

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**METROPOLITAN ZOOLOGICAL
PARK AND MUSEUM DISTRICT**

December 31, 2010 and 2009

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3 - 4
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED	5 - 9
BASIC FINANCIAL STATEMENTS	
STATEMENTS OF NET ASSETS – PROPRIETARY FUND	10
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – PROPRIETARY FUND	11
STATEMENTS OF CASH FLOWS – PROPRIETARY FUND	12
NOTES TO FINANCIAL STATEMENTS	13 - 19



Kerber, Eck & Braeckel LLP

CPAs and
Management Consultants

One South Memorial Drive, Ste. 950
St. Louis, MO 63102-2439
ph 314.231.6232
fax 314.231.0079
www.kebcpa.com

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, 2010 and 2009, 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*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 do not include financial data for the District's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the District's primary government unless the District also issues financial statements for the financial reporting entity that include the financial data for its component units. The District has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net assets, revenues, and expenses of the aggregate discretely presented component units would have been reported as \$634,853,160, \$90,219,561, \$544,633,599, \$179,886,844 and \$122,971,541 for 2010 and \$566,925,936, \$79,207,640, \$487,718,296, \$163,298,325 and \$115,868,402 for 2009, respectively.

In our opinion, because of the omission of the discretely presented component units, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of the Metropolitan Zoological Park and Museum District as of December 31, 2010 and 2009, or the changes in financial position thereof for the years then ended.

Other Locations

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

Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the primary government of the Metropolitan Zoological Park and Museum District, as of December 31, 2010 and 2009, and the 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2011, 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 should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 5 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Kubler, Eck & Branded LLP

St. Louis, Missouri
April 5, 2011

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

Year ended December 31, 2010 and 2009

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, 2010 and 2009. 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 \$72.29 million in 2008 to \$72.60 million in 2009 to \$72.91 million in 2010. The District's 2009 revenue exceeded its 2008 revenue by 0.43%; the 2010 tax revenue was 0.43% greater than that of the preceding year. The growth in the District's 2009 and 2010 revenue resulted from the taxation of property that was classified as new construction in the prior year and therefore not subject to tax. No increase in the adjusted valuation of existing property located within the District was recognized in 2008, 2009 or 2010.
- The District Board's 2008, 2009 and 2010 tax resolutions allowed the organization to retain the statutory percentage (5%) from current and future collections of property taxes that result from these levies. The amounts withheld are available for the District's administration.
- The 2010 District operating expenses equaled approximately 0.64% of the year's net tax revenue (\$71,884,242). On April 26, 2010, the Board authorized the distribution of the District's 2009 unused administrative fees to the Subdistricts. The unused administrative fees totaled \$3,016,876 and were allocated in the following manner:

Subdistrict	Amount of Distribution
Zoological Park Subdistrict	\$ 863,824.51
Art Museum Subdistrict	863,824.51
Science Center Subdistrict	429,757.39
Botanical Garden Subdistrict	429,757.39
History Museum Subdistrict	429,712.20
Total Distribution	<u>\$ 3,016,876.00</u>

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

Year ended December 31, 2010 and 2009

Financial Highlights – Continued

- The following table summarizes the 2010 property tax rates levied by the District Board as well as the maximum tax rates that can be levied for the benefit of each Subdistrict:

<u>Subdistrict</u>	<u>2010 Tax Rate per \$100 of assessed valuation</u>	<u>Maximum Authorized Levy</u>
Zoological Park Subdistrict	7.27 cents	8 cents
Art Museum Subdistrict	7.27 cents	8 cents
Science Center Subdistrict	3.64 cents	4 cents
Botanical Garden Subdistrict	3.64 cents	4 cents
History Museum Subdistrict	3.64 cents	4 cents

The District's support of the Subdistricts continues to provide a significant portion of each cultural institution's operating revenue. The economic significance of the distributions varies among the Subdistricts.

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, 2010 and 2009

Required Financial Statements - Continued

Table 1
Condensed Statements of Net Assets
December 31,

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Current assets	\$ 67,408,591	\$ 65,821,350	\$ 64,499,335
Capital assets	<u>4,380</u>	<u>18,553</u>	<u>39,982</u>
Total assets	<u>\$ 67,412,971</u>	<u>\$ 65,839,903</u>	<u>\$ 64,539,317</u>
Current liabilities	\$ 62,200,710	\$ 60,790,516	\$ 60,112,872
Net assets			
Invested in capital assets, net of related debt	4,380	18,553	39,982
Unrestricted	<u>5,207,881</u>	<u>5,030,834</u>	<u>4,386,463</u>
Total net assets	<u>5,212,261</u>	<u>5,049,387</u>	<u>4,426,445</u>
Total liabilities and net assets	<u>\$ 67,412,971</u>	<u>\$ 65,839,903</u>	<u>\$ 64,539,317</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, 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 and accrued expenses, resulting from District administrative operations, account for a minor portion of the District's liabilities in 2008, 2009, and 2010.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

Year ended December 31, 2010 and 2009

Required Financial Statements - Continued

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

	2010	2009	2008
Operating revenues	\$ 72,911,621	\$ 72,601,706	\$ 72,291,675
Operating expenses	72,810,582	72,030,934	71,068,452
Operating income	101,039	570,772	1,223,223
Nonoperating revenue	61,835	52,170	404,772
CHANGE IN NET ASSETS	162,874	622,942	1,627,995
Net assets at beginning of year	5,049,387	4,426,445	2,798,450
Net assets at end of year	\$ 5,212,261	\$ 5,049,387	\$ 4,426,445

The District's 2010 operating revenues exceeded those of 2009 by 0.43%; the 2009 operating revenues exceeded the 2008 operating revenue by 0.43%. No overall increase in the net assessment of property located within the District was recognized in 2008, 2009 or 2010. The small annual revenue increases resulted from the taxation of property that was previously classified as new construction and therefore not subject to tax.

The District's 2009 operating expenses were nearly \$962,500 greater than those from 2008. Increases of approximately \$942,600 in the provision for uncollectible taxes, \$28,800 in legal fees and \$5,600 in depreciation and amortization expenses along with a decrease of almost \$21,900 in other professional fees were the major components of the growth of 2009's total operating expenses. Operating expenses for 2010 were almost \$780,000 more than those incurred in the prior year. The growth in Subdistrict support of approximately \$1,119,000 coupled with a decline in the provision for uncollectible taxes that totaled \$335,000 are the primary factors that generated this year-to-year difference. Smaller decreases in office occupancy, legal fees and depreciation and amortization and an increase in salaries and personnel costs also occurred in 2010.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED Year ended December 31, 2010 and 2009

Required Financial Statements - Continued

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Cash flows from operating activities	\$ 4,449,449	\$ 430,196	\$ 5,281,068
Cash flows from capital and related financing activities	(3,664)	-	(14,429)
Cash flows from investing activities	<u>61,835</u>	<u>52,170</u>	<u>404,772</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,507,620	482,366	5,671,411
Cash and cash equivalents at beginning of year	<u>23,789,377</u>	<u>23,307,011</u>	<u>17,635,600</u>
Cash and cash equivalents at end of year	<u><u>\$ 28,296,997</u></u>	<u><u>\$ 23,789,377</u></u>	<u><u>\$ 23,307,011</u></u>

The District's cash flows from operations decreased by \$4.85 million from 2008 to 2009. Due to the timing of tax distributions, the District experienced a slight decline in tax collections. This reduction amounted to almost \$260,000. During the same year, however, its support to the Subdistricts increased by approximately \$4.45 million. These two occurrences were significant contributors to the decreased 2009 cash flows. When the District's 2010 cash flow from operations is compared to that of 2009, an increase of approximately \$4.02 million is recognized. The primary causes for this increase include an acceleration of tax collections amounting to \$4.41 million and an increase in Subdistrict support of nearly \$422,000.

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: 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	
	2010	2009
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,326,447	\$ 3,061,947
Restricted cash and cash equivalents	24,970,550	20,727,430
Accounts receivable		
Assessed property tax and license fees, net of allowance for uncollectibles of \$3,735,702 in 2010 and \$4,417,183 in 2009	39,111,594	42,031,973
Miscellaneous accounts receivable	-	-
Total current assets	67,408,591	65,821,350
Noncurrent assets		
Capital assets, net of accumulated depreciation		
Leasehold improvements	-	3,402
Office furniture and equipment	919	14,918
Telephone equipment	3,461	233
Total noncurrent assets	4,380	18,553
Total assets	\$ 67,412,971	\$ 65,839,903
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	\$ 61,862	\$ 63,443
Taxes payable to Subdistricts	62,138,848	60,727,073
Total current liabilities	62,200,710	60,790,516
NET ASSETS		
Invested in capital assets, net of related debt	4,380	18,553
Unrestricted	5,207,881	5,030,834
Total net assets	5,212,261	5,049,387
Total liabilities and net assets	\$ 67,412,971	\$ 65,839,903

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	
	2010	2009
Operating revenues		
Real and personal property tax	\$ 67,159,856	\$ 66,611,666
Merchants' and manufacturers' license	1,507,751	1,707,500
Surtax on commercial real estate	4,202,097	4,072,582
Financial institution tax	41,917	209,958
Total operating revenues	72,911,621	72,601,706
Operating expenses		
Subdistrict support	71,320,377	70,200,596
Salaries and personnel costs	265,809	225,620
Provision for uncollectible taxes	1,027,379	1,362,745
Office occupancy	48,735	60,179
Legal fees	79,924	103,029
Other professional fees	18,598	14,047
Insurance	13,215	13,232
Maintenance and service contracts	1,377	1,476
Computer	2,214	2,199
Office supplies and postage	2,923	3,000
Telephone	3,150	2,967
Subscriptions	1,081	1,353
Communications	3,775	9,286
Miscellaneous	4,188	9,775
Depreciation and amortization	17,837	21,430
Total operating expenses	72,810,582	72,030,934
Operating income	101,039	570,772
Nonoperating revenue		
Investment income	61,835	52,170
CHANGE IN NET ASSETS	162,874	622,942
Net assets at beginning of year	5,049,387	4,426,445
Net assets at end of year	<u>\$ 5,212,261</u>	<u>\$ 5,049,387</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	
	2010	2009
Cash flows from operating activities		
Receipts from St. Louis City and County taxpayers	\$ 74,804,621	\$ 70,399,311
Payments to and for the benefit of employees	(259,930)	(227,440)
Payments to suppliers, vendors and Subdistricts	(70,095,242)	(69,741,675)
Net cash provided by operating activities	4,449,449	430,196
Cash flows from capital and related financing activities		
Purchase of capital assets	(3,664)	-
Cash flows from investing activities		
Investment income	61,835	52,170
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,507,620	482,366
Cash and cash equivalents at beginning of year	23,789,377	23,307,011
Cash and cash equivalents at end of year	\$ 28,296,997	\$ 23,789,377
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 101,039	\$ 570,772
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	17,837	21,429
Changes in assets and liabilities		
Accounts receivable, net	2,920,379	(839,649)
Accounts payable	(1,581)	(19,694)
Taxes payable to Subdistricts	1,411,775	697,338
Net cash provided by operating activities	\$ 4,449,449	\$ 430,196
Reconciliation of cash and cash equivalents to statements of net assets		
Cash and cash equivalents, unrestricted	\$ 3,326,447	\$ 3,061,947
Cash and cash equivalents, restricted	24,970,550	20,727,430
Total cash and cash equivalents	\$ 28,296,997	\$ 23,789,377

The accompanying notes are an integral part of these statements.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2010 and 2009

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. Prior to 2008, the District Board limited the organization's administrative retention percentage to 2% of the collections from each year's tax levy. The 2008 through 2010 tax resolutions allowed the District to retain the statutory percentage (5%) from its current and future collections of 2008 through 2010 property taxes. It has been the District's policy to distribute all retained amounts not used for administrative expenses in a subsequent year.

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, 2010 and 2009

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 mzdstdl.org	St. Louis Science Center Subdistrict 5050 Oakland Ave St. Louis, MO 63110 slsc.org	Art Museum Subdistrict 1 Fine Arts Drive St. Louis, MO 63110 slam.org
History Museum Subdistrict and the Missouri Historical Society c/o P.O. Box 11940 St. Louis, MO 63122 mohistory.org	Botanical Garden Subdistrict and the Missouri Botanical Garden c/o P.O. Box 299 St. Louis, MO 63166 mobot.org	

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, 2010 and 2009

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. Tax receipts are forwarded 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 and economic factors.

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.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2010 and 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

NOTE B – CASH

Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2010, the carrying amount of the deposits under District control was \$28,296,997 and the bank balance was \$28,307,756. At December 31, 2009 the carrying amount of the deposits under District control was \$23,789,377 and the bank balance was \$23,807,759. All deposits were covered by federal depository insurance or by collateral held by the District's agent (Federal Home Loan Bank of Des Moines) in the District's name.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2010 and 2009

NOTE C – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010, was as follows:

	Balance at January 1, 2010	Additions	Disposals	Balance at December 31, 2010
Leasehold improvements	\$ 45,358	\$ -	\$ -	\$ 45,358
Office furniture and equipment	109,563	-	-	109,563
Telephone equipment	3,110	3,664	(3,110)	3,664
Totals at historical cost	158,031	3,664	(3,110)	158,585
Less accumulated depreciation				
Leasehold improvements	(41,956)	(3,402)	-	(45,358)
Office furniture and equipment	(94,645)	(13,999)	-	(108,644)
Telephone equipment	(2,877)	(436)	3,110	(203)
Total accumulated depreciation	(139,478)	(17,837)	3,110	(154,205)
Capital assets, net	\$ 18,553	\$ (14,173)	\$ -	\$ 4,380

Capital asset activity for the year ended December 31, 2009, was as follows:

	Balance at January 1, 2009	Additions	Disposals	Balance at December 31, 2009
Leasehold improvements	\$ 45,358	\$ -	\$ -	\$ 45,358
Office furniture and equipment	109,563	-	-	109,563
Telephone equipment	3,110	-	-	3,110
Totals at historical cost	158,031	-	-	158,031
Less accumulated depreciation				
Leasehold improvements	(37,420)	(4,536)	-	(41,956)
Office furniture and equipment	(78,063)	(16,582)	-	(94,645)
Telephone equipment	(2,566)	(311)	-	(2,877)
Total accumulated depreciation	(118,049)	(21,429)	-	(139,478)
Capital assets, net	\$ 39,982	\$ (21,429)	\$ -	\$ 18,553

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2010 and 2009

NOTE D – LEASE COMMITMENTS

During 2009 and 2010, the District leased its office facilities under an operating lease that expires on July 31, 2010. The District negotiated an amendment to the lease agreement that became effective January 1, 2010 and expires on July 31, 2017. Total rent expense for the years ended December 31, 2010 and 2009 was \$48,735 and \$60,179, respectively.

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

Year ended December 31,

2011	\$	46,068
2012		47,020
2013		47,971
2014		48,923
2015		49,874
Thereafter		<u>80,798</u>
	\$	<u>320,654</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, 2010 and 2009 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 County at December 31, 2010 was almost \$ 6,377,000. The City held no protested District taxes in escrow at December 31, 2010. At December 31, 2009, taxes paid under protest and held in escrow by the County was almost \$6,085,000. The City held no protested District taxes in escrow at December 31, 2009.

METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2010 and 2009

NOTE G – RISK MANAGEMENT

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