2008. The 2007 revenue is approximately 5.8% higher than that of 2006; the 2008 revenue exceeded the District's 2007 revenue by 0.86%. The District's 2006 revenue showed only minimal growth over its 2005 revenue since 2006 was not a reassessment year. The 2007 reassessment of property within the District saw total assessments increase by approximately 15% over the previous year's values. The District's 2007 revenue increased over that of 2006 because the 2007 property tax rate computation allowed for the effect of the certified consumer price index (2.6%) and the taxation of property that was excluded as new construction in 2006. The District also recognized other tax revenue that did not directly result from the 2007 property tax levy. The District recognized no reassessment revenue growth in 2008. The relatively small addition to revenue resulted from the 2008 taxation of property that was previously classified as new construction and not subject to tax in 2007.
- In 2006 and 2007 the District Board limited the organization's operating costs to 2% of the tax revenue collected in those years. The 2008 tax resolution allowed the District to retain the statutory percentage (5%) from its current and future collections of 2008 property taxes. The retained amount is available for the District's administration.
- In 2008, the costs of operating the District's central office approximated 0.65% of the year's tax net revenue (\$71,871,495).
- The District's distributions to the Subdistricts continue to provide a significant portion of each cultural institution's operating revenue. The impact of the distributions varies among the Subdistricts. The following schedule represents the percentage that results when each institution's 2008 distribution is compared to its total gross operating revenue:

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
Year ended December 31, 2008 and 2007

Institution	Distribution to Subdistrict as a Percentage of Total Gross Operating Revenue
Saint Louis Zoo	50%
Saint Louis Art Museum	94%
Saint Louis Science Center	55%
Missouri Botanical Garden	27%
Missouri History Museum	71%

Required Financial Statements

The financial statements presented by the District's management 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 accrual basis of accounting. This accounting method recognizes revenue at the time it is earned; an expense is recognized when the related liability is incurred or when economic assets are consumed.

The Statements of Net Assets summarize the financial position of the District at December 31. These statements are a snapshot of the District's current assets, capital assets, and current 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, capital and related financing activities, and investing activities. These statements assist the reader in determining the sources of cash coming into the District, identifying the items for which cash was expended, and reconciling the beginning and ending cash balances.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED Year ended December 31, 2008 and 2007

Table 1
Condensed Statements of Net Assets
December 31,

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Current assets	\$ 64,499,335	\$ 57,612,282	\$ 54,415,286
Capital assets	<u>39,982</u>	<u>41,381</u>	<u>58,844</u>
Total assets	<u>\$ 64,539,317</u>	<u>\$ 57,653,663</u>	<u>\$ 54,474,130</u>
Current liabilities	\$ 60,112,872	\$ 54,855,213	\$ 52,689,644
Net assets			
Invested in capital assets, net of related debt	39,982	41,381	58,844
Unrestricted	<u>4,386,463</u>	<u>2,757,069</u>	<u>1,725,642</u>
Total net assets	<u>4,426,445</u>	<u>2,798,450</u>	<u>1,784,486</u>
Total liabilities and net assets	<u>\$ 64,539,317</u>	<u>\$ 57,653,663</u>	<u>\$ 54,474,130</u>

The District's current assets are primarily composed of cash and cash equivalents and taxes receivable from St. Louis City and County residents. The current liabilities of the District reflect amounts due to suppliers and vendors and the five Subdistricts. Liabilities for Subdistrict funds held on deposit with the District and future tax collections payable to the Subdistricts are the major components of the District's liabilities. Accounts payable, resulting from District administrative operations account for a minor portion of the District's liabilities in 2006, 2007 and 2008.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED Year ended December 31, 2008 and 2007

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

	2008	2007	2006
Operating revenues	\$ 72,291,675	\$ 71,676,471	\$ 67,748,063
Operating expenses	71,068,452	71,393,414	68,105,529
Operating income (loss)	1,223,223	283,057	(357,466)
Nonoperating revenue	404,772	730,907	640,017
CHANGE IN NET ASSETS	1,627,995	1,013,964	282,551
Net assets at beginning of year	2,798,450	1,784,486	1,501,935
Net assets at end of year	<u>\$ 4,426,445</u>	<u>\$ 2,798,450</u>	<u>\$ 1,784,486</u>

The District's 2008 operating revenues exceed those of 2007 by 0.86% while the 2007 operating revenues exceeded those of 2006 by 5.8%. The District realized no overall assessment growth in 2008. The small revenue increase resulted from the inclusion of property that was previously classified as new construction, and therefore not subject to tax in 2007, within the 2008 property assessment rolls. The increase that is recognized when 2007 revenue is compared to that of 2006 exists due to the reassessment of property within the District and the inclusion of property classified as new construction in 2006 within the 2007 assessment data. The decrease in 2008 nonoperating revenue reflects the diminished rates of return that were available on District investments.

The prime cause of the increase in operating expenses in 2007, as compared to 2006, is the expanded Subdistrict support. Operating expenses for 2008 were almost \$325,000 less than those of 2007. A reduction in the support to the Subdistricts of almost \$176,000 and a decrease in the provision for uncollectible taxes of approximately \$138,000 are the two primary causes of this decline.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED Year ended December 31, 2008 and 2007

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Cash flows from operating activities	\$ 5,281,068	\$ (3,129,771)	\$ (1,229,211)
Cash flows from capital and related financing activities	(14,429)	-	(9,415)
Cash flows from investing activities	<u>404,772</u>	<u>724,282</u>	<u>640,622</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,671,411	(2,405,489)	(598,004)
Cash and cash equivalents at beginning of year	<u>17,635,600</u>	<u>20,041,089</u>	<u>20,639,093</u>
Cash and cash equivalents at end of year	<u>\$ 23,307,011</u>	<u>\$ 17,635,600</u>	<u>\$ 20,041,089</u>

When the District's 2007 cash flow from operations is compared to that of 2006, a decline of approximately \$1.9 million is noted. The primary causes for this reduction include decreased cash receipts, due to timing, and an increased level of Subdistrict support. The cash flows from 2008's operating activities exceed that from 2007 by almost \$8.4 million. The major causes for this increased cash flow include an acceleration of tax collection amounting to approximately \$5.3 million, a reduction in Subdistrict support of nearly \$3.2 million, and an increase in payments to vendors and suppliers of \$0.1 million.

Cash flows from 2008 investing activities were substantially lower than the 2007 cash flows in the same category. This reduction results from the decreased rates of investment interest available on District investments. Interest revenue is the only source of investing activity cash flows.

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 Boulevard, Suite 550, St. Louis, Missouri 63105.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

STATEMENTS OF NET ASSETS - PROPRIETARY FUND

December 31,

	Enterprise Fund	
	2008	2007
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,524,104	\$ 2,075,868
Restricted cash and cash equivalents	20,782,907	15,559,732
Accounts receivable		
Assessed property and license fees, net of allowance for uncollectibles of \$3,462,986 in 2008 and \$3,292,648 in 2007	41,039,840	39,970,057
Miscellaneous accounts receivable	152,484	6,625
Total current assets	64,499,335	57,612,282
Noncurrent assets		
Capital assets, net of accumulated depreciation		
Leasehold improvements	7,938	12,472
Office furniture and equipment	31,500	28,054
Telephone equipment	544	855
Total noncurrent assets	39,982	41,381
Total assets	\$ 64,539,317	\$ 57,653,663
LIABILITIES		
Current liabilities		
Accounts payable	\$ 83,137	\$ 106,559
Taxes payable to Subdistricts	60,029,735	54,748,654
Total current liabilities	60,112,872	54,855,213
NET ASSETS		
Invested in capital assets, net of related debt	39,982	41,381
Unrestricted	4,386,463	2,757,069
Total net assets	4,426,445	2,798,450
Total liabilities and net assets	\$ 64,539,317	\$ 57,653,663

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	
	2008	2007
Operating revenues		
Real and personal property tax	\$ 66,520,236	\$ 66,052,441
Merchants' and manufacturers' license	1,603,332	1,571,235
Surtax on commercial real estate	4,070,435	3,924,397
Financial institution tax	97,672	128,398
Total operating revenues	72,291,675	71,676,471
Operating expenses		
Subdistrict support	70,182,024	70,358,159
Salaries and personnel costs	225,739	195,338
Provision for uncollectible taxes	420,180	558,289
Office occupancy	60,155	55,859
Legal fees	74,241	71,130
Other professional fees	35,980	101,675
Insurance	12,080	11,894
Maintenance and service contracts	858	656
Computer	2,250	3,012
Office supplies and postage	3,616	2,906
Telephone	2,828	2,833
Subscriptions	1,469	1,278
Communications	21,004	-
Miscellaneous	10,199	12,922
Depreciation and amortization	15,829	17,463
Total operating expenses	71,068,452	71,393,414
Operating income	1,223,223	283,057
Nonoperating revenue		
Investment income	404,772	730,907
CHANGE IN NET ASSETS	1,627,995	1,013,964
Net assets at beginning of year	2,798,450	1,784,486
Net assets at end of year	<u>\$ 4,426,445</u>	<u>\$ 2,798,450</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	
	2008	2007
Cash flows from operating activities		
Receipts from St. Louis City and County taxpayers	\$ 70,655,853	\$ 65,517,791
Payments to and for the benefit of employees	(199,527)	(189,490)
Payments to suppliers, vendors and Subdistricts	<u>(65,175,258)</u>	<u>(68,458,072)</u>
Net cash provided by (used in) operating activities	5,281,068	(3,129,771)
Cash flows from capital and related financing activities		
Purchase of capital assets	(14,429)	-
Cash flows from investing activities		
Investment income	<u>404,772</u>	<u>724,282</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 5,671,411	 (2,405,489)
Cash and cash equivalents at beginning of year	<u>17,635,600</u>	<u>20,041,089</u>
Cash and cash equivalents at end of year	<u><u>\$ 23,307,011</u></u>	<u><u>\$ 17,635,600</u></u>
Reconciliation of operating income to net cash provided by (used in) operating activities		
Operating income	\$ 1,223,223	\$ 283,057
Adjustments to reconcile operating income to net cash provided by (used in) operating activities		
Depreciation and amortization	15,829	17,463
Changes in assets and liabilities		
Accounts receivable, net	(1,215,642)	(5,599,872)
Prepaid expense	-	4,012
Accounts payable	(23,423)	56,286
Taxes payable to Subdistricts	<u>5,281,081</u>	<u>2,109,283</u>
Net cash provided by (used in) operating activities	<u>\$ 5,281,068</u>	<u>\$ (3,129,771)</u>
Reconciliation of cash and cash equivalents to statements of net assets		
Cash and cash equivalents, unrestricted	\$ 2,524,104	\$ 2,075,868
Cash and cash equivalents, restricted	<u>20,782,907</u>	<u>15,559,732</u>
 Total cash and cash equivalents	 <u>\$ 23,307,011</u>	 <u>\$ 17,635,600</u>

The accompanying notes are an integral part of these statements.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

NOTES TO FINANCIAL STATEMENTS Year ended December 31, 2008 and 2007

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. At its inception, the District included three Subdistricts: the Zoological Park Subdistrict, the Art Museum Subdistrict, and the Science Center (Museum of Science & Natural History) Subdistrict. The voters of St. Louis City and County allowed the Botanical Garden to become the group's fourth Subdistrict in 1983; the Missouri History Museum entered the District in 1988.

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 may retain five percent of total tax revenue for administrative expenses; however, the District Board of Directors (the Board) limited 2007 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 accounting principles generally accepted in the United States of America (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 fund, 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.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

NOTES TO FINANCIAL STATEMENTS Year ended December 31, 2008 and 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

1. Reporting Entity – Continued

As defined by GASB No. 14, as amended by GASB No. 39, 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 District has elected to exclude all component units from these financial statements.

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, MO 63110	St. Louis Science Center Subdistrict 5050 Oakland Ave St. Louis, MO 63110	Art Museum Subdistrict 1 Fine Arts Drive St. Louis, MO 63110
History Museum Subdistrict and the Missouri Historical Society c/o P.O. Box 11940 St. Louis, MO 63122	Botanical Garden Subdistrict and the Missouri Botanical Garden c/o P.O. Box 299 St. Louis, MO 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 District uses an Enterprise Fund to account for its activities including the collection of tax monies received from the City of St. Louis (City) and from St. Louis County (County), the payment of expenses for operating the District, and the maintenance of assets held by the District for the benefit of the Subdistricts.

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.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

NOTES TO FINANCIAL STATEMENTS Year ended December 31, 2008 and 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3. Measurement Focus and Basis of Accounting – Continued

The financial statements are prepared using the economic resources measurement focus. 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.

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

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.

The statute authorizing the establishment of the District mandates that all tax monies collected for a Subdistrict shall be segregated from all other funds. The District has recognized these tax monies along with the interest earned on such amounts as restricted cash and cash equivalents.

5. Property Taxes

Property taxes attach as an 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 on 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 ultimately may not 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 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.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2008 and 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

6. Capital Assets and Depreciation

The District's capital assets include 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.

7. Equity Classifications

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 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. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

8. Taxes Payable to Subdistricts

The District provides resources to the Subdistricts under a continuing appropriation. Accordingly, the District recognizes a liability to the Subdistricts for their allocable share of tax revenues levied by the District. The amount due to Subdistricts represents the funds collected and held by the District in an account on behalf of the Subdistricts and the estimated support from tax receipts, which were not collected by year-end.

9. Use of Estimates

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

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

NOTES TO FINANCIAL STATEMENTS Year ended December 31, 2008 and 2007

NOTE B – CASH AND INVESTMENTS

The cash deposits and investments of the District are summarized and presented in the financial statements as follows for the year ended December 31,:

	<u>2008</u>	<u>2007</u>
Cash deposits	\$ 23,307,011	\$ 34,705
Investments		
U.S. Government agency securities		
Federal Home Loan Bank	-	806,166
Federal National Mortgage Association	-	499,968
Repurchase agreement	-	16,294,761
	<u>\$ 23,307,011</u>	<u>\$ 17,635,600</u>
Cash and cash equivalents	\$ 2,524,104	\$ 2,075,868
Restricted cash and cash equivalents	<u>20,782,907</u>	<u>15,559,732</u>
	<u>\$ 23,307,011</u>	<u>\$ 17,635,600</u>

Deposits

Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2008, the carrying amount of the deposits under District control was \$23,307,011 and the bank balance was \$23,321,845. At December 31, 2007, the carrying amount of the deposits under District control was \$34,705 and the bank balance was \$49,580. All such deposits were covered by federal depository insurance.

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 has no investment policy that would further limit its investment choices.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

NOTES TO FINANCIAL STATEMENTS Year ended December 31, 2008 and 2007

NOTE B – CASH AND INVESTMENTS - Continued

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. All of the investments held by the District mature within three months from the date of purchase.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments, including the government agency securities underlying the repurchase agreements, were rated Aaa (long-term) or P-1 (short term) by Moody's Investors Service.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. At December 31, 2008, investments in any one issuer representing 5% or more of the total investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Percentage</u>
First National Bank of St. Louis	Repurchase Agreement	93%

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2008, all of the District's investments, including the securities underlying the repurchase agreements, are held by the District's agent in the District's name.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

NOTES TO FINANCIAL STATEMENTS Year ended December 31, 2008 and 2007

NOTE C – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008, was as follows:

	Balance at January 1, 2008	Additions	Disposals	Balance at December 31, 2008
Leasehold improvements	\$ 45,358	\$ -	\$ -	\$ 45,358
Office furniture and equipment	95,134	14,429	-	109,563
Telephone equipment	3,110	-	-	3,110
Totals at historical cost	<u>143,602</u>	<u>14,429</u>	<u>-</u>	<u>158,031</u>
Less accumulated depreciation				
Leasehold improvements	(32,885)	(4,536)	-	(37,421)
Office furniture and equipment	(67,081)	(10,981)	-	(78,062)
Telephone equipment	(2,255)	(311)	-	(2,566)
Total accumulated depreciation	<u>(102,221)</u>	<u>(15,828)</u>	<u>-</u>	<u>(118,049)</u>
Capital assets, net	<u><u>\$ 41,381</u></u>	<u><u>\$ (1,399)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 39,982</u></u>

Capital asset activity for the year ended December 31, 2007, was as follows:

	Balance at January 1, 2007	Additions	Disposals	Balance at December 31, 2007
Leasehold improvements	\$ 45,358	\$ -	\$ -	\$ 45,358
Office furniture and equipment	95,134	-	-	95,134
Telephone equipment	3,110	-	-	3,110
Totals at historical cost	<u>143,602</u>	<u>-</u>	<u>-</u>	<u>143,602</u>
Less accumulated depreciation				
Leasehold improvements	(28,350)	(4,536)	-	(32,886)
Office furniture and equipment	(54,464)	(12,616)	-	(67,080)
Telephone equipment	(1,944)	(311)	-	(2,255)
Total accumulated depreciation	<u>(84,758)</u>	<u>(17,463)</u>	<u>-</u>	<u>(102,221)</u>
Capital assets, net	<u><u>\$ 58,844</u></u>	<u><u>\$ (17,463)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 41,381</u></u>

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

NOTES TO FINANCIAL STATEMENTS Year ended December 31, 2008 and 2007

NOTE D – LEASE COMMITMENTS

The District leases its office facilities under an operating lease that expires on July 30, 2010. Total rent expense for the years ended December 31, 2008 and 2007 was \$60,155 and \$55,859, respectively.

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

Year ended December 31,

2009	\$ 53,284
2010	<u>31,082</u>
Total minimum lease payments required	<u>\$ 84,366</u>

NOTE E – RETIREMENT 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, 2008 and 2007 were not significant.

NOTE F – PROTESTED TAXES

Each year the City and County remit certain unresolved protested tax payments to the District. When the City or County 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 or the County will not be material in relation to the District's financial position and results of operations. The amount of District taxes paid under protest and held in escrow by the City and the County of St. Louis at December 31, 2008 was approximately \$164,000 and \$5,206,000, respectively. It was not possible to accurately determine the amount of District taxes paid under protest and held in escrow by the City and the County of St. Louis at December 31, 2007.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

NOTES TO FINANCIAL STATEMENTS **Year ended December 31, 2008 and 2007**

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; and 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.

NOTE H – CONTINGENCIES

The District is a defendant in various lawsuits. Although the outcome of these suits is not presently determinable, in the opinion of the District's Counsel, the resolution of these matters will not have a material adverse effect on the financial condition or results of operations.